

TOWN OF PLYMOUTH, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2008

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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 Honorable Board of Selectmen
Town of Plymouth, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Plymouth, Massachusetts, as of and for the year ended June 30, 2008 (except for the Plymouth Contributory Retirement System and the Plymouth Growth & Development Corporation which are as of and for the year ended December 31, 2007), which collectively comprise the Town of Plymouth, Massachusetts' basic financial statements and have issued our report thereon dated April 29, 2009. Our report was modified to include reference to other auditors. 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. Other auditors audited the financial statements of the Plymouth Growth & Development Corporation, which expressed a disclaimer of opinion, as described in our report on the Town of Plymouth, Massachusetts' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Plymouth, Massachusetts' 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 of Plymouth, Massachusetts internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Plymouth, Massachusetts' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Plymouth, Massachusetts ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Town of Plymouth, Massachusetts financial statements that is more than inconsequential will not be prevented or detected by the Town of Plymouth, Massachusetts' internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. See 2007-1 for a description of the significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Plymouth, Massachusetts' internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, however, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

The Treasurer's cashbook was not reconciled to the bank statements in a timely manner, the cashbook was not reconciled to the general ledger in a timely manner, old reconciling items are being carried, and specific accounts are not being reconciled to the respective general ledger accounts in a timely manner, also the detailed accounts receivable balances were not reconciled to the general ledger in a timely manner during fiscal year 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Plymouth, Massachusetts' 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 other matters that we reported to management of the Town of Plymouth, Massachusetts in a separate letter dated April 29, 2009.

This report is intended solely for the information and use of management of the Town of Plymouth, Massachusetts, 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.

A handwritten signature in cursive script that reads "Bowers + Sullivan".

April 29, 2009



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Selectmen
Town of Plymouth, Massachusetts

Compliance

We have audited the compliance of the Town of Plymouth, Massachusetts with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The Town of Plymouth, Massachusetts' 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 of Plymouth, Massachusetts' management. Our responsibility is to express an opinion on the Town of Plymouth, Massachusetts' 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 of Plymouth, Massachusetts' 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 on the Town of Plymouth, Massachusetts' compliance with those requirements.

As described in items 08-1, 08-2, 07-1, and 07-2 in the accompanying schedule of findings and questioned costs, the Town of Plymouth, Massachusetts, did not comply with compliance requirements that are applicable to its Food Service Program. Compliance with such requirements are necessary, in our opinion, for the Town of Plymouth, Massachusetts, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Plymouth, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the Town of Plymouth, Massachusetts 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 of Plymouth, Massachusetts internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Plymouth, Massachusetts' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, however, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

The Treasurer's cashbook was not reconciled to the bank statements in a timely manner, the cashbook was not reconciled to the general ledger in a timely manner, old reconciling items are being carried, and specific accounts are not being reconciled to the respective general ledger accounts in a timely manner, also the detailed accounts receivable balances were not reconciled to the general ledger in a timely manner during fiscal year 2008.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Plymouth, Massachusetts, as of and for the fiscal year ended June 30, 2008 (except for the Plymouth Contributory Retirement System and the Plymouth Growth & Development Corporation which are as of and for the year ended December 31, 2007), and have issued our report thereon dated April 29, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Plymouth, Massachusetts' 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 of Plymouth, Massachusetts' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Plymouth, Massachusetts' response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the Town of Plymouth, Massachusetts, 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.



