

TOWN OF AUBURN, MASSACHUSETTS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND INDEPENDENT AUDITORS' REPORTS REQUIRED
UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996**

FOR THE YEAR ENDED JUNE 30, 2012

**TOWN OF AUBURN, MASSACHUSETTS
SINGLE AUDIT
TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditor's 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	1-2
Independent Auditor's 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	3-4
Schedule of Expenditures of Federal Awards	5-6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Current Audit Findings	9-10
Summary Schedule of Prior Audit Findings	11

**INDEPENDENT AUDITOR'S 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 Auburn, 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 Auburn, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town of Auburn, Massachusetts' basic financial statements and have issued our report thereon dated February 28, 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.

Internal Control Over Financial Reporting

The management of the Town of Auburn, Massachusetts, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Auburn, 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 Auburn, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Auburn, 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 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 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.

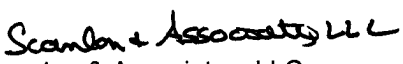
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Auburn, 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 Auburn, Massachusetts in a separate letter dated February 28, 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.


Scanlon & Associates, LLC
South Deerfield, Massachusetts

February 28, 2013

**INDEPENDENT AUDITOR'S 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 Auburn, Massachusetts

Compliance

We have audited the Town of Auburn, Massachusetts' compliance 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 Auburn, Massachusetts' major federal programs for the year ended June 30, 2012. The Town of Auburn, Massachusetts' major federal programs are identified in the summary of auditor's 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 Auburn, Massachusetts' management. Our responsibility is to express an opinion on the Town of Auburn, 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 Auburn, 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 Auburn, Massachusetts' compliance with those requirements.

As described in item 2012-1 in the accompanying schedule of findings and questioned costs, the Town of Auburn, Massachusetts, did not comply with requirements regarding reporting that are applicable to its Special Education cluster of programs and Title I, Part A cluster of programs. Compliance with such requirements is necessary, in our opinion, for the Town of Auburn, Massachusetts to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Auburn, Massachusetts 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 year ended June 30, 2012.

Internal Control Over Compliance

The management of the Town of Auburn, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Auburn, Massachusetts' internal control over compliance with 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 of Auburn, 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 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, as described in the accompanying schedule of findings and questioned costs as item 2012-1. 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.

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 Auburn, Massachusetts, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 28, 2013, 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 accompanying schedule of expenditures of federal awards is presented for 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The Town of Auburn, Massachusetts' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Auburn, Massachusetts' response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the entity, 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.


