

TOWN OF MASHPEE, MASSACHUSETTS

**REPORTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING, COMPLIANCE AND
FEDERAL AWARD PROGRAMS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Independent Auditors' 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 Mashpee, 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 Mashpee, Massachusetts, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town of Mashpee, Massachusetts' basic financial statements and have issued our report thereon dated January 19, 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 of Mashpee, 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 Mashpee, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Mashpee, 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 Town of Mashpee, Massachusetts' financial statements will not be prevented, or detected and corrected on a timely basis.

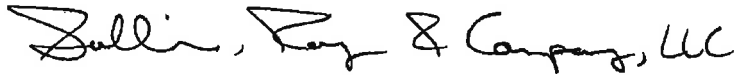
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 of Mashpee, 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 matters that we reported to management of the Town of Mashpee, Massachusetts, in a separate letter dated January 19, 2012.

This report is intended solely for the information and use of the Audit Committee, the Board of Selectmen, management, 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.



January 19, 2012



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Independent Auditors' 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 Honorable Board of Selectmen
Town of Mashpee, Massachusetts

Compliance

We have audited the Town of Mashpee, Massachusetts' (Town) 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's 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 Town 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 compliance 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, 2011. 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 11-2.

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 the 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.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

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 of Mashpee, Massachusetts, as of and for the fiscal year ended June 30, 2011 and have issued our report thereon dated January 19, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

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

This report is intended solely for the information and use of the Audit Committee, the Board of Selectmen, management, 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.

Sullivan, Roy & Company, LLC

January 19, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/ <u>Pass-Through Grantor/ Program</u>	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
<u>Passed through State Department of Elementary & Secondary Education:</u>			
Food Distribution Program	10.550	01-172	\$ 20,803
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	01-172	21,725
National School Lunch Program	10.555	01-172	152,724
ARRA - Watershed Protection and Flood Prevention	10.904	Not Available	<u>38,956</u>
Total U.S. Department of Agriculture			<u>234,208</u>
U.S. Department of the Interior			
<u>Passed through the Massachusetts Division of Marine Fisheries:</u>			
Clean Vessel Act	15.616	CT FWE 042707-3622	<u>316</u>
U.S. Department of Justice			
<u>Direct Programs:</u>			
Organized Crime Drug Enforcement Task Forces	16.unk	Not Applicable	1,622
U.S. Marshals Service Badges for Baseball Program	16.unk	Not Applicable	926
<u>Passed through the State Executive Office of Public Safety:</u>			
Violence Against Women Formula Grants (fiscal year 2010)	16.588	SCEPS3001VAWA10MASHP	6,471
Violence Against Women Formula Grants (fiscal year 2011)	16.588	SCEPS3001VAWA10MASHP	16,548
<u>Passed through the Town of Barnstable, Massachusetts</u>			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	Not Available	<u>3,952</u>
Total U.S. Department of Justice			<u>29,520</u>
U.S. Department of Education			
<u>Direct Programs:</u>			
Title IV 92-138 Indian Education (fiscal year 2010)	84.006	Not Applicable	5,520
Title IV 92-138 Indian Education (fiscal year 2011)	84.006	Not Applicable	52,220
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
<i>Title I, Part A Cluster</i>			
Title I Distribution (fiscal year 2010)	84.010	305-079-0-0172-K	44,948
Title I Distribution (fiscal year 2011)	84.010	305-191-1-0172-L	162,065
ARRA - Title I (fiscal year 2010)	84.389	770-164-0-0172-K	1,142
ARRA - Title I (fiscal year 2011)	84.389	770-093-1-0172-L	61,394
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2010)	84.027	240-146-0-0172-K	91,445
SPED 94-142 Allocation (fiscal year 2011)	84.027	240-240-1-0172-L	331,765
ARRA - SPED IDEA (fiscal year 2010)	84.391	760-304-0-0172-K	2,107
ARRA - SPED IDEA (fiscal year 2011)	84.391	760-303-1-0172-L	351,936
<u>Passed through the State Department of Early Education and Care:</u>			
<i>Special Education Cluster (continued)</i>			
SPED Early Childhood Allocation (fiscal year 2010)	84.173	26210 MASHPEE PUBLIC SC	5,208
SPED Early Childhood Allocation (fiscal year 2011)	84.173	26211 MASHPEE PUBLIC SC	18,277
ARRA - SPED Early Childhood Allocation (fiscal year 2010)	84.392	76210 MASHPEE PUBLIC SC	29
ARRA - SPED Early Childhood Allocation (fiscal year 2011)	84.392	76211 MASHPEE PUBLIC SC	8,388

