

**TOWN OF DOUGLAS, MASSACHUSETTS**

**Independent Auditors' Reports Pursuant  
to Governmental Auditing Standards  
and The Single Audit Act Amendments of 1996**

**For the Year Ended June 30, 2012**

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# MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

## 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 Board of Selectmen  
Town of Douglas, 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 Douglas, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 28, 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

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of the 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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*.

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.

*Melanson, Heath + Company P.C.*

November 28, 2012



# MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

## 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 Board of Selectmen  
Town of Douglas, Massachusetts

### Compliance

We have audited the Town of Douglas, 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 its major federal programs for the year ended June 30, 2012. 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 the Town's 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 year ended June 30, 2012.

## 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 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's 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 12-1. *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 as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of

forming our opinions on the financial statements that collectively comprise the Town's 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 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, is fairly stated, in all material respects, in relation to the financial statements taken 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 them.

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.

*Melanson, Heath + Company P.C.*

March 4, 2013

TOWN OF DOUGLAS, MASSACHUSETTS  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through Massachusetts Department of Elementary and Secondary Education		
School Breakfast	10.553	\$ 5,121
National School Lunch Program	10.555	<u>122,566</u>
Total Department of Agriculture		127,687
<u>U.S. Department of Education</u>		
Passed through Massachusetts Department of Elementary and Secondary Education		
Title I Cluster	84.010	83,767
Title VI B	84.027	328,750
SPED Program Improvement	84.027	12,579
Specialized Training	84.027	538
Circuit Breaker	84.027A	3,880
Teacher Quality	84.367	25,598
Education Jobs	84.410	353,917
Race to the Top	84.395	6,000
Passed through State Department of Early Education and Care		
Early Childhood	84.173	<u>10,533</u>
Total Department of Education		<u>825,562</u>
<u>U.S. Corporation for National &amp; Community Service</u>		
Passed through Massachusetts Department of Elementary and Secondary Education		
Learn and Serve	94.004	<u>335</u>
Total Corporation for National & Community Service		335
<u>US Department of Justice</u>		
Direct Federal Grant		
Bulletproof Vest Partnership Program	16.607	<u>4,900</u>
Total Department of Justice		<u>4,900</u>
<u>U.S. Department of Homeland Security</u>		
Passed through Massachusetts Emergency Management Agency		
FEMA Ice Storm	97.036	<u>45,397</u>
Total Department of Homeland Security		<u>45,397</u>
<u>U.S. Department of Transportation</u>		
Passed through Executive Office of Public Safety & Homeland Security		
Governor's Highway Safety Bureau	20.600	<u>880</u>
Total Department of Transportation		<u>880</u>
<u>U.S. Department of Health &amp; Human Services</u>		
Passed through Massachusetts Department of Public Health		
Emergency Preparedness Bureau		
Public Health	93.069	<u>2,791</u>
Total Health & Human Services		<u>2,791</u>
Total Federal Expenditures		<u>\$ 1,007,552</u>

See Independent Auditors' Report on Compliance with OMB A-133.  
This schedule has been prepared on the modified accrual basis of accounting.  
State identifying numbers were not available for the pass-through grants listed above.



TOWN OF DOUGLAS, MASSACHUSETTS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditors' report issued on compliance for major programs:

Education Jobs Unqualified  
School Breakfast and Lunch Programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.410 10.553/10.555	Education Jobs School Breakfast and Lunch Programs

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

## SECTION II - FINANCIAL STATEMENT FINDINGS

None.

## SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
12-1	School Lunch Cluster 10.553/ 10.555	<p><u>Improve Cash Collection Process (Significant Deficiency)</u></p> <p><u>Criteria:</u> The Town is required to maintain an internal control process designed to provide reasonable assurance that cash receipt transactions are properly controlled, recorded, and accounted for. Specifically, there should be physical controls and an adequate segregation of duties over the receipt process.</p> <p><u>Condition:</u> During our audit, we observed that school lunch receipts were left unsecured and unattended. At the end of the school lunch day, cash drawers were stored unlocked in a large plastic bag in the food pantry, which remained open until the end of the day. Before being placed in the large plastic bags, daily cash collections were placed on top of the manager's desk in an unlocked office until the manager reviewed the day's payments. Furthermore, we noted that the school lunch manager also acted as a cashier for one lunch line and then was the individual in charge of preparing the turnover. This created a lack of segregation of duties.</p> <p><u>Effect:</u> These conditions resulted in the Town being vulnerable to potential theft by staff, vendors, or students.</p> <p><u>Recommendation:</u> We recommend the Town store cash and cash drawers in a locked office or cabinet. We also recommend that another individual count the school lunch manager's drawer and sign off on the turnover and bank deposit.</p>	N/A

(continued)

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<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
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Town's Response:

We have been cross-training other staff to relieve the kitchen manager from cashier duties during lunches to maintain segregation of duties. We also have instituted a segregation of duties with regard to counting the drawer and signing off on the turnover form. We agree that the same person should not be conducting all of these tasks. We are purchasing a locked cabinet to store in a locked office for the cash drawer.

**SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS**

There were no findings in the prior year.