Scanlon & Associates, LLC
South Deerfield, Massachusetts

February 28, 2013

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Agriculture			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
School Breakfast Program	14-017	10.553	\$ 14,291
National School Lunch Program	14-017	10.555	219,285
Total Child Nutrition Cluster			<u>233,576</u>
Food Distribution-School Lunch Commodities	14-017	10.565	51,651
Total U. S. Department of Agriculture			<u>285,227</u>
U. S. Department of Justice			
Direct Programs:			
ARRA Edward Byrne Memorial Justice Assistance Grant No. 2009-SB-B9-0152		16.804	3,818
Total U. S. Department of Justice			<u>3,818</u>
U. S. Department of Transportation			
Passed Through Commonwealth of Massachusetts			
Executive Office of Public Safety and Homeland Security:			
State and Community Highway Safety:			
Highway Safety - 2011		20.600	345
Highway Safety - 2012		20.600	8,259
Total U. S. Department of Transportation			<u>8,604</u>
U. S. Department of Health and Human Services			
Passed Through City of Worcester, Massachusetts:			
Public Health Emergency Response		93.069	6,420
Total U. S. Department of Health and Human Services			<u>6,420</u>
Corporation for National and Community Service			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Learn and Serve School Based - 2011	354-019-1-0017-L	94.004	821
Learn and Serve School Based - 2011	354-086-1-0017-L	94.004	1,130
Total Corporation for National and Community Service			<u>1,951</u>
U. S. Department of Homeland Security			
Passed Through Commonwealth of Massachusetts			
Emergency Management Agency:			
Emergency Management Preparedness		97.005	610
Disaster Grants - Public Assistance - Tropical Storm Irene	FEMA-3330-MA-DR	97.036	21,289
Disaster Grants - Public Assistance - October 2011 Snow Storm	FEMA-4051-MA-DR	97.036	103,879
Emergency Management Performance Grant		97.042	5,000
Emergency Management Performance Grant		97.042	3,700
Emergency Management Performance Grant		97.042	482
CERT Purchase Radio Equipment		97.067	1,943
Total U. S. Department of Homeland Security			<u>136,903</u>
TOTAL PAGE 1 OF 2			<u>\$ 442,923</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Education			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Title I, Part A Cluster:			
Title I - 2011	305-099-1-0017-L	84.010	\$ 16,397
Title I - 2011	305-546-1-0017-L	84.010	19,068
Title I - 2012	305-111-2-0017-M	84.010	147,870
ARRA Title I - 2011	770-126-1-0017-L	84.389	64,809
Total Title I, Part A Cluster			<u>248,144</u>
Special Education Cluster:			
Special Education PL 94-142 Allocation - 2011	240-206-1-0017-L	84.027	8,602
Special Education PL 94-142 Allocation - 2012	240-295-2-0017-M	84.027	465,309
Special Education Specialized Training - 2011	250-004-1-0017-L	84.027	1,442
Special Education Program Improvement - 2012	274-235-2-0017-M	84.027	10,483
Circuit Breaker Supplemental Payments		84.027	27,921
Language and Literacy Development - 2011	297-054-1-0017-L	84.173	4,680
ARRA IDEA - 2011	760-369-1-0017-L	84.391	25,435
Total Special Education Cluster, Department of Elementary and Secondary Education			<u>543,872</u>
Safe and Drug Free Schools and Communities State Grants:			
Drug Free Schools - 2011	332-010-1-0017-L	84.186	36
Improving Teacher Quality State Grants:			
Teacher Quality - 2011	140-311-1-0017-L	84.367	11,021
Teacher Quality - 2012	140-145-2-0017-M	84.367	49,417
Total Improving Teacher Quality State Grants			<u>60,438</u>
State Fiscal Stabilization Fund - Education State Grants, Recovery Act:			
ARRA Stabilization - 2011	780-002-1-0017-L	84.394	4,131
ARRA Stabilization - 2011	780-122-1-0017-L	84.394	11,985
Total State Fiscal Stabilization Fund - Education State Grants, Recovery Act			<u>16,116</u>
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants:			
ARRA Race to the Top - 2011	201-177-1-0017-L	84.395	14,040
ARRA Race to the Top - 2012	201-065-2-0017-M	84.395	12,854
ARRA Innovation School Planning - 2012	202-004-2-0017-M	84.395	9,076
Total State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants			<u>35,970</u>
Education Jobs Fund:			
Education Jobs - 2012	206-002-2-0017-M	84.410	78,565
Passed Through Commonwealth of Massachusetts			
Department of Early Education and Care:			
Special Education Cluster:			
Special Education Early Childhood Allocation - 2012	EEC-262	84.173	16,745
Total Special Education Cluster, Department of Early Education and Care			<u>16,745</u>
Total U. S. Department of Education			
			<u>999,886</u>
TOTAL PAGE 2 OF 2			999,886
TOTAL PAGE 1 OF 2			442,923
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 1,442,809</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF AUBURN, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Town of Auburn, Massachusetts, under programs of the federal government for the year ended June 30, 2012. 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*. Because the Schedule presents only a selected portion of the operations of the Town of Auburn, Massachusetts, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Auburn, Massachusetts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

**TOWN OF AUBURN, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Title I, Part A Cluster:	
84.010	U. S. Department of Education - Title I Grants to Local Educational Agencies
84.389	U. S. Department of Education - Title I Grants to Local Educational Agencies, Recovery Act
Special Education Cluster:	
84.027	U. S. Department of Education - Special Education Grants to States
84.173	U. S. Department of Education - Special Education Preschool Grants
84.391	U. S. Department of Education - Special Education Grants to States, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings reported.