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/ <u>Pass-Through Grantor/</u> Program	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. Department of Education (continued)			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Safe and Drug-Free Schools (fiscal year 2010)	84.186	331-056-0-0172-K	1,726
Safe and Drug-Free Schools (fiscal year 2011)	84.186	332-176-1-0172-L	1,948
Improving Teacher Quality (fiscal year 2010)	84.367	140-068-0-0172-K	1,151
Improving Teacher Quality (fiscal year 2011)	84.367	140-190-1-0172-L	68,291
American Recovery and Reinvestment Act (ARRA) - State Fiscal Stabilization Fund (SFSF)	84.394	782-111-9-0172-J	<u>2,804</u>
Total U.S. Department of Education			<u>1,212,364</u>
U.S. Department of Health and Human Services			
<u>Passed through the State Executive Office of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1951696	<u>71,805</u>
Total			<u>\$ 1,548,213</u>

See notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Mashpee, Massachusetts and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - U.S. Department of Agriculture Programs

The amount reported for the Food Distribution Program represents non-monetary assistance and is reported in the schedule at the fair market value of the commodities received. The amounts reported for the School Breakfast Program and the National School Lunch Program represent cash receipts from federal reimbursements.

Note 3 - U.S. Department of Justice

The amounts reported for the Organized Crime Drug Enforcement Task Forces and U.S. Marshals Service Badges for Baseball Program represent federal reimbursements.

Note 4 - U.S. Department of Health and Human Services

The amount reported for the School-Based Medicaid Reimbursement Program represents federal reimbursements related to the Administrative Activity Claims.

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Mashpee, Massachusetts.
2. There were no significant deficiencies disclosed during the audit of the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the Town of Mashpee, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. A material weakness in internal control over major federal award programs disclosed during the audit is reported in the Independent Auditors' 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 Mashpee, Massachusetts expresses an unqualified opinion on all major federal award programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule on page 10.
7. The program tested as a major program was:

Program Description	CFDA Number
<i>Special Education Cluster:</i>	
SPED 94-142 Allocation	84.027
SPED Early Childhood Allocation	84.173
ARRA - SPED IDEA	84.391
ARRA - SPED Early Childhood Allocation	84.392

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Town of Mashpee, Massachusetts did not qualify as a low-risk auditee.

B. Findings - Financial Statement Audit

None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit**DEPARTMENT OF EDUCATION***Material Weakness in the Internal Control over Major Programs*

11-1 Special Education Cluster – CFDA No.'s 84.391 and 84.392; Fiscal year ended June 30, 2011

Condition and Criteria: The Town did not comply with the reporting compliance requirements related to the program. Internal controls should be designed and implemented to ensure that the Town adheres to all federal reporting requirements related to the program.

Cause: Internal controls are not in place to ensure that the Section 1512 ARRA Reports are prepared accurately and in accordance with federal grant reporting requirements.

Effect: Noncompliance with the federal award program's reporting requirements could occur and not be detected and corrected timely.

Auditors' Recommendation: Internal controls should be implemented to ensure that the financial reports submitted to the Massachusetts Department of Elementary and Secondary Education (DESE) include accurate information and are prepared in accordance with federal reporting requirements.

Grantee Response: The Special Education ARRA Grant has been brought up to date and information is accurate and in accordance with federal reporting requirements. Also, internal controls have been put in place to back up all reporting to the Department of Elementary and Secondary Education; this will ensure that the Town adheres to all federal reporting requirements related to the program in the future.

Noncompliance Related to Major Programs

11-2 Special Education Cluster – CFDA No.'s 84.391 and 84.392; Fiscal year ended June 30, 2011

Condition and Criteria: The Section 1512 ARRA Reports submitted to the DESE during fiscal year 2011 included inaccurate information related to the ARRA Special Education IDEA grant. The expenditure amounts reported only related to the current quarter being reported on, rather than cumulative expenditures since the inception of the grant (as required).

Cause: Procedures are not in place to file Section 1512 reports accurately.

Effect: Program management is not in compliance with federal reporting requirements.

Questioned Costs: There are no questioned costs associated with this finding.

Auditors' Recommendation: Procedures should be implemented to ensure that expenditures reported in the Section 1512 ARRA reports represent total expenditures incurred since the inception of the grant.

Grantee Response: The Special Education ARRA Grant as stated above (11-1) has been brought up to date with internal controls in place to track and record all Federal Revenues and Expenditures and that all expenditure amounts reported on are cumulative expenditures since the inception of the grant.

D. Summary of Prior Audit Findings**DEPARTMENT OF EDUCATION***Material Weaknesses in the Internal Control over Major Programs*

10-1 Title I, Part A Cluster – CFDA No.’s 84.010 and 84.389; Fiscal year ended June 30, 2010

Condition: The Town did not comply with the reporting compliance requirements related to the program.

Current Status: This finding has been resolved.

10-2 Special Education Cluster – CFDA No.’s 84.027, 84.173, 84.391, and 84.392; Fiscal year ended June 30, 2010

Condition: The Town did not comply with the period of availability compliance requirements related to the program.

Current Status: This finding has been resolved.

10-3 Special Education Cluster – CFDA No.’s 84.391 and 84.392; Fiscal year ended June 30, 2010

Condition: The Town did not comply with the reporting compliance requirements related to the program.

Current Status: The status remains unchanged. Please see current year finding 11-1.

Noncompliance Related to Major Programs

10-4 Title I, Part A Cluster – CFDA No.’s 84.010 and 84.389; Fiscal year ended June 30, 2010

Condition: The “Funds Expended” amount reported on the fiscal year 2009 Final Financial Report (FR-1) submitted to the DESE included encumbrances and was not based on the Town’s accounting ledger.

Current Status: This finding has been resolved.

10-5 Title I, Part A Cluster – CFDA No.’s 84.010 and 84.389; Fiscal year ended June 30, 2010

Condition: Program management was unable to provide evidence that letters offering Title I funds to eligible private schools were sent to the private schools.

Current Status: This finding has been resolved.

10-6 Special Education Cluster – CFDA No.’s 84.027, 84.173, 84.391, and 84.392; Fiscal year ended June 30, 2010

Condition: The Town charged payroll expenses to the Special Education IDEA – American Recovery and Reinvestment Act Grant that were incurred prior to November 9, 2009. Those expenses were ineligible costs since they were obligated prior to the start date identified in the approved grant contract.

Current Status: This finding has been resolved.

10-7 Special Education Cluster – CFDA No.’s 84.027, 84.173, 84.391, and 84.392; Fiscal year ended June 30, 2010

Condition: Program management did not file the fiscal year 2009 FR-1’s with the DESE by the deadline date of October 31, 2009. Additionally, the “Funds Expended” amounts reported on the FR-1’s included encumbrances and were not based on the Town’s accounting ledger.

Current Status: This finding has been resolved.

10-8 Special Education Cluster – CFDA No.’s 84.391 and 84.392; Fiscal year ended June 30, 2010

Condition: The Section 1512 ARRA Reports submitted to the DESE for the quarter ended June 30, 2010 included inaccurate information related to the Special Education IDEA – American Recovery and Reinvestment Act grant.

Current Status: The status remains unchanged. Please see current year finding 11-2.

Noncompliance Related to Non-Major Programs

10-9 American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund (SFSF) – CFDA No. 84.394; Fiscal year ended June 30, 2010

Condition: The Section 1512 ARRA Reports submitted to the DESE for the quarter ended June 30, 2010 included inaccurate information related to the fiscal year 2009 American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Fund program. The expenses for this program consisted entirely of fringe benefits, but they were classified as infrastructure expenses in the report.

Current Status: This finding has been resolved.