

TOWN OF MASHPEE, MASSACHUSETTS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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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, 2010, which collectively comprise the Town of Mashpee, Massachusetts' basic financial statements and have issued our report thereon dated March 17, 2011. 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's 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 March 17, 2011.

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.



March 17, 2011



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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 compliance of the Town of Mashpee, 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 its major federal programs for the fiscal year ended June 30, 2010. The Town of Mashpee, 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 Mashpee, Massachusetts' management. Our responsibility is to express an opinion on the Town of Mashpee, 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 Mashpee, 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 of the Town of Mashpee, Massachusetts' compliance with those requirements.

In our opinion, the Town of Mashpee, 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 10-4 through 10-9.

Internal Control Over Compliance

Management of the Town of Mashpee, 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 Mashpee, 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 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 Mashpee, Massachusetts' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-1, 10-2, and 10-3 to be material weaknesses.

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, 2010, which collectively comprise the Town of Mashpee, Massachusetts' basic financial statements and have issued our report thereon dated March 17, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Mashpee, 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 Mashpee, Massachusetts' 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 of Mashpee, Massachusetts' responses and, accordingly, we express no opinion on them.

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.



March 17, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
<u>Passed through State Department of Elementary & Secondary Education:</u>			
Food Distribution Program	10.550	01-172	\$ 29,813
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	01-172	13,680
National School Lunch Program	10.555	01-172	139,040
Total U.S. Department of Agriculture			<u>182,533</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>2,991</u>
U.S. Department of Justice			
<u>Passed through the State Executive Office of Public Safety:</u>			
Violence Against Women Formula Grants (fiscal year 2009)	16.588	SCEPS3001VAWA09MASHP	5,882
Violence Against Women Formula Grants (fiscal year 2010)	16.588	SCEPS3001VAWA10MASHP	20,638
<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>21,701</u>
Total U.S. Department of Justice			<u>48,221</u>
U.S. Department of Education			
<u>Direct Programs:</u>			
Title IV 92-138 Indian Education (fiscal year 2009)	84.006	Not Applicable	1,205
Title IV 92-138 Indian Education (fiscal year 2010)	84.006	Not Applicable	38,489
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
<i>Title I, Part A Cluster</i>			
Title I Distribution (fiscal year 2009)	84.010	305-158-9-0172-J	51,241
Title I Distribution (fiscal year 2010)	84.010	305-079-0-0172-K	159,015
Title I - American Recovery and Reinvestment Act	84.389	770-164-0-0172-K	59,656
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2009)	84.027	240-244-9-0172-J	98,519
SPED 94-142 Allocation (fiscal year 2010)	84.027	240-146-0-0172-K	317,005
SPED Program Improvement (fiscal year 2009)	84.027	274-142-9-0172-J	191
SPED IDEA - American Recovery and Reinvestment Act	84.391	760-304-0-0172-K	88,799
<u>Passed through the State Department of Early Education and Care:</u>			
<i>Special Education Cluster (continued)</i>			
SPED Early Childhood Allocation (fiscal year 2009)	84.173	26209 MASHPEE PUBLIC SC	1,425
SPED Early Childhood Allocation (fiscal year 2010)	84.173	26210 MASHPEE PUBLIC SC	11,627
SPED Early Childhood - American Recovery and Reinvestment Act	84.392	76210 MASHPEE PUBLIC SC	7,658

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education (continued)			
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Safe and Drug-Free Schools (fiscal year 2009)	84.186	331-182-9-0172-J	264
Safe and Drug-Free Schools (fiscal year 2010)	84.186	331-056-0-0172-K	3,889
Enhanced Education through Technology (fiscal year 2010)	84.318	160-038-0-0172-K	2,471
Improving Teacher Quality (fiscal year 2009)	84.367	140-119-9-0172-J	3,836
Improving Teacher Quality (fiscal year 2010)	84.367	140-068-0-0172-K	65,507
Total U.S. Department of Education			<u>910,797</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>112,980</u>
U.S. Department of Homeland Security			
<u>Passed through the State Executive Office of Public Safety:</u>			
Emergency Management Performance Grants	97.042	CDA-1000-FY09EMPG0700000MASHP	<u>2,500</u>
Total			<u>\$ 1,260,022</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 National School Lunch Program represent cash receipts from federal reimbursements.

Note 3 - U.S. Department of Health and Human Services Programs

The amount reported for the School-Based Medicaid Reimbursement Program represents federal cash receipts 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 financial statements.
3. No instances of noncompliance material to the financial statements of the Town of Mashpee, Massachusetts, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Material weaknesses in internal control over major federal award programs disclosed during the audit are 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 pages 9-12.
7. The programs tested as major programs were:

Program Description	CFDA Number
<i>Title I, Part A Cluster</i>	
Title I Distribution	84.010
Title I - American Recovery and Reinvestment Act	84.389
<i>Special Education Cluster</i>	
SPED 94-142 Allocation	84.027
SPED Program Improvement	84.027
SPED Early Childhood Allocation	84.173
SPED IDEA - American Recovery and Reinvestment Act	84.391
SPED Early Childhood - American Recovery and Reinvestment Act	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 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 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 compliance requirements related to the program as outlined in OMB Circular A-133 and OMB Circular A-87.

Cause: Internal controls are not in place to ensure that financial reports are prepared based on the Town's accounting ledger.

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 that reconciles to the Town's accounting ledger.