Section III - Federal Award Findings and Questioned Costs

A significant deficiency in internal control over compliance and non-compliance is reported as finding 2012-1 on pages 9-10.

Section IV - Prior Audit Findings

Status of prior year audit finding is reported on page 11.

**TOWN OF AUBURN, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Finding 2012-1

Noncompliance/Significant Deficiency in Internal Control Over Compliance – Reporting Requirements – U. S. Department of Education – Special Education Grants to States (CFDA No. 84.027) and Title I Grants to Local Educational Agencies (CFDA No. 84.010)

Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education

Criteria:

The Massachusetts Department of Elementary and Secondary Education requires that school departments file final financial reports within sixty days after the end of the grant period for all grants. The final financial reports should accurately reflect the funds expended by line item.

Condition:

The Auburn School Department filed the final financial reports for fiscal year 2012 within the required time period. However, the final financial reports were filed before all the bills were paid. The final financial reports were filed based on actual expenditures at the time that the reports were prepared plus encumbered amounts remaining for outstanding purchase orders. The SPED 94-142 Allocation grant had \$70 in outstanding encumbrances that had not been paid at the time that the final financial report was filed, the SPED Program Improvement grant had \$900 in outstanding encumbrances that had not been paid at the time that the final financial report was filed, and the Title I Distribution grant had \$60.64 in outstanding encumbrances that had not been paid at the time that the final financial report was filed.

Also, the Final Financial Report for the SPED 94-142 Allocation grant was filed reporting zero balances in each line item. The Contractual Services line item was reported as having \$441,801 expended, when the accounting records reflected \$439,652 as actual expenditures, leaving a balance of \$2,149. The Supplies line item was reported as having \$21,495 expended, when the accounting records reflected \$23,644 as actual expenditures, overdrawing the line item by \$2,149, which is within the ten percent allowed by the Massachusetts Department of Elementary and Secondary Education.

Questioned Costs:

None noted.

Cause:

Final financial reports are filed by the grant administrators based on budgeted amounts before all funds are expended so that the reports can be filed by the deadline. The grant administrators do not verify the expended amounts with the Business Office to determine that the amounts reported are accurate.

Effect:

The effect of filing final financial reports based on encumbered amounts is that grants could be overspent or funds could remain unexpended in the grants if the actual bills that are later paid are more than or less than the encumbered amounts.

**TOWN OF AUBURN, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Also, the final financial report for this SPED 94-142 Allocation grant is incorrectly stated.

Recommendation:

The grant administrators should verify the amounts reported on the final financial reports with the Business Office prior to filing the reports. Also, purchases should be planned to be completed before the deadline to file the final financial reports so that the expenditures reported are based on actual expenditures. If any actual bills are paid after the final financial reports are filed and the amounts paid are different from the encumbered amounts, the final financial reports should be amended to reflect the correct amounts expended.

Management's Response:

The Business Manager will assume oversight in terms of how the budget is being spent, when and how and will insure the grants are spent down 20 business days before the end of the grant.

**TOWN OF AUBURN, MASSACHUSETTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Finding 2011-1: Noncompliance/Significant Deficiency in Internal Control Over Compliance – Reporting Requirements – U. S. Department of Education – Special Education Cluster – ARRA IDEA Stimulus Program Grant (CFDA No. 84.391)

Prior Year Comment:

The Final Financial Report filed for the ARRA IDEA Stimulus Program grant was incorrect because some expenditures were reported under the wrong line item.

Status:

Some errors were noted in the Final Financial Reports filed for the FY 2012 Federal grants.

This condition is repeated as current finding 2012-1.