

TOWN OF NEEDHAM, 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 Needham, 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 Needham, 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 February 7, 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

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, 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 in a separate letter dated February 7, 2013.

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.
February 7, 2013



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 Needham, Massachusetts

Compliance

We have audited the Town of Needham, 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.

As described in item 12-1 in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding time and effort documentation that are applicable to its Special Education Cluster grants. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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.

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 February 7, 2013, 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, such information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Town's 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's response and, accordingly, we express no opinion on it.

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.
February 7, 2013

TOWN OF NEEDHAM, MASSACHUSETTS

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ <u>Program Name</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 Lunch Program	10.555	\$ <u>224,975</u>
Total U.S. Department of Agriculture		224,975
<u>U.S. Environmental Protection Agency</u>		
Environmental Education	66.951	<u>25,323</u>
Total U.S. Environmental Protection Agency		25,323
<u>U.S. Department of Education</u>		
Passed Through Massachusetts Department of Elementary and Secondary Education		
Title I ECIAA, P.L. 97-35	84.010	112,644
Title VIB P.L. 94-142 Handicapped Assistance	84.027	1,225,822
Special Education Program Improvement	84.027	46,441
Circuit Breaker Supplemental Payments	84.027A	54,466
Language and Literacy Development	84.173	2,309
Title II Teacher Quality	84.367	82,965
Title VIB P.L. 94-142 Handicapped Assistance - ARRA	84.391	50,256
Education Jobs Fund	84.410	508,281
Passed Through Massachusetts Department of Early Education and Care		
P.L. 99-457 Early Childhood	84.173	33,234
P.L. 99-457 Early Childhood - ARRA	84.392	<u>1,272</u>
Total U.S. Department of Education		2,117,690
<u>U.S. Department of Health and Human Services</u>		
Substance Abuse Mental Health Services Administration	93.243	138,223
Passed Through National Association of County and City Health Officials		
Medical Reserve Corps Small Grant Program	93.008	105
Passed Through Cambridge Public Health Commission		
4B Emergency Preparedness	93.069	<u>8,451</u>
Total U.S. Department of Health and Human Services		146,779
<u>U.S. Department of Homeland Security</u>		
Passed Through Massachusetts Emergency Management Agency		
FEMA January Snowstorm	97.036	145,936
FEMA Tropical Storm Irene	97.036	<u>61,137</u>
Total U.S. Department of Homeland Security		<u>207,073</u>
Grand Total		<u>\$ 2,721,840</u>

See Auditors' report on Schedule of Federal Awards.

This schedule is prepared on the modified accrual basis of accounting.

State identifying numbers were not available for the pass-through grants listed above.

TOWN OF NEEDHAM, 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 weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified? yes none reported

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

Special Education Cluster with ARRA
Education Jobs Fund

Qualified
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:

CFDA Number(s)

Name of Federal Program or Cluster

84.027/84.027A/84.173/84.391/84.392
84.410

Special Education Cluster with ARRA
Education Jobs Funds

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	Title VI B and Early Childhood Grants 84.027/ 84.173	<u>Maintain Employee's Time and Effort Records</u> <u>Criteria:</u> OMB Circular A-87, Attach. B, Paragraph 8.h.3 requires all employees paid in full from federal grant funds to furnish semi-annual certifications that they have been engaged solely in activities supported by the grant. These certifications must be signed by the employee or supervisor with knowledge of the work performed. In addition, OMB Circular A-87, Attach. B, Paragraph 8.h.4 requires employees to document the portion of time worked on the grant and the portion of time worked in areas not related to the grant. Circular A-87 also requires that these time and effort distribution records must (1) be done after the fact (not estimated or budgeted), (2) account for the total activities for which the employee is paid, (3) be prepared at least monthly and coincide with one or more pay periods, and (4) be signed by the employee. <u>Condition:</u> During our audit, we tested fourteen payroll disbursements in order to determine if adequate time and effort records were maintained. As a result of our testing, it was determined that the Needham Public School Department did not maintain adequate time and effort documentation for five employees who have been either unresponsive or who have subsequently left the District. Time and effort documentation provided for five employees tested was not signed by either the employee or a supervisor with knowledge of the work performed.	\$ 36,348 \$ 5,097

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
		<p><u>Effect:</u> Certain time and effort documentation did not meet Federal requirements.</p> <p><u>Recommendation:</u> We recommend that the Needham Public School Department properly complete and maintain semi-annual certifications by having either the employee or a supervisor with knowledge of the work performed sign the semi-annual certifications for those employees whose salaries are paid with federal grant funds, even if the employee is nonresponsive or has subsequently left the District.</p> <p><u>Town's Response:</u> Needham Public Schools was unable to obtain signatures from four employees who had resigned their employment with the District and one of whom was not responsive to requests for signature. In the future, Needham Public Schools will obtain sign off from the supervisor in cases where an employee leaves the District or otherwise is nonresponsive.</p>	

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There were no findings in the prior year.