

**TOWN OF STONEHAM, MASSACHUSETTS
GAO AND UNIFORM GUIDANCE REPORTS
YEAR ENDED JUNE 30, 2018**

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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**

Honorable Select Board
Town of Stoneham, 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 Stoneham, Massachusetts, as of and for the year ended June 30, 2018 (except for the Stoneham Contributory Retirement System, which is as of and for the year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Stoneham 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 Stoneham, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stoneham, 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.

Honorable Select Board
Town of Stoneham, Massachusetts

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stoneham, 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 result 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.



CliftonLarsonAllen LLP

Boston, Massachusetts
June 6, 2019



**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**

Honorable Select Board
Town of Stoneham, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Stoneham, 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 Stoneham, Massachusetts' major federal programs for the year ended June 30, 2018. The Town of Stoneham, Massachusetts' major federal program is 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Stoneham, 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 Stoneham, 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 Stoneham, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Stoneham, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-003. Our opinion on the major federal program is not modified with respect to these matters.

Town of Stoneham, Massachusetts' responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Stoneham, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-003 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, to be significant deficiencies.

Honorable Select Board
Town of Stoneham, Massachusetts

The Town of Stoneham, Massachusetts' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Stoneham, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Stoneham, Massachusetts, as of and for the year ended June 30, 2018 (except for the Stoneham Contributory Retirement System which is as of and for the year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Stoneham, Massachusetts. We issued our report thereon dated June 6, 2019, 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

Boston, Massachusetts

July 23, 2019, except for the report on the Schedule of Expenditures of Federal Awards which is June 6, 2019

**TOWN OF STONEHAM, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass-Through Grantor/ Program	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program - Cash Assistance	10.553	09-284	\$ 9,614	\$ -
National School Lunch Program - Cash Assistance	10.555	09-284	193,884	-
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	09-284	61,972	-
Subtotal Child Nutrition Cluster			265,470	-
Total U.S. Department of Agriculture			265,470	-
U.S. Department of Justice				
<u>Direct Programs</u>				
Enforcing Underage Drinking Laws Program	16.607	Not Applicable	1,449	-
U.S. Department of Transportation				
<u>Passed through the State National Highway Traffic Safety Administration:</u>				
State and Community Highway Safety	20.600	2013OTENF2017XXXXXXX	797	-
Institute of Museum and Library Services				
<u>Direct Programs:</u>				
Library Services and Technology Act	45.310	Not Applicable	4,731	-
U.S. Department of Education				
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
Title I Distribution (fiscal year 2017)	84.010	305-094024-2017-0284	19,499	-
Title I Distribution (fiscal year 2018)	84.010	305-155262-2018-0284	95,625	-
Subtotal CFDA 84.010			115,124	-
<i>Special Education Cluster</i>				
<u>Passed through the State Department of Elementary & Secondary Education:</u>				
SPED 94-142 Allocation (fiscal year 2017)	84.027	240-095243-2017-0284	12,409	-
SPED 94-142 Allocation (fiscal year 2018)	84.027	240-170787-2018-0284	622,632	-
SPED Early Childhood Program Improvement (fiscal year 2017)	84.027	274-154-7-0284	2,200	-
Subtotal CFDA 84.027			637,241	-
Secondary Transition Systemic Improvement Grant	84.027A	243-195-7-0284	5,466	-
<u>Passed through the State Department of Early Education and Care</u>				
SPED Early Childhood Allocation (fiscal year 2017)	84.173	26217STONEHAMPUB	654	-
SPED Early Childhood Allocation (fiscal year 2018)	84.173	26218STONEHAMPUB	16,778	-
Subtotal Special Education Cluster			660,139	-
Title IIA - Improving Teacher Quality (fiscal year 2017)	84.367	140-094098-2017-0284	12,697	-
Title IIA - Improving Teacher Quality (fiscal year 2018)	84.367	140-155275-2018-0284	44,507	-
Subtotal CFDA 84.367			57,204	-
Title IVA - Every Student Succeeds Act	84.424	309-162071-2018-0284	3,057	-
Total U.S. Department of Education			835,524	-
U.S. Department of Health and Human Services				
<u>Passed through the State Department of Health and Human Services:</u>				
School-Based Medicaid Reimbursement Program	93.778		78,622	-
Total			\$ 1,186,593	\$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**TOWN OF STONEHAM, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Stoneham, Massachusetts under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Town of Stoneham, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Stoneham, Massachusetts.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles in OMB Circular A-87, Cost Principles for State, Local or Indian Tribal Governments, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Stoneham, Massachusetts did not elect to use the 10-percent de minimis indirect cost rate identified in §200.414 of the Uniform Guidance.

