

**TOWN OF WINCHESTER, MASSACHUSETTS**

**GAO AND UNIFORM GUIDANCE REPORTS**

**JUNE 30, 2016**

**TOWN OF WINCHESTER, MASSACHUSETTS**  
**GAO AND UNIFORM GUIDANCE REPORTS**

**JUNE 30, 2016**

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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 Winchester, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts' basic financial statements, and have issued our report thereon dated December 1, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Winchester, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Winchester, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Winchester, Massachusetts' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Winchester, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 1, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Board of Selectmen  
Town of Winchester, Massachusetts

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

We have audited the Town of Winchester, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Winchester, Massachusetts' major federal programs for the fiscal year ended June 30, 2016. The Town of Winchester, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Winchester, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Winchester, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Winchester, Massachusetts' compliance.

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

In our opinion, the Town of Winchester, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2016.

## ***Other Matters***

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

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

## **Report on Internal Control over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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 Winchester, Massachusetts, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts' basic financial statements. We issued our report thereon dated December 1, 2016 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts

December 1, 2016

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TOWN OF WINCHESTER, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Cash Assistance	10.553	09-344	\$ 10,549
National School Lunch Program - Cash Assistance	10.555	09-344	162,081
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	09-344	<u>105,029</u>
Total U.S. Department of Agriculture			<u>277,659</u>
<b>U.S. Department of Education</b>			
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
Title I Distribution (fiscal year 2015)	84.010	305-051215-2015-0344	22,927
Title I Distribution (fiscal year 2016)	84.010	305-075147-2016-0344	89,870
<i>Special Education Cluster</i>			
SPED 94-142 Allocation (fiscal year 2016)	84.027	240-066-6-0344-A	824,613
SPED Program Improvement (fiscal year 2015)	84.027	274-064-5-0344-P	34,744
SPED Program Improvement (fiscal year 2016)	84.027	274-180-6-0344-A	26,705
SPED Early Childhood Program Improvement (fiscal year 2015)	84.027	298-594-5-0344-C	2,652
SPED Early Childhood Program Improvement (fiscal year 2016)	84.027	298-715-6-0344-A	1,907
<u>Passed through the State Department of Early Education and Care:</u>			
SPED Early Childhood Allocation (fiscal year 2016)	84.173	26216WINCHESTERPUBLIC	<u>19,276</u>
Subtotal Special Education Cluster			<u>909,897</u>
<u>Passed through the State Department of Elementary &amp; Secondary Education:</u>			
Title III - English Language Acquisition (fiscal year 2014)	84.365	180-049-5-0344-F	162
Title III - English Language Acquisition (fiscal year 2015)	84.365	180-036-5-0344-C	21,289
Title III - English Language Acquisition (fiscal year 2016)	84.365	180-081-6-0344-A	5,415
Title IIA - Improving Teacher Quality (fiscal year 2015)	84.367	140-062866-2015-0344	25,939
Title IIA - Improving Teacher Quality (fiscal year 2016)	84.367	140-090369-2016-0344	<u>26,561</u>
Total U.S. Department of Education			<u>1,102,060</u> (continued)

TOWN OF WINCHESTER, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
<u>Passed through the State Department of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1951262	76,689
<b>U.S. Department of Homeland Security</b>			
<u>Passed through the State Office of Emergency Management:</u>			
Emergency Management Performance Grants (2013-2014)	97.042	FFY13-14 EMPG GRANT	1,171
Emergency Management Performance Grants (2015)	97.042	FFY15 EMPG GRANT	4,960
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	JAN 2015 STORM PW 00450	13,019
Total U.S. Department of Homeland Security			19,150
Total			\$ 1,475,558

(concluded)

See notes to schedule of expenditures of federal awards.

TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2016

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Winchester, Massachusetts and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 National School Lunch Program - Non-Cash Assistance (Commodities) 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 - Cash Assistance and the National School Lunch Program - Cash Assistance represent cash receipts from federal reimbursements.

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

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

This information is an integral part of the accompanying schedule of expenditures of federal awards.

TOWN OF WINCHESTER, MASSACHUSETTS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2016

**A. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   No

Noncompliance material to the financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not  
 considered to be material weaknesses?   X   Yes \_\_\_\_\_ No

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

Were any findings disclosed that are required to be reported in  
 accordance with the Uniform Guidance   X   Yes \_\_\_\_\_ No

*Identification of Major Programs:*

Name of federal program or cluster	CFDA Number
<i>Special Education Cluster</i>	
SPED 94-142 Allocation	84.027
SPED Program Improvement	84.027
SPED Early Childhood Program Improvement	84.027
SPED Early Childhood Allocation	84.173

Dollar threshold used to distinguish between Type A and  
 Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee?   X   Yes \_\_\_\_\_ No

**B. Findings - Financial Statement Audit**

None

TOWN OF WINCHESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

**DEPARTMENT OF EDUCATION**

*Noncompliance and Significant Deficiency Related to Major Programs*

2016-001           Special Education Cluster; CFDA No.'s 84.027 and 84.173

Compliance Requirement: Allowable Costs/Cost Principles

*Criteria:* For employees who work in part on a Federal program, or on activities funded from other revenue sources, time and effort distributions records (personnel activity reports or time sheets) must be maintained that support the portion of time and effort dedicated to each cost objective.

*Condition and Context:* Time and effort for 4 employees, affecting 6 of 40 salary charges tested, were not consistent with time and effort certifications. The signed time and effort certification identified the employees' time as 100% dedicated to the SPED grant. However, the employees were paid from funding sources other than the SPED grant.

*Effect:* In the absence of accurate time and effort certifications, it is possible that salaries charged to the grant are overstated or understated.

*Cause:* Procedures were not in place to process accurate time and effort certifications that are reflective of actual salary charges to the grant.

*Questioned Costs:* None

*Auditors' Recommendation:* Procedures must be implemented to ensure that time and effort certifications are accurately maintained, using personnel activity reports or time sheets for employees whose salary is charged to various cost objectives or other revenue sources.

*Views of Responsible Officials and Corrective Action:*

**Explanation of disagreement with audit finding - None**

**Actions planned in response to finding -** Beginning September 2016 any employee that has a change in their payroll account, whether they are added to or removed from being charged to a special education grant, will be removed from the semi-annual time and effort certifications and will be added to a separate monthly time and effort certification. This change will help ensure that teacher assistants that are not paid 100% from a special education grant are tracked properly.

**Responsible party -** The special education director, director of finance, and payroll supervisor will be responsible for monitoring this process.

**Planned completion date for corrective action plan -** September 2016

**Plan to monitor completion of corrective action plan -** The special education director, director of finance, and payroll supervisor will be responsible for monitoring this process.

TOWN OF WINCHESTER, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016

**D. Summary of Prior Audit Findings**

**Department of Education**

*Noncompliance and Significant Deficiency Related to Major Programs*

2015-001          Special Education Cluster; CFDA No.'s 84.027 and 84.173

*Condition:* Individualized Education Plans (IEP) did not include authorizing signatures from a Town official and/or the student's parents, as evidence that the IEP was reviewed.

*Current Status:* Based on our audit of compliance for the fiscal year ended June 30, 2016, this finding has been resolved.