

TOWN OF MILLIS, MASSACHUSETTS

Independent Auditors' Reports Pursuant  
to Governmental Auditing Standards  
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2011

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Selectmen  
Town of Millis, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Millis, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

*Additional Offices:*

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town in a separate letter dated February 16, 2012.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*  
Andover, Massachusetts  
February 16, 2012



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REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Selectmen  
Town of Millis, Massachusetts

**Compliance**

We have audited the Town of Millis, Massachusetts' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

### **Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs item 11-1. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2011, and have issued our report thereon dated February 16, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*  
Andover, Massachusetts  
March 22, 2012

TOWN OF MILLIS, MASSACHUSETTS  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ <u>Program Name</u>	<u>Federal Catalogue Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed Through Massachusetts Department of Elementary and Secondary Education School Lunch Program	10.555	\$ 64,485
Total U.S. Department of Agriculture		64,485
<u>U.S. Department of Justice</u>		
Bullet Proof Vest Partnership	16.607	2,318
Total U.S. Department of Justice		2,318
<u>Institute of Museum and Library Services</u>		
Passed Through Massachusetts Board of Library Commissioners Library Services and Technology Act - Mother Goose on the Loose	45.310	4,231
Total Institute of Museum and Library Services		4,231
<u>U.S. Department of Education</u>		
Passed Through Massachusetts Department of Elementary and Secondary Education		
Title I	84.010	43,726
Title VIB P.L. 94-142 Handicapped Assistance	84.027	310,346
Drug Free Schools	84.186	2,924
Title IID Education Technology	84.318	903
Title IIA Improving Teacher Quality	84.367	28,628
Title VIB P.L. 94-142 Handicapped Assistance - ARRA	84.391	178,424
State Fiscal Stabilization Funds - ARRA	84.394	21,293
Education Jobs Fund	84.410	236,188
Total U.S. Department of Education		849,436
Passed Through Massachusetts Department of Early Education and Care		
Special Education Preschool	84.173	16,718
Special Education Preschool - ARRA	84.392	10,286
Total U.S. Department of Education		849,436
<u>U.S. Department of Health and Human Services</u>		
Public Health Emergency Preparedness/Response	93.069	71
Total U.S. Department of Health and Human Services		71
<u>U.S. Department of Homeland Security</u>		
Passed Through Massachusetts of Emergency Management Agency FEMA- Flood	97.029	18,210
Total U.S. Department of Homeland Security		18,210
Passed Through Massachusetts Department of EOPSS SHSP Lead Training	97.067	1,400
Total U.S. Department of Homeland Security		19,610
Grand Total		\$ 940,151

See Independent Auditors' Report on Compliance with OMB A-133.

This schedule has been prepared on the modified accrual basis of accounting.

State identifying numbers were not available for the pass-through grants listed above.



TOWN OF MILLIS, MASSACHUSETTS  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiency identified?  yes  none reported

Type of auditors' report issued on compliance for major programs:

Special Education Cluster with ARRA Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173/84.391/84.392	Special Education Cluster with ARRA

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
11-1	Special Education Cluster 84.027/ 84.391/ 84.392	<p><u>Improve Controls over School General Ledger (Significant Deficiency)</u></p> <p><u>Criteria:</u> The A-102 Common Rule and OMB Circular A-110 requires non-federal entities receiving federal awards to establish and maintain internal controls to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. As part of the internal controls, financial reporting must be accurate, current, and a complete disclosure of the financial results. Required reports for federal awards must include all activity of the reporting period, be supported by applicable accounting or performance records, and be fairly presented in accordance with governing requirements.</p> <p><u>Condition:</u> During our testing of the Special Education Cluster grants, we noted several deficiencies in internal controls over the Millis Public School Departments' general ledger program records.</p> <ul style="list-style-type: none"> <li>A significant amount of journal entries were posted to the program records with no descriptions or support provided. For example, expenditures related to paid invoices for supplies and instructional materials were reclassified to a salary category and it appears that several entries were made to gross bi-weekly payroll amounts.</li> </ul> <p>These journal entries were only posted within the School's general ledger system and not Town's separate general ledger.</p>	N/A

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
		<ul style="list-style-type: none"> <li>• We noted a few invoices were paid against the incorrect grant budget category within the program records.</li> <li>• We noted that on the Final Financial reports, total expenditures agreed to program record expenditures and materially to the Town's general ledger. However, expenditures per grant budget category per the final financial reports did not agree to the expenditures per that category within the program records.</li> </ul> <p data-bbox="657 751 737 779"><u>Effect:</u> Since all Requests for funds and Final Financial reports are based on the Millis Public School Department's general ledger program records, federal and state reports may not be fairly presented in accordance with program requirements. However, Millis Public School general ledger program records materially reconcile to the Town's general ledger at year-end.</p> <p data-bbox="657 1119 883 1146"><u>Recommendation:</u> We recommend that internal controls over the Millis Public School general ledger program records be strengthened. A journal entry book or log should be maintained for all entries posted to the program records which include the purpose for the entry, the approval of the entry, the amount, and the accounts affected. In addition, we recommend that all expenditures be directly charged to the appropriate accounts within the program records to reduce the amount of journal entries needed and to ensure that expenditures are properly reported by budget category on the Final financial reports.</p> <p data-bbox="657 1688 886 1715"><u>Town's Response:</u> After discussion with the Town Auditor and Town Accountant, the School has begun a Journal Entry Log Book for any entries posted within a grant. Within this log book, there will be a description of the journal entry as well as a journal entry number and</p>	

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
		a notation if any other account is affected by the journal entry. The School will continue to try to make sure that proper expenditure line numbers are used on final financial reports.	

#### SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>
10-1	Special Education Cluster 84.027/ 84.173/ 84.391/ 84.392	<u>Maintain Employee's Time and Effort Records</u>  Finding 10-1 was resolved in the current year.
10-2	Special Education Cluster 84.391/ 84.392	<u>Ensure Final Financial Reports are Filed when Required</u>  Finding 10-2 was resolved in the current year.