

**TOWN OF GRAFTON, MASSACHUSETTS**

**INDEPENDENT AUDITOR'S REPORTS PURSUANT  
TO GOVERNMENTAL AUDITING STANDARDS  
AND UNIFORM GUIDANCE**

**FOR THE YEAR ENDED JUNE 30, 2017**

**TOWN OF GRAFTON, MASSACHUSETTS**

**Independent Auditors' Reports Pursuant  
To Governmental Auditing Standards  
And Uniform Guidance**

**For the Year Ended June 30, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>TABLE OF CONTENTS</b> .....	2
<b>INDEPENDENT AUDITOR'S REPORT ON:</b>	
Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	5-7
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> .....	8-10
<b>NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> .....	11
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> .....	12
<b>SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS</b> .....	13
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b> .....	14
<b>CORRECTIVE ACTION PLAN</b> .....	15

**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 Grafton, 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 Grafton, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Grafton, Massachusetts' basic financial statements, and have issued our report thereon dated February 28, 2018.

**Internal Control Over Financial Reporting**

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

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

February 28, 2018

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

To the Honorable Board of Selectmen  
Town of Grafton, Massachusetts

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

We have audited the Town of Grafton, 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 Grafton, Massachusetts' major federal programs for the year ended June 30, 2017. The Town of Grafton, Massachusetts' major federal programs are identified in the summary of auditor's 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 Grafton, 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 Grafton, 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 Grafton, Massachusetts' compliance.

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

In our opinion, the Town of Grafton, 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 year ended June 30, 2017.

## **Report on Internal Control Over Compliance**

Management of the Town of Grafton, 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 Grafton, 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 Grafton, 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 2017-001 that we consider to be a significant deficiency.

The Town of Grafton, 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 Grafton, 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 Grafton, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Grafton, Massachusetts' basic financial statements. We issued our report thereon dated February 28, 2018, 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.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

February 28, 2018

**TOWN OF GRAFTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Agriculture</b>				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	14-110	\$ -	\$ 15,560
National School Lunch Program	10.555	14-110	-	184,757
Total Child Nutrition Cluster			-	200,317
Food Distribution-School Lunch Commodities	10.565	14-110	-	69,552
<b>Total U. S. Department of Agriculture</b>			-	269,869
<b>U. S. Department of Justice</b>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607		-	850
COPS Hiring Program - Grant No. 2015UMWX0074	16.710		-	3,019
<b>Total U. S. Department of Justice</b>			-	3,869
<b>U. S. Department of Transportation</b>				
Passed Through Commonwealth of Massachusetts				
Executive Office of Public Safety and Homeland Security				
State and Community Highway Safety:				
Traffic Enforcement	20.600		-	9,512
<b>Total U. S. Department of Transportation</b>			-	9,512
<b>Institute of Museum and Library Services</b>				
Passed Through Commonwealth of Massachusetts				
Board of Library Commissioners				
Library Services and Technology Act - Full Steam Ahead	45.310		-	2,658
<b>Total Institute of Museum and Library Services</b>			-	2,658
<b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 3</b>			\$ -	\$ 285,908

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

**TOWN OF GRAFTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program Or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Education</b>				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Title I Grants to Local Educational Agencies:				
Title I - 2016	84.010	305-069162-2016-0110	\$ -	\$ 11,984
Title I - 2017	84.010	305-094162-2017-0110	-	207,911
Total Title I Grants to Local Educational Agencies			-	219,895
Special Education Cluster:				
Special Education 94-142 Allocation - 2016	84.027	240-182-6-0110-Q	-	4,141
Special Education 94-142 Allocation - 2017	84.027	240-095445-2017-0110	-	622,572
Special Education Program Improvement - 2016	84.027	274-236-6-0110-Q	-	3,885
Special Education Program Improvement - 2017	84.027	274-177-7-0110-R	-	12,491
Early Childhood SPED Program Improvement - 2016	84.173	298-786-6-0110-Q	-	1,209
Early Childhood SPED Program Improvement - 2017	84.173	298-011-7-0110-R	-	866
Total Special Education Cluster - Department of Elementary and Secondary Education			-	645,164
Improving Teacher Quality State Grants:				
Teacher Quality - 2016	84.367	140-081192-2016-0110	-	38,729
Teacher Quality - 2017	84.367	140-095423-2017-0110	-	25,813
Total Improving Teacher Quality State Grants			-	64,542
Passed Through Commonwealth of Massachusetts				
Department of Early Education and Care:				
Special Education Cluster:				
Special Education Early Childhood Allocation - 2017	84.173	EEC-262	-	23,982
Total Special Education Cluster - Department of Early Education and Care			-	23,982
<b>Total U. S. Department of Education</b>			-	953,583
<b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 2 OF 3</b>			\$ -	\$ 953,583

