

TOWN OF TEMPLETON, MASSACHUSETTS

SINGLE AUDIT REPORTS

PURSUANT TO

OMB CIRCULAR A-133

JUNE 30, 2014

**TOWN OF TEMPLETON, MASSACHUSETTS
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**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 Templeton, Massachusetts

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Templeton, Massachusetts, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Town of Templeton, Massachusetts's basic financial statements and have issued our report thereon dated March 23, 2017.

We did not audit the financial statements of the Templeton Municipal Light Department, or the Water Department; these are departments of the Town. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts, is solely based on the report of the other auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2014-001, 2014-002, 2014-004, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009 and 2014-012 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, 2014-004, 2014-006, 2014-010 and 2014-011.

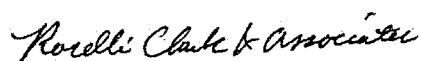
We noted certain other matters that we reported to management of the Town in a separate letter dated March 27, 2017.

Response to Findings

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

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.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
March 23, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Honorable Board of Selectmen
Town of Templeton, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Templeton, 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 the Town of Templeton, Massachusetts' major federal programs for the year ended June 30, 2014. The Town of Templeton, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

We did not audit the financial statements of the Templeton Municipal Light Department, or the Water Department; these are departments of the Town. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts, is solely based on the report of the other auditors.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Town of Templeton, 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, 2014.

Report on Internal Control Over Compliance

Management of the Town of Templeton, 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 Templeton, 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 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 of Templeton, 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 and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant efficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing internal control over compliance and the results of our testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Templeton, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Templeton, Massachusetts's basic financial statements. We have issued our report thereon dated March 23, 2017 which contained a modified opinion on those financial statements. Our audit was conducted for the purpose of forming our 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 OMB Circular A-133, 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.

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
March 23, 2017

**TOWN OF TEMPLETON, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Number	Federal Expenditures
<u>U.S. Department of Housing & Urban Development</u>			
<i>Passed through the Commonwealth of Massachusetts- Department of Housing and Community Development</i>			
Community Development Block Grant/State's Program	14.228	CDF I-G-2013-Templeton-00711 * CDF I-G-2012-Templeton-00677 * CDF I-G-2011-Templeton-00658 *	827,511
<u>U.S. Department of Homeland Security</u>			
<i>Passed through the Commonwealth of Massachusetts - Massachusetts Emergency Management Agency</i>			
Disaster Grants - Public Assistance (Pres. Declared)	97.036	FEMA 4110 PW-00078	27,156
Emergency Management Performance Grants	97.042		9,014
TOTALS			<u>\$ 863,681</u>

* Denotes major program.

See notes to Schedule of Expenditures of Federal Awards.

**TOWN OF TEMPLETON, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

A. Scope of Audit

The Town of Templeton, Massachusetts (the Town) is a governmental agency established by the laws of the Commonwealth of Massachusetts. All operations related to the Town of Templeton's federal grant programs are included in the scope of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Compliance testing of all requirements, as described in the Compliance Supplement was performed. The Community Development Block Grant/State's Program (CFDA #14.228) grant was determined to be a major program.

B. Period Audited

Single audit testing procedures were performed for federal grant transactions during the year ended June 30, 2014.

C. Summary of Significant Accounting Policies

Accounting policies and financial reporting practices permitted for municipalities in Massachusetts are prescribed by the Uniform Municipal Accounting System (UMAS) promulgated by the Commonwealth of Massachusetts Department of Revenue. The significant accounting principles followed by the Town are as follows:

Basis of Presentation –The accompanying Schedule of Expenditures of Federal Awards includes the federal grant transactions of the Town, although some of these programs may be supplemented with state and other revenue, only federal activity is shown. The receipts, proceeds from federal grants, and disbursements are recorded on the modified accrual basis whereby revenue is recognized when it becomes available and measurable, and expenditures are recognized when the liability is incurred. The activities of these programs are reflected in the basic financial statements in the Special Revenue Funds.

**TOWN OF TEMPLETON, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

A. Summary of Audit Results

1. The auditor's report expresses a modified opinion on the financial statements of the Town of Templeton.
2. Nine significant deficiencies are disclosed during the audit of the financial statements are reported in the 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*. All of the conditions are reported as a material weakness.
3. Six instances of noncompliance material to the financial statements of the Town of Templeton which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By OMB Circular A-133.
5. The auditor's report on compliance for the Town's major program expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include Community Development Block Grant/State's Program (CFDA #14.228) program.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Templeton did not qualify as a low risk auditee.

