

***TOWN OF BARNSTABLE, MASSACHUSETTS***

***REPORTS ON FEDERAL AWARD PROGRAMS***

***YEAR ENDED JUNE 30, 2014***

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**TABLE OF CONTENTS**

	<b>Page</b>
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> .....	1
Report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by OMB Circular A-133.....	3
Schedule of expenditures of federal awards .....	6
Notes to schedule of expenditures of federal awards .....	8
Schedule of findings and questioned costs .....	9



**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**

**Independent Auditor's Report**

To the Honorable Town Council  
Town of Barnstable, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Barnstable, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Barnstable, Massachusetts' basic financial statements and have issued our report thereon dated December 22, 2014. Our report includes a reference to other auditors who audited the financial statements of the Barnstable Community Horace Mann Charter Public School and the Town of Barnstable, Massachusetts' library component units, as described in our report on the Town of Barnstable, 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 of the financial statements, we considered the Town of Barnstable, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Barnstable, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Barnstable, Massachusetts' internal control.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Barnstable, Massachusetts' financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Powers & Sullivan LLC*

December 22, 2014, except for the Barnstable Community Horace Mann Charter Public School, and the library component units, which were audited by other auditors and whose reports are dated on various dates through November 17, 2014.



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
OMB CIRCULAR A-133**

**Independent Auditor's Report**

To the Honorable Town Council  
Town of Barnstable, Massachusetts

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Barnstable, 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 the Town of Barnstable, Massachusetts' major federal programs for the year ended June 30, 2014. The Town of Barnstable, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Barnstable, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. 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 Barnstable, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Barnstable, Massachusetts' compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Town of Barnstable, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, 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 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The Town of Barnstable, Massachusetts' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Barnstable, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the Town of Barnstable, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Barnstable, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of Barnstable, 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Barnstable, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Barnstable, Massachusetts' basic financial statements. We issued our report thereon dated December 22, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Powers & Sullivan LLC*

December 22, 2014, except for the Barnstable Community Horace Mann Charter Public School, and the library component units, which were audited by other auditors and whose reports are dated on various dates through November 17, 2014.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 132,095
Cash Assistance:		
School Breakfast Program	10.553	193,672
National School Lunch Program	10.555	755,517
Summer Food Service Program for Children	10.559	<u>5,647</u>
TOTAL AGRICULTURE		<u>1,086,931</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Passed through Massachusetts Office for Communities and Development:</u>		
Community Development Block Grants/Entitlement Grants	14.218	<u>147,825</u>
U.S. DEPARTMENT OF THE INTERIOR:		
<u>Passed through Massachusetts Department of Fish and Game:</u>		
Clean Vessel Act	15.616	<u>15,000</u>
U.S. DEPARTMENT OF JUSTICE:		
<u>Passed through Massachusetts Department of Criminal Justice:</u>		
Bulletproof Vest Partnership Program	16.607	3,476
Public Safety Partnership and Community Policing Grants	16.710	390,861
Enforcing Underage Drinking Laws Program	16.727	2,039
Edward Byrne Memorial Justice Assistance Grant Program	16.738	41,715
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	<u>3,023</u>
TOTAL JUSTICE		<u>441,114</u>
U.S. DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION:		
<u>Passed through Massachusetts Aeronautics Commission:</u>		
Airport Improvement Program	20.106	<u>3,198,266</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:		
<u>Passed through the Massachusetts Board of Library Commissioners:</u>		
Grants to States	45.310	<u>13,843</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:		
<u>Passed through Massachusetts Clean Water Trust:</u>		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>105,290</u>

(Continued)