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

**TOWN OF GRAFTON, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U. S. Department of Health and Human Services</b>				
Passed Through National Association of County and City Health Officials:				
Medical Reserve Corps	93.008		\$ - \$	48,293
Passed Through City of Worcester, Massachusetts:				
Public Health Emergency Preparedness	93.069		-	480
<b>Total U. S. Department of Health and Human Services</b>			-	<u>48,773</u>
<b>U. S. Department of Homeland Security</b>				
Passed Through Commonwealth of Massachusetts Emergency Management Agency:				
Emergency Management Performance Grants	97.042		-	3,945
Citizens Corps Program	97.067		-	2,965
<b>Total U. S. Department of Homeland Security</b>			-	<u>6,910</u>
<b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 3 OF 3</b>			-	55,683
<b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 2 OF 3</b>			-	953,583
<b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 3</b>			-	285,908
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u>\$ - \$</u>	<u>1,295,174</u>

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

**TOWN OF GRAFTON, MASSACHUSETTS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Grafton, Massachusetts, under programs of the federal government for the year ended June 30, 2017. 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). Because the Schedule presents only a selected portion of the operations of the Town of Grafton, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Grafton, Massachusetts.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – INDIRECT COSTS**

The Town of Grafton, Massachusetts, has not charged any indirect costs to any of its federal award programs.

**NOTE D – FOOD DISTRIBUTION**

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

**TOWN OF GRAFTON, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_Yes      X  No

**Federal Awards**

Internal control over major federal programs:

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

Type of Auditor’s Report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X  Yes    \_\_\_\_\_No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	U. S. Department of Education – Special Education Cluster

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

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

A significant deficiency in internal control over compliance is reported as finding 2017-001 following on page 13.

**SECTION IV – PRIOR YEAR FINDINGS**

Status of prior year finding is reported on page 14.

**TOWN OF GRAFTON, MASSACHUSETTS  
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS  
JUNE 30, 2017**

**Finding 2017-001 – Documentation of Internal Control Procedures (Significant Deficiency in Internal Control Over Compliance) – All U. S. Department of Education Grants**

*Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care*

**Criteria:**

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), states in section 200.303 that non-federal entities must establish and maintain effective internal control over federal awards that provides the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” (also known the “The Green Book”), issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Green Book states in section OV4.08 that documentation is a necessary part of an effective internal control system.

**Condition:**

Although the Grafton Public Schools has designed and implemented many internal controls in administering federal award programs, the Grafton Public Schools has not documented their internal control system over federal awards.

**Effect:**

Lack of documentation of internal control policies and procedures may lead to situations of non-compliance with federal requirements for allowable costs, cash management, etc.

**Perspective Information:**

This finding was previously reported in the prior year’s audit report as finding 2016-1 and is repeated this year.

**Questioned Costs:**

None noted.

**Recommendation:**

We recommend that the Grafton Public Schools establish written policies and procedures for administering federal grant awards.

**Views of Responsible Officials and Planned Corrective Actions:**

Grafton Public Schools will establish written policies and procedures for administering federal grants in 2018.

**TOWN OF GRAFTON, MASSACHUSETTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

**Finding 2016-001 – Documentation of Internal Control Procedures (Significant Deficiency in Internal Control Over Compliance) – All U. S. Department of Education Grants**

*Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care*

**Condition:**

Although the Grafton Public Schools has designed and implemented many internal controls in administering federal award programs, the Grafton Public Schools has not documented their internal control system over federal awards.

**Recommendation:**

We recommend that the Grafton Public Schools establish written policies and procedures for administering federal grant awards.

**Current Status:**

The recommendation has not been implemented. The finding is repeated as current finding 2017-001.

**TOWN OF GRAFTON, MASSACHUSETTS  
CORRECTIVE ACTION PLAN  
JUNE 30, 2017**

**Finding 2017-001:**

Grafton Public Schools will establish written policies and procedures for administering federal grants in 2018.