TOWN OF TEMPLETON, MASSACHUSETTS
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014
 (Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-001. Financial Statements Audit: <i>Material Weakness in Internal Control and Noncompliance with Laws and Regulations – Budget Management</i></u></p> <p><i>Criteria:</i> Town management is responsible for ensuring that departments adhere to the annual budget as voted by the legislative authority and that adequate financial resources are available for planned expenditures.</p> <p><i>Statement of Condition:</i> There were 33 departmental appropriations that were overspent by a total amount of approximately \$153,000.</p> <p><i>Cause and Effect:</i> The Town began experiencing rapid turnover in its key financial positions at about the same time it was in the process of converting financial accounting systems. By not maintaining adequate internal controls related to monitoring departmental spending the Town has illegal deficits that must be provided for in subsequent years.</p> <p><i>Recommendation:</i> The Town should review the current process in place to prepare and monitor the annual budget on a monthly basis and implement the necessary steps to correct these weaknesses.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014
 (Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-002. Financial Statements Audit: <i>Material Weakness in Internal Control and Noncompliance with Laws and Regulations – General Fund Overdraft</i></u></p> <p><i>Criteria:</i> Massachusetts General Laws prohibit the general fund from using cash restricted for other funds to satisfy general fund operating obligations.</p> <p><i>Statement of Condition:</i> During the fiscal year and at year-end the general fund had a negative cash balance. It was determined that the Town used available cash from debt proceeds intended to fund capital projects.</p> <p><i>Cause and Effect:</i> Cash forecasts were not prepared by the Treasurer’s Office and therefore it was difficult for the Town to understand its cash flow requirements.</p> <p><i>Recommendation:</i> The Town should place all bond proceeds in a separate bank account segregated from the cash pool, prepare monthly cash forecasts and issue revenue anticipation notes when it is determined that a cash infusion to the general fund is necessary.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014
 (Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-003. Financial Statements Audit: <i>Noncompliance with Laws and Regulations</i> – Audit and Single Audit Filing Deadlines</u></p> <p><i>Criteria:</i> Grantees that expend \$500,000 or more in Federal awards must file a single audit within nine months of the end of the fiscal year. Issuers of greater than \$10 million in debt are required to file an annual audit with its official disclosure statement within 270 days of the end of the fiscal year.</p> <p><i>Statement of Condition:</i> The fiscal year 2014 financial statements and single audit reports were not completed until fiscal year 2017.</p> <p><i>Cause and Effect:</i> Turnover in financial and leadership positions as well as financial system conversion problems led to the Town not being able to complete timely audits.</p> <p><i>Recommendation:</i> The Town should establish a process that guarantees it will not miss audit submission deadlines in the future.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014
 (Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-004. Financial Statements Audit: <i>Material Weakness in Internal Control and Noncompliance with Laws and Regulations – Capital Project Management</i></u></p> <p><i>Criteria:</i> Policies and procedures should be in place to ensure that transactions related to capital projects are completed in accordance with management’s authorization and applicable laws.</p> <p><i>Statement of Condition:</i> Unspent proceeds from capital projects are not managed, debt proceeds were used for operating expenditures, short-term debt pay downs were not appropriated and eligible state school construction reimbursements were not requested.</p> <p><i>Cause and Effect:</i> A lack of administrative and financial leadership with the necessary skills to manage large capital projects led to numerous deficiencies in capital and debt management. Further, the Town may have arbitrage rebate issues with its unspent project funds.</p> <p><i>Recommendation:</i> The Town’s Municipal Building Committee should be made up of individuals who understand the intricacies of complicated municipal building regulations and related financing. The Town should utilize the services of a consultant familiar with state school projects to assist in the administration of the Town’s school project. Also, the Town should work with its financial advisors to determine if arbitrage issues have resulted from the mismanagement of debt.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014
 (Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-005. Financial Statements Audit: <i>Material Weakness in Internal Control – Financial Reporting System</i></u></p> <p><i>Criteria:</i> A financial reporting system should be designed and operated so that transactions are recorded completely and accurately.</p> <p><i>Statement of Condition:</i> Financial ledgers were completely reconstructed due to accounting records that were inaccurate, incomplete and difficult to comprehend.</p> <p><i>Cause and Effect:</i> Problems with the conversion of financial systems and turnover in the Town’s major financial positions led to a breakdown in transaction recording and financial reporting.</p> <p><i>Recommendation:</i> We recommend the Town make the necessary improvements to its financial systems to ensure that financial transactions are recorded properly and efficiently.</p>	