NOTE 3 U.S. DEPARTMENT OF AGRICULTURE

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 National School Lunch Program – Cash Assistance and School Breakfast Program – Cash Assistance represent cash receipts from federal reimbursements.

NOTE 4 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

**TOWN OF STONEHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

- 1. Type of auditors’ report issued: Unmodified
- 2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes none reported
- 3. Noncompliance material to financial statements noted? _____ yes no

Federal Awards

- 1. Internal control over major federal programs:
 - Material weakness(es) identified? yes _____ no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes _____ none reported
- 2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
- 3. Any audit findings disclosed that are required to be reported in accordance with Subpart F, Section 516(a) of the Uniform Guidance? _____ yes _____ no

Identification of Major Federal Programs

84.027, 84.027A, 84.173 Special Education Cluster

**TOWN OF STONEHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Questioned Costs: None.

Context: We tested the entire population of 3 FFR1 reports, and noted one for the period ended June 30 had not been filed as of our audit, and one was filed more than 60 days late.

Cause: Procedures are not in place to ensure FFR1 reports are submitted to DESE within 60 days of the grant end date.

Effect: Noncompliance with the federal award program's final financial reporting requirements.

Recommendation: We recommend procedures be implemented to ensure FFR1 reports are submitted to DESE within 60 days of the end date of the grant.

Views of responsible officials: Management agrees with the finding. See Corrective Action Plan.

2018-002

Federal Agency: Department of Education

Federal Program: Special Education Cluster

Pass-Through Agency: Massachusetts State Department of Elementary and Secondary Education (DESE)

Pass-Through Number(s): Various – See Schedule of Expenditures of Federal Awards

CFDA Numbers: 84.027, 84.027A, 84.173

Award Period: July 1, 2017 – June 30, 2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Compliance Requirement: Period of Performance

Criteria or specific requirement: A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309). The Town of Stoneham, Massachusetts should have internal controls designed to ensure compliance with those provisions.

Condition: The Town of Stoneham, Massachusetts charged expenditures to the grant outside of the period of performance.

Questioned Costs: Less than the reportable threshold.

**TOWN OF STONEHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Context: For 1 of 10 transactions tested in our statistically valid sample, we identified the Town had incurred costs prior to to the grant’s performance start date.

Cause: Procedures are not in place to ensure expenditures were charged to the grant within the period of performance.

Effect: Noncompliance with federal period of performance compliance requirements.

Recommendation: We recommend management implement procedures to ensure only costs incurred during the period of performance are charged to the grant.

Views of responsible officials: Management agrees with the finding. See Corrective Action Plan.

2018-003

Federal Agency: Department of Education

Federal Program: Special Education Cluster

Pass-Through Agency: Massachusetts State Department of Elementary and Secondary Education (DESE)

Pass-Through Number(s): Various – See Schedule of Expenditures of Federal Awards

CFDA Numbers: 84.027, 84.027A, 84.173

Award Period: July 1, 2017 – June 30, 2018

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Other Matters

Compliance Requirement: Allowable Costs

Criteria or specific requirement: 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires compliance with the provisions of Allowable Costs/Cost Principles. The Town of Stoneham, Massachusetts should have internal controls designed to ensure compliance with those provisions. Payroll systems must be based on records that accurately reflect the work performed and supported by a system of internal controls that provides reasonable assurance that charges are accurate; allowable and reasonable; and properly allocated.

Condition: The Town of Stoneham, Massachusetts did not have adequate controls designed to ensure proper documentation of work performed.

Questioned Costs: \$29,305

**TOWN OF STONEHAM, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Context: For 7 of 7 payroll transactions tested in our statistically valid sample, we identified the Town did not maintain documentation supporting the time and effort.

Cause: Procedures are not in place to maintain the required supporting documentation for the salaries charged to the grant.

Effect: The salary charges are subject to disallowance and are considered questioned costs.

Recommendation: We recommend management implement procedures to ensure that salaries charged to the grant are appropriate and are supported by the required time and effort reports.

Views of responsible officials: Management agrees with the finding. See Corrective Action Plan.