April 29, 2009

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Direct Programs:</u>		
Wetlands Reserve Program	10.072	\$ 12,745
<u>Passed through State Department of Elementary and Secondary Education:</u>		
Food Distribution	10.550	124,019
School Breakfast Program	10.553	171,340
National School Lunch Program	10.555	<u>794,015</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>1,102,119</u>
U.S. DEPARTMENT OF COMMERCE		
<u>Passed through State Office of Housing and Community Development:</u>		
Habitat Conservation	11.463	<u>6,842</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Passed through State Office of Housing and Community Development:</u>		
Community Development Block Grants - Entitlement Grants	14.218	<u>615,912</u>
U.S. DEPARTMENT OF THE INTERIOR		
<u>Passed through State Department of Fish, Wild Life and Environmental Law Enforcement:</u>		
Partners for Fish and Wildlife	15.631	4,995
Historic Preservation Fund Grants-In-Aid	15.904	<u>1,500</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR		<u>6,495</u>
U.S. DEPARTMENT OF JUSTICE:		
<u>Direct Programs:</u>		
Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004	14,457
Body Armour Replacement	16.607	2,548
Byrne Formula Grant Program	16.579	7,362
Violence Against Women Formula Grant	16.588	<u>16,616</u>
TOTAL U.S. DEPARTMENT OF JUSTICE		<u>40,983</u>
U.S. DEPARTMENT OF TRANSPORTATION:		
<u>Direct Program:</u>		
Airport Improvement Program	20.106	<u>998,685</u>
OFFICE OF LIBRARY SERVICES		
<u>Direct Program:</u>		
Grants to States	45.310	<u>6,035</u>

(CONTINUED)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

U.S. DEPARTMENT OF EDUCATION:

Passed through State Department
of Education:

Title I Grants to Local Educational Agencies	84.010	946,065
Special Education - Grants to States	84.027	1,823,209
Vocational Education - Basic Grants to States	84.048	84,108
Safe and Drug Free Schools and Communities - State Grants	84.186	30,187
State Grants for Innovative Programs	84.298	11,788
Reading First State Grants	84.357	240,383
Improving Teacher Quality State Grants	84.367	342,814

Passed through Massachusetts Department of
Early Education and care:

Special Education Preschool Grants	84.173	<u>46,719</u>
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TOTAL U.S.DEPARTMENT OF EDUCATION 3,525,273

U.S. DEPARTMENT OF HEALTH AND
HUMAN SERVICES:

Direct Programs:

Special Programs for the Aging - Title III, Part C	93.045	10,240
Drug-Free Communities Support Program	93.276	104,674

Passed through the State Office of
of the Secretary:

Medical Reserves Corps Small Grants Program	93.008	<u>2,520</u>
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TOTAL U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES 117,434

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:

Direct Programs:

Learn and Serve America - School and Community Based Programs	94.004	<u>10,000</u>
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U.S. DEPARTMENT OF HOMELAND SECURITY:

Direct Programs:

Assistance to Firefighters	97.044	8,000
Buffer Zone Protection Program	97.078	<u>103,556</u>

Passed through Massachusetts Emergency
Management Agency

Disaster Grants - Public Assistance	97.036	<u>2,963</u>
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TOTAL U.S.DEPARTMENT OF HOMELAND SECURITY 114,519

TOTAL \$ 6,544,297

See notes to schedule of expenditures of federal awards.

Note 1 - Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Town of Plymouth, Massachusetts. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

Note 2 - Significant Accounting Policies

The accounting and reporting policies of the Town of Plymouth, Massachusetts are set forth below:

- (a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.
- (b) School Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.

Note 3 - Program Clusters

In accordance with Subpart A §.105 of OMB Circular No. A-133, Audits of States, Local Governments and Non Profit Organizations, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
Special Education Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Education Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

A. Summary of Auditors' Results

1. The auditors' report expresses a qualified opinion on the financial statements of the Town of Plymouth, Massachusetts related to the disclaimer of opinion, rendered by other auditors, regarding the Plymouth Growth & Development Corporation.
2. One significant deficiency relating to the audit of the basic financial statements is reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.
3. No instances of noncompliance material to the financial statements of the Town of Plymouth, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Town of Plymouth, Massachusetts expresses an unqualified opinion.
6. Audit findings relating to the major federal award programs for the Town of Plymouth, Massachusetts, are described in Note C on the following pages.

The programs tested as major grants include:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Community Development Block Grants - Entitlement Grants	14.218
Title I Grants to Local Educational Agencies	84.010

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Town of Plymouth, Massachusetts, was determined to be a low-risk auditee.

B. Findings-Financial Statements Audit

2007-1 SIGNIFICANT DEFICIENCY

Reconciliation of Cash and Receivables

Condition and Criteria: The Town did not reconcile Treasurer's cash to the general ledger or bank statements timely during the fiscal year. Proper internal control procedures require current cash reconciliations to properly safeguard the assets of the Town. The Town also did not reconcile the detailed receivables to the general ledger in a timely manner.

Effect: The overall effect of this situation deteriorates management's ability to safeguard assets and monitor the Towns financial condition.

Cause: The Town does not have the procedures in place to reconcile cash and receivables in a timely manner.

Recommendation: We recommend the Town Treasurer implement procedures to ensure that cash is reconciled to the general ledger and bank statements and receivables are reconciled to the general ledger on a monthly basis.

Current Status: Partially Resolved. The new Finance Director along with an outside consultant hired to assist the Town in developing stronger policies and procedures regarding the reconciliation of cash, have brought the bank to book reconciliations current, except for the payroll account, while the book to general ledger reconciliation has lagged behind.

The receivable balances were the first transaction class to utilize the new software package. Although there would justifiably be a learning curve associated with the implementation, the receivables were not reconciled until long after fiscal year end. Although the overall receivable variances were brought to immaterial variances, there was clear indication that transactions were being posted to the incorrect years due to material variances existing in which there were offsetting variances in different levy years.

However, the majority of these procedures took place subsequent to June 30, 2008 and therefore the comment is not fully resolved.

C. Findings and Questioned Costs-Major Federal Award Programs Audit

UNITED STATES DEPARTMENT OF AGRICULTURE

School Breakfast Program
National School Lunch Program
CFDA No: 10.553
CFDA No: 10.555

- 08-1: *Condition and Criteria:* An income determination needs to be made for all income-eligible applicants prior to granting free or reduced lunches. This determination cannot be made unless a completed application has been submitted. The Town approved applications for free and reduced lunch which were completed but exceeded the income levels for eligibility.

Cause: Lack of procedures in place to enforce application completion and income eligibility.

Effect: The Town is not in compliance with Federal eligibility determination guidelines related to the National School Lunch Program.

Questioned Costs: Considered to be under \$10,000.

Auditors' Recommendation: We recommend the Town enact policies to ensure that eligibility determinations are consistent with Federal guidelines.

- 08-2: *Condition and Criteria:* The Town must annually select and verify a sample of applications approved for free and reduced lunches. The Town performed the income verification, but did not maintain the supporting documentation received or document the results of the testing. As a result, it was not possible to verify the accuracy of the process.

Cause: Lack of procedures in place to properly document the verification process.

Effect: The Town is not in compliance with Federal verification guidelines related to the National School Lunch Program.

Questioned Costs: Considered to be under \$10,000.

Auditors' Recommendation: We recommend the Town enact policies to document the verification process and retain the required support to ensure that the annual verification testing is consistent with Federal guidelines.

D. Prior Year Audit Findings and Questioned Costs

UNITED STATES DEPARTMENT OF AGRICULTURE

School Breakfast Program
National School Lunch Program
CFDA No: 10.553
CFDA No: 10.555

07-1: *Condition and Criteria:* An income determination needs to be made for all income-eligible applicants prior to granting free or reduced lunches. This determination cannot be made unless a completed application has been submitted. The Town approved applications for free and reduced lunch which were not filled out completely and others which were completed but exceeded the income levels for eligibility.

Cause: Lack of procedures in place to enforce application completion and income eligibility.

Effect: The Town is not in compliance with Federal eligibility determination guidelines related to the National School Lunch Program.

Questioned Costs: Considered to be under \$10,000.

Auditors' Recommendation: We recommend the Town enact policies to ensure that eligibility determinations are consistent with Federal guidelines.

Status: This finding was not resolved. See finding 08-1.

07-2: *Condition and Criteria:* The Town must annually select and verify a sample of applications approved for free and reduced lunches. The Town performed the income verification, but did not maintain the supporting documentation received or document the results of the testing. As a result, it was not possible to verify the accuracy of the process.

Cause: Lack of procedures in place to properly document the verification process.

Effect: The Town is not in compliance with Federal verification guidelines related to the National School Lunch Program.

Questioned Costs: Considered to be under \$10,000.

Auditors' Recommendation: We recommend the Town enact policies to document the verification process and retain the required support to ensure that the annual verification testing is consistent with Federal guidelines.

Status: This finding was not resolved. See finding 08-2.