**TOWN OF TEMPLETON, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014
(Continued)**

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-006. Financial Statements Audit: Material Weakness in Internal Control – Lack of Documented Policies and Procedures</u></p> <p><i>Criteria:</i> Policies and procedures should be in place to ensure that financial transactions are completed in accordance with management’s authorization and applicable laws.</p> <p><i>Statement of Condition:</i> The Town does not formally document policies, procedure and controls for key financial transactions, including cash, tax/utility billing, departmental receipts, purchasing, vendor disbursements, employee benefits and payroll.</p> <p><i>Cause and Effect:</i> The Town has not dedicated the resources to produce a set of financial policies and procedures. As a result, key financial transactions are at risk of being performed in an inconsistent and inefficient manner by the Town’s departments which has led to several material weaknesses in internal control.</p> <p><i>Recommendation:</i> We recommend that the Town review the COSO internal control framework and state Department of Revenue manuals and develop a comprehensive set of policies and procedures to effectively safeguard the Town’s assets and better ensure that the Town’s financial and operating objectives are met.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014
 (Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-007. Financial Statements Audit: <i>Material Weakness in Internal Control – Bank to Cashbook Reconciliation Process</i></u></p> <p><i>Criteria:</i> The timely, complete and accurate reconciliation of cash between the bank statements, Treasurer’s cashbook, and Accountant’s general ledger is the most important aspect of maintaining a reliable and valid set of financial records and is the biggest deterrent to preventing or detecting fraudulent acts relative to Town funds.</p> <p><i>Statement of Condition:</i> Bank statement reconciliations were not completed until fiscal year 2015.</p> <p><i>Cause and Effect:</i> The lack of timely bank statement reconciliations does not properly safeguard the Town’s cash as misappropriation of funds or material errors in the financial records may not be detected in a timely manner.</p> <p><i>Recommendation:</i> We recommend that the Treasurer’s Office implement procedures to ensure that monthly bank statement reconciliations are performed within 30 days of the previous month end.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014
(Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-008. Financial Statements Audit: <i>Material Weakness in Internal Control – Treasurer’s Cashbook to General Ledger Cash Reconciliation Process</i></u></p> <p><i>Criteria:</i> The timely, complete and accurate reconciliation of cash between the bank statements, Treasurer’s cashbook, and Accountant’s general ledger is the most important aspect of maintaining a reliable and valid set of financial records and is the biggest deterrent to preventing or detecting fraudulent acts relative to Town funds.</p> <p><i>Statement of Condition:</i> Cash reconciliations between the Treasurer’s cashbook and the general ledger were not completed until fiscal year 2016.</p> <p><i>Cause and Effect:</i> The lack of timely cash reconciliations does not properly safeguard the Town’s cash as misappropriation of funds or material errors in the financial records may not be detected in a timely manner.</p> <p><i>Recommendation:</i> We recommend that the Town implement procedures to ensure that timely monthly cash reconciliations between the Treasurer’s cashbook and Accountant’s the general ledger are performed.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014
 (Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-009. Financial Statements Audit: <i>Material Weakness in Internal Control – Accounts Receivable Reconciliation Process</i></u></p> <p><i>Criteria:</i> The internal controls related to the reconciliation between the Accountant’s general ledger and the Treasurer’s outstanding receivable balances should be designed to effectively identify and correct errors in a timely manner.</p> <p><i>Statement of Condition:</i> Receivable reconciliations between the Treasurer’s outstanding balances and the general ledger were not completed.</p> <p><i>Cause and Effect:</i> The lack of timely receivable reconciliations does not properly safeguard the Town’s assets as fraudulent transactions or material errors in the financial records may not be detected in a timely manner.</p> <p><i>Recommendation:</i> We recommend that the Town implement procedures to ensure that timely receivable reconciliations between the Treasurer’s balances and Accountant’s the general ledger are performed. Variances should be investigated immediately and adjustments made only after a thorough investigation is performed.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014
(Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-010. Financial Statements Audit: Noncompliance with Laws and Regulations – Procurement Process</u></p> <p><i>Criteria:</i> Policies and procedures should be in place to ensure that transactions related to procurement are completed in accordance with management’s authorization and applicable laws.</p> <p><i>Statement of Condition:</i> Contracts for various construction projects were split in order bring the individual contract values below the applicable procurement thresholds, not all contracts are signed by the Town Accountant certifying available funds and the Town Accountant does not maintain all contracts as required by law.</p> <p><i>Cause and Effect:</i> A lack of clearly defined procurement policies led to potential procurement law violations being committed.</p> <p><i>Recommendation:</i> We recommend that the Town implement procedures to ensure that all applicable procurement laws are followed when required. All applicable contracts should be certified and maintained by the Town Accountant. The Town should also consider implementing a purchase order system to better control expenditures at their earliest point.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014
 (Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-011. Financial Statements Audit: Noncompliance with Laws and Regulations – Timeliness of Submission of Reports to the Department of Revenue</u></p> <p><i>Criteria:</i> Massachusetts Department of Revenue Schedule A report is due four months after the end of the year. Balance sheets must also be submitted to the Department of Revenue each year.</p> <p><i>Statement of Condition:</i> The Town failed to submit balance sheets to the Department of Revenue and submitted the Schedule A report after the deadline for submission.</p> <p><i>Cause and Effect:</i> The lack of timely report submission caused \$281,000 of local aid to be held back three months and left the Town without certified free cash to use as a funding source for operations.</p> <p><i>Recommendation:</i> We recommend that the Town implement procedures to ensure that balance sheets and Schedule A submissions to the Department of Revenue are completed timely.</p>	