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
<u>Passed through Massachusetts Department of Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	1,059,038
Special Education - Grants to States (IDEA, Part B)	84.027	1,689,647
Career and Technical Education - Basic Grants to States	84.048	45,611
Twenty-First Century Community Learning Centers	84.287	233,506
English Language Acquisition Grants	84.365	47,998
Improving Teacher Quality State Grants	84.367	230,112
Education for Homeless Children and Youth, Recovery Act	84.387	20,302
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	189,576
Race to the Top - Early Learning Challenge	84.412	5,925
 <u>Passed through Massachusetts Department of Early Education and Care:</u>		
Special Education - Preschool Grants (IDEA Preschool)	84.173	48,167
 TOTAL EDUCATION		 <u>3,569,882</u>
 <b>SOCIAL SECURITY ADMINISTRATION:</b>		
<u>Passed through Massachusetts Rehabilitation Commission:</u>		
Social Security Disability Insurance	96.001	550
 <b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>		
<u>Direct:</u>		
Port Security Grant Program	97.056	16,889
Law Enforcement Officer Reimbursement Agreement Program	97.090	28,240
 <u>Passed through the Massachusetts Emergency Management Agency:</u>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	10,715
Emergency Management Performance Grants	97.042	14,030
 TOTAL HOMELAND SECURITY		 <u>69,874</u>
 TOTAL		 <u>\$ 8,648,575</u>

See notes to schedule of expenditures of federal awards.

(Concluded)

**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 Barnstable, 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 Barnstable, 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. Accordingly, grant expenditures are recognized when the related liability is incurred.
- (b) Cash Assistance – School Breakfast and Lunch Program – Program expenditures represent federal reimbursement for meals provided during the year.
- (c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received during the year.
- (d) Disaster Grants have been recorded in the year the grant was approved.

**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>
<b>Child Nutrition Cluster</b>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
<b>JAG Program Cluster</b>	
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories	16.803
<b>Special Education Cluster</b>	
Special Education – Grants to States (IDEA, Part B)	84.027
Special Education – Preschool Grants (IDEA Preschool)	84.173

**A. Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Town of Barnstable, 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 Barnstable, Massachusetts, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported in the Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Town of Barnstable, Massachusetts, expresses an unmodified opinion.
6. There was one audit finding relative to the major federal award programs for the Town of Barnstable, Massachusetts.
7. The programs tested as major programs are:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Special Education Grants to States (IDEA, Part B)	84.027
Special Education Preschool Grants (IDEA Preschool)	84.173
ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act	84.395

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

**B. Findings-Financial Statements Audit**

None

**C. Findings and Questioned Costs-Major Federal Award Programs****U.S. DEPARTMENT OF EDUCATION**

Passed through Massachusetts Department of Elementary and Secondary Education

**Special Education Cluster**

Special Education – Grants to States (IDEA Part B)

CFDA No. 84.027

Special Education – Preschool Grants (IDEA Preschool)

CFDA No. 84.173

2014-001 *Condition and Criteria:* Form FR-1 (Final Financial Report) for the Special Education – Preschool Grants (IDEA Preschool) was submitted on November 26, 2013, approximately one month after the due date. The delayed reporting is an indication that the Town did not have an adequate system to maintain grant expenditure records that would facilitate the final reporting of grant activity.

*Cause:* Lack of procedures in place to file final reports timely.

*Context:* The Town has not complied with the grant reporting requirements by submitting the final reports within the required timeframe.

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

*Questioned Costs:* None.

*Auditors' Recommendation:* We recommend the Town implement procedures to ensure compliance with all grant reporting requirements. This should include a process for maintaining grant records that will facilitate timely and accurate financial reporting.

*Views of Responsible Officials:* See the Town's corrective action plan.

**D. Summary Schedule of Prior Audit Findings****U.S. DEPARTMENT OF JUSTICE**

Passed through the Massachusetts Department of Criminal Justice

Public Safety Partnership and Community Policing Grants

CFDA No. 16.710

2013-001: *Condition and Criteria:* The Town, through the Police Department, was required to submit quarterly federal financial reports (SF-425) for the grant program. The expenditures reported on the third quarter report were understated by approximately \$275,000.

*Cause:* Improper controls to ensure compliance with grant reporting requirements.

*Context:* The federal financial reports (SF-425) submitted during fiscal year 2013 were reviewed as part of the fiscal year 2013 audit. The expenditures reported on the third quarter report were understated by approximately \$275,000.

*Effect:* The Town is not in compliance with grant regulations concerning the federal financial reports due to inaccurate financial reporting of grant expenditures.

*Questioned Cost:* None.

*Auditors' Recommendations:* We recommend the Town implement policies and procedures to ensure accurate financial reporting related to federal grants.

*Status:* The Town complied with grant reporting requirements for the Public Safety Partnership and Community Policing Grants in 2014.