Grantee Response: 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 and Criteria: The Town did not comply with the period of availability compliance requirements related to the program. Internal controls should be designed and implemented to ensure that the Town adheres to all federal compliance requirements related to the program as outlined in OMB Circular A-133 and OMB Circular A-87.

Cause: Internal controls are not in place to ensure that expenditures are not incurred and charged to the grant program outside the grant's period of availability.

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

Auditors' Recommendation: Internal controls should be implemented to ensure that expenses are not incurred and charged to the grant program outside the grant's period of availability.

Grantee Response: Internal controls have resolved this issue and are working with the grant manager to ensure that all expenses are incurred during the grant's period of availability.

10-3 Special Education Cluster – CFDA No.’s 84.027, 84.173, 84.391, and 84.392; Fiscal year ended June 30, 2010

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 compliance requirements related to the program as outlined in OMB Circular A-133 and OMB Circular A-87.

Cause: Internal controls are not in place to ensure that financial reports are prepared based on the Town’s accounting ledger.

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 DESE include accurate information that reconciles to the Town’s accounting ledger.

Grantee Response: This finding has been resolved.

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 and Criteria: 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. Actual incurred expenses recorded in the Town’s accounting ledger should be reported on the FR-1’s. Encumbrances should be considered unobligated funds that need to be returned to the DESE and re-applied for in the subsequent grant period.

Cause: Procedures are not in place to file FR-1’s accurately and in accordance with DESE requirements.

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

Questioned Costs: Questioned costs (related to the encumbrances) totaled \$2,061.

Auditors’ Recommendation: Procedures should be implemented to ensure that FR-1’s submitted to the DESE include only actual incurred expenses recorded in the Town’s accounting ledger. Encumbrances must be reported as unobligated funds and re-applied for in the subsequent grant period.

Grantee Response: Program management will work with internal controls to clear all encumbrances before filing the FR-1 report.

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

Condition and Criteria: Program management was unable to provide evidence that letters offering Title I funds to eligible private schools were sent to the private schools. Federal guidelines require the Town to provide consultation to private school officials to determine the kind of educational services that could be provided to eligible private school students if they choose to participate in the program.

Cause: Procedures are not in place to maintain appropriate documentation as evidence that the required consultation with private school officials occurred.

Effect: Program management is not in compliance with the special tests and provisions requirements of the grant.

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

Auditors' Recommendation: Procedures should be implemented to ensure that the required consultations are performed with private school officials and that appropriate documentation supporting the consultation is maintained, whether or not they choose to participate in the program.

Grantee Response: Program management has resolved this issue.

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

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

Cause: Procedures are not in place to charge expenses to the grant within the period of availability.

Effect: The payroll expenses charged to the grant prior to November 9, 2009 are subject to disallowance and are considered questioned costs.

Questioned Costs: Questioned costs charged to the Special Education IDEA – American Recovery and Reinvestment Act program totaled \$4,350.

Auditors' Recommendation: Procedures should be implemented to ensure that only allowable costs incurred within the period of availability are charged to the grant program.

Grantee Response: 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 and Criteria: 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. Actual incurred expenses recorded in the Town's accounting ledger should be reported on the FR-1's. Encumbrances should be considered unobligated funds that need to be returned to the DESE and re-applied for in the subsequent grant period.

Cause: Procedures are not in place to file FR-1's timely and accurately and in accordance with DESE requirements.

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

Questioned Costs: Questioned costs (related to the encumbrances) totaled \$112.

Auditors' Recommendation: Procedures should be implemented to ensure that FR-1's are submitted to the DESE timely and that only actual incurred expenses recorded in the Town's accounting ledger are reported. Encumbrances must be reported as unobligated funds and re-applied for in the subsequent grant period.

Grantee Response: Program management will submit future FR-1's within 60 days of the end date of the grant. Encumbrances will be reported as unobligated funds.

10-8 Special Education Cluster – CFDA No.'s 84.027, 84.173, 84.391, and 84.392; Fiscal year ended June 30, 2010

Condition and Criteria: 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. One of the expenditure amounts reported was not based on the Town's accounting ledger.

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

Effect: The Section 1512 ARRA Report submitted to the DESE for the quarter ended June 30, 2010 did not represent an accurate, current and complete disclosure of financial results related to the Special Education IDEA – American Recovery and Reinvestment Act grant.

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 are reconciled with the Town's accounting ledger.

Grantee Response: This finding has been resolved.

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 and Criteria: 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.

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

Effect: The Section 1512 ARRA Reports submitted to the DESE for the quarter ended June 30, 2010 did not represent an accurate disclosure of the types of expenses charged to the program.

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

Auditors' Recommendation: Procedures should be implemented to ensure that expenditures are properly classified in the Section 1512 ARRA Reports.

Grantee Response: This finding has been resolved.

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

09-1 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition: The Town did not comply with the activities allowed or unallowed compliance requirements related to the program.

Current Status: This finding has been resolved.

Noncompliance Related to Major Programs

09-2 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition: The Town paid invoices with the Special Education Cluster grant funds for expenses that were not allowable under the program.

Current Status: This finding has been resolved.

09-3 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition: Program management did not file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

Current Status: This finding has been resolved.

09-4 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition: The "Funds Expended" amounts reported on the FR-1 submitted to the DESE included encumbrances.

Current Status: The status has remained unchanged. Please see current year Finding 10-7.