TOWN OF TEMPLETON, MASSACHUSETTS
 SCHEDULES OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014
 (Continued)

B. Schedule of Findings – Financial Statements Audit

<u>Finding</u>	<u>Questioned Costs</u>
<p><u>2014-012. Financial Statements Audit: Material Weakness in Internal Control – Other Postemployment Benefit Obligation “OPEB”</u></p> <p><i>Criteria:</i> Governmental Accounting Standards Board (GASB) statement #45 requires communities to recognize in their financial statements a liability for postemployment benefits earned by employees.</p> <p><i>Statement of Condition:</i> The Town did not report its OPEB liability in its financial statements.</p> <p><i>Cause and Effect:</i> The Town has not implemented a process to calculate its OPEB liability which caused the financial statement opinion to be qualified.</p> <p><i>Recommendation:</i> We recommend that the Town implement procedures to calculate the OPEB liability for future financial statements.</p>	

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

None

**TOWN OF TEMPLETON, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014
(Continued)**

D. Schedule of Prior Year Findings and Questioned Costs

Finding 2013-001 - Financial Statements Audit: *Material Weakness in Internal Control and Noncompliance with Laws and Regulations* – Budget Management

Status: There were 33 departmental appropriations that were overspent by a total amount of approximately \$153,000. This finding is repeated as current year finding 2014-001.

Finding 2013-002 - Financial Statements Audit: *Material Weakness in Internal Control and Noncompliance with Laws and Regulations* – General Fund Overdraft

Status: The general fund had a negative cash balance at year-end and used restricted cash for operations. This finding is repeated as current year finding 2014-002.

Finding 2013-003 - Financial Statements Audit: *Noncompliance with Laws and Regulations* – Audit and Single Audit Filing Deadlines

Status: The fiscal year 2014 financial statements and single audit reports were not filed timely. This finding is repeated as current year finding 2014-003.

Finding 2013-004 - Financial Statements Audit: *Material Weakness in Internal Control and Noncompliance with Laws and Regulations* – Capital Project Management

Status: Unspent proceeds from capital projects were not managed, debt proceeds were used for operating expenditures, short-term debt pay downs were not appropriated and eligible state school construction reimbursements were not requested. This finding is repeated as current year finding 2014-004.

Finding 2013-005 - Financial Statements Audit: *Material Weakness in Internal Control* – Financial Reporting System

Status: The Town financial transactions had to be completely reconstructed. This finding is repeated as current year finding 2014-005.

Finding 2013-006 - Financial Statements Audit: *Material Weakness in Internal Control* – Lack of Documented Policies and Procedures

Status: The Town did not document its key financial policies and procedures. This finding is repeated as current year finding 2014-006.

Finding 2013-007 - Financial Statements Audit: *Material Weakness in Internal Control* – Bank to Cashbook Reconciliation Process

Status: Bank reconciliations were not completed during the year. This finding is repeated as current year finding 2014-007.

**TOWN OF TEMPLETON, MASSACHUSETTS
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014
(Continued)**

D. Schedule of Prior Year Findings and Questioned Costs

**Finding 2013-008 - Financial Statements Audit: *Material Weakness in Internal Control* –
Treasurer’s Cashbook to General Ledger Cash Reconciliation Process**

Status: A reconciliation of Treasurer’s cash to the general ledger was not completed during the year. This finding is repeated as current year finding 2014-008.

**Finding 2013-009 - Financial Statements Audit: *Material Weakness in Internal Control* –
Accounts Receivable Reconciliation Process**

Status: Receivable reconciliations between the Treasurer’s outstanding balances and the general ledger were not completed. This finding is repeated as current year finding 2014-009.

**Finding 2013-010 - Financial Statements Audit: *Noncompliance with Laws and Regulations* –
Procurement Process**

Status: Contracts for various construction projects were split in order bring the individual contract values below the applicable procurement thresholds, not all contracts are signed by the Town Accountant certifying available funds and the Town Accountant does not maintain all contracts as required by law. This finding is repeated as current year finding 2014-010.

**Finding 2013-011 - Financial Statements Audit: *Noncompliance with Laws and Regulations* –
Timeliness of Submission of Reports to the Department of Revenue**

Status: The Town failed to submit balance sheets to the Department of Revenue and submitted the Schedule A report after the deadline for submission. This finding is repeated as current year finding 2014-011.

**Finding 2013-012 - Financial Statements Audit: *Material Weakness in Internal Control* –
Other Postemployment Benefit Obligation “OPEB”**

Status: The Town did not report its OPEB liability in its financial statements. This finding is repeated as current year finding 2014-012.

**TOWN OF TEMPLETON, MASSACHUSETTS
CORRECTIVE ACTION PLANS
YEAR ENDED JUNE 30, 2014**

Findings – Financial Statements Audit

2014-001. Material Weakness in Internal Control and Noncompliance with Laws and Regulations – Budget Management

Recommendation: The Town should review the current process in place to prepare and monitor the annual budget on a monthly basis and implement the necessary steps to correct these weaknesses.

Corrective Action Planned: The Town Administrator now requires the Town Accountant to provide him a revenue and expense report on or about the 10th of each month. He reviews that for areas of concern and has the Town Accountant do a follow-up with the relevant department. The Town Administrator also requires the Finance Team consisting of the Accountant, Treasurer/Collector and Deputy Assessor to present to the Selectboard, in open session, a quarterly report in which they speak of their activities, collections and expenditure trends and areas of concern.

Anticipated Completion Date: Fiscal year 2017

Contact: Kelli Pontbriand, Town Accountant

2014-002. Material Weakness in Internal Control and Noncompliance with Laws and Regulations – General Fund Overdraft

Recommendation: The Town should place all bond proceeds in a separate bank account segregated from the cash pool, prepare monthly cash forecasts and issue revenue anticipation notes when it is determined that a cash infusion to the general fund is necessary.

Corrective Action Planned: The Town Administrator has directed the Treasurer/Collector to require any bond proceeds received by the Town to set up a separate bank account so the funds are not used for general fund expenditures.

Anticipated Completion Date: Fiscal year 2017

Contact: Kelli Pontbriand, Town Accountant

**TOWN OF TEMPLETON, MASSACHUSETTS
CORRECTIVE ACTION PLANS
YEAR ENDED JUNE 30, 2014
(Continued)**

Findings – Financial Statements Audit

2014-003. Noncompliance with Laws and Regulations – Audit and Single Audit Filing Deadlines

Recommendation: The Town should establish a process that guarantees it will not miss audit submission deadlines in the future.

Corrective Action Planned: The Town Administrator advises that the Town, with the assistance of a state Community Partnership grant, has retained the Collins Center of UMass Boston to help it develop a formalized set of financial policies addressing various matters including, but not limited to, those enumerated in the auditor's observations. The Town has redesigned the workflow of the Finance team including tasks currently carried out in the Selectboard Offices.

Anticipated Completion Date: Fiscal year 2017

Contact: Kelli Pontbriand, Town Accountant

2014-004. Material Weakness in Internal Control and Noncompliance with Laws and Regulations – Capital Project Management

Recommendation: The Town's Municipal Building Committee should be made up of individuals who understand the intricacies of complicated municipal building regulations and related financing. The Town should utilize the services of a consultant familiar with state school projects to assist in the administration of the Town's school project. Also, the Town should work with its financial advisors to determine if arbitrage issues have resulted from the mismanagement of debt.

Corrective Action Planned: The Town will be consulting an outside firm to aid in the upcoming School and Police Station projects. Also, the Town Administrator will submit a request to the Town's financial advisor to review the matter of whether or not the Town has run afoul of IRS arbitrage standards.

Anticipated Completion Date: Fiscal year 2017

Contact: Kelli Pontbriand, Town Accountant

**TOWN OF TEMPLETON, MASSACHUSETTS
CORRECTIVE ACTION PLANS
YEAR ENDED JUNE 30, 2014
(Continued)**

Findings – Financial Statements Audit

2014-005. Material Weakness in Internal Control – Financial Reporting System

Recommendation: We recommend the Town make the necessary improvements to its financial systems to ensure that financial transactions are recorded properly and efficiently.

Corrective Action Planned