

TOWN OF PLYMOUTH, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

FISCAL YEAR ENDED JUNE 30, 2012

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

**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

Compliance

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, 2012 (except for the Plymouth Contributory Retirement System and the Plymouth Growth & Development Corporation which are as of and for the year ended December 31, 2011), which collectively comprise the Town of Plymouth, Massachusetts' basic financial statements and have issued our report thereon dated March 7, 2013. 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 an unqualified 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 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 a 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.

Our consideration of the internal control over financial reporting 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 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 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 March 7, 2013.

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.

A handwritten signature in black ink that reads "Powers & Sullivan, LLC". The signature is written in a cursive, flowing style.

March 7, 2013



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

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Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

To the Honorable 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 could have a direct and material effect on each of the Town of Plymouth's major federal programs for the fiscal year ended June 30, 2012. 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.

In our opinion, the Town of Plymouth, Massachusetts complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 12-01.

Internal Control Over Compliance

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 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 the 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.

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, 2012 (except for the Plymouth Contributory Retirement System and the Plymouth Growth & Development Corporation which are as of and for the year ended December 31, 2011), and have issued our report thereon dated March 7, 2013, which contained an unqualified opinion on those financial statements. Other auditors audited the financial statements of the Plymouth Growth & Development Corporation, which expressed an unqualified opinion, as described in our report on the Town of Plymouth, Massachusetts' financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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.



March 7, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| <u>Federal Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---------------------|
| <u>Passed through State Department of Elementary and Secondary Education:</u> | | |
| Non-Cash Assistance (Commodities): | | |
| National School Lunch Program | 10.555 | \$ 154,060 |
| Cash Assistance: | | |
| School Breakfast Program | 10.553 | 191,124 |
| National School Lunch Program | 10.555 | 841,224 |
| Summer Food Service Program for Children | 10.559 | <u>13,059</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | <u>1,199,467</u> |
| U.S. DEPARTMENT OF COMMERCE | | |
| <u>Passed through State Office of Housing and Community Development:</u> | | |
| ARRA - Habitat Conservation | 11.463 | <u>24,835</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>533,567</u> |
| U.S. DEPARTMENT OF JUSTICE: | | |
| <u>Direct Programs:</u> | | |
| Organized Crime Drug Enforcement Task Force Grant | 16.UNK | 18,632 |
| Edward Byrne Memorial Formula Grant Program | 16.579 | 25,403 |
| Bulletproof Vest Partnership Program | 16.607 | <u>24,506</u> |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | <u>68,541</u> |
| U.S. DEPARTMENT OF LABOR: | | |
| <u>Direct Programs:</u> | | |
| ARRA - Employee Benefits Security Administration | 17.151 | <u>828</u> |
| U.S. DEPARTMENT OF TRANSPORTATION: | | |
| <u>Direct Program:</u> | | |
| Airport Improvement Program | 20.106 | <u>2,206,569</u> |
| U.S. DEPARTMENT OF ENERGY | | |
| <u>Direct Program:</u> | | |
| ARRA - Energy Efficiency and Conservation Development Block Grant Program | 81.128 | <u>46,923</u> |

(CONTINUED)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | | |
|---|---------|----------------------|
| <u>Passed through State Department of Elementary and Secondary Education:</u> | | |
| Title I Grants to Local Educational Agencies | 84.010 | 769,070 |
| Special Education - Grants to States | 84.027 | 1,910,515 |
| Handicapped – State Grants | 84.027A | 9,734 |
| Career and Technical Education - Basic Grants to States | 84.048 | 75,500 |
| Safe and Drug Free Schools and Communities - State Grants | 84.186 | 6,217 |
| Smaller Learning Communities | 84.215L | 543,459 |
| Improving Teacher Quality State Grants | 84.367 | 218,201 |
| ARRA - Education Technology State Grants | 84.386 | 8,150 |
| ARRA - Title I Grants to Local Educational Agencies | 84.389 | 3,851 |
| ARRA - Special Education Grants to States | 84.391 | 734,628 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants | 84.394 | 725,000 |
| Education Jobs Fund | 84.410 | 714,204 |
| ARRA - Investing in Innovation (i3) Fund | 84.411 | 1,289,018 |
| Learn and Serve America - School and Community Based Programs | 94.004 | 2,420 |
| | | |
| <u>Passed through Massachusetts Department of Early Education and care:</u> | | |
| Special Education Preschool Grants | 84.173 | 61,577 |
| ARRA - Special Education Preschool Grants | 84.392 | 61,389 |
| | | <hr/> |
| TOTAL U.S.DEPARTMENT OF EDUCATION | | 7,132,933 |
| | | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | |
| <u>Direct Programs:</u> | | |
| Special Programs for the Aging - Title III, Part C Nutrition Services | 93.045 | 8,504 |
| Drug-Free Communities Support Program Grants | 93.276 | 22,060 |
| | | |
| <u>Passed through the State Office of the Secretary:</u> | | |
| Public Health Emergency Preparedness | 93.069 | 7,077 |
| | | <hr/> |
| TOTAL U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES | | 37,641 |
| | | |
| U.S. DEPARTMENT OF HOMELAND SECURITY: | | |
| <u>Direct Programs:</u> | | |
| Port Security Grant Program | 97.056 | 761,250 |
| | | |
| <u>Passed through State Executive Office of Public Safety and Security:</u> | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | 253,316 |
| | | <hr/> |
| TOTAL U.S.DEPARTMENT OF HOMELAND SECURITY | | 1,014,566 |
| | | |
| TOTAL | | \$ <u>12,265,870</u> |
| | | <hr/> |
| | | (CONCLUDED) |

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 cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.
- (b) Cash Assistance - School Breakfast and Lunch Program - Program expenditures represent federal reimbursement for meals provided during the fiscal year.
- (c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received during the fiscal 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> |
|---|------------------------|
| Child Nutrition Cluster | |
| National School Breakfast Program | 10.553 |
| National School Lunch Program | 10.555 |
| Summer Food Service Program for Children | 10.559 |
| Title I, Part A Cluster | |
| Title I Grants to Local Educational Agencies | 84.010 |
| ARRA - Title I Grants to Local Educational Agencies | 84.389 |
| Special Education Cluster | |
| Special Education - Grants to States | 84.027 |
| Handicapped - State Grants | 84.027A |
| Special Education - Preschool Grants | 84.173 |
| ARRA - Special Education Grants to States | 84.391 |
| ARRA - Special Education Preschool Grants | 84.392 |

A. Summary of Auditors’ Results

1. The auditors’ report expresses an unqualified opinion on the financial statements of the Town of Plymouth, Massachusetts.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
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 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.
5. The auditors’ report on compliance for the major federal award programs for the Town of Plymouth, Massachusetts expresses an unqualified opinion.
6. There was one audit finding relative to the major federal award programs for the Town of Plymouth, Massachusetts.

The programs tested as major grants include:

| <u>Program Title</u> | <u>CFDA Number</u> |
|--|--------------------|
| Community Development Block Grants – Development Grants | 14.218 |
| Special Education - Grants to States | 84.027 |
| Handicapped - State Grants | 84.027A |
| Special Education - Preschool Grants | 84.173 |
| ARRA - Special Education Grants to States | 84.391 |
| ARRA - Special Education Preschool Grants | 84.392 |
| Smaller Learning Communities | 84.215L |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants | 84.394 |
| Education Jobs Fund | 84.410 |
| ARRA - Investing in Innovation (i3) Fund | 84.411 |
| Port Security Grant Program | 97.056 |

7. The threshold for distinguishing Types A and B programs was \$367,976.
8. The Town of Plymouth, Massachusetts, was determined to be a low-risk auditee.

B. Findings-Financial Statements Audit

None.

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

U.S. DEPARTMENT OF EDUCATION

Questioned
Costs

| | | |
|---|---------|------|
| Special Education - Grants to States | 84.027 | None |
| Handicapped - State Grants | 84.027A | None |
| Special Education – Preschool Grants | 84.173 | None |
| ARRA - Special Education Grants to States | 84.391 | None |
| ARRA- Special Education Preschool Grants | 84.392 | None |

12-01: *Condition and Criteria:* OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments” requires grantees to maintain documentation of employee time and effort that has been charged to federal awards. If 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain semi-annual certifications stating that 100% of the employee’s time was spent working on grant activities. If less than 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain monthly personnel activity reports documenting 100% of the employee’s time.

Cause: The Town did not maintain semi-annual certifications or monthly personnel activity reports for secretaries, para-professionals and department head’s salaries charged to the SPED program.

Effect: The Town is not in compliance with the grant requirements.

Auditors’ Recommendation: We recommend that the Town implement procedures to comply with OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments”.

D. Summary Schedule of Prior Audit Findings

U.S. DEPARTMENT OF EDUCATION

Questioned
Costs

| | | |
|---|--------|------|
| Special Education - Grants to States | 84.027 | None |
| Special Education – Preschool Grants | 84.173 | None |
| ARRA - Special Education Grants to States | 84.391 | None |
| ARRA- Special Education Preschool Grants | 84.392 | None |

11-01: *Condition and Criteria:* OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments” requires grantees to maintain documentation of employee time and effort that has been charged to federal awards. If 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain semi-annual certifications stating that 100% of the employee’s time was spent working on grant activities. If less than 100% of an employee’s salary is charged to a federal award, a grant recipient is required to maintain monthly personnel activity reports documenting 100% of the employee’s time.

Cause: The Town did not maintain semi-annual certifications for para-professionals and aide’s salaries charged to the SPED program.

Effect: The Town is not in compliance with the grant requirements.

Auditors' Recommendation: Please see current year finding 12-01.

U.S. DEPARTMENT OF EDUCATION

Questioned
Costs

| | | |
|---|--------|------|
| Title I Grants to Local Educational Agencies | 84.010 | None |
| ARRA - Title I Grants to Local Educational Agencies | 84.389 | None |

11-02: *Condition and Criteria:* OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments" requires grantees to maintain documentation of employee time and effort that has been charged to federal awards. If 100% of an employee's salary is charged to a federal award, a grant recipient is required to maintain semi-annual certifications stating that 100% of the employee's time was spent working on grant activities. If less than 100% of an employee's salary is charged to a federal award, a grant recipient is required to maintain monthly personnel activity reports documenting 100% of the employee's time.

Cause: Of the 54 employees tested, 22 were not supported by either monthly or semi-annual certifications.

Effect: The Town is not in compliance with the grant requirements.

Auditors' Recommendation: We recommend that the Town implement procedures to comply with OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments".

Current Status: This comment is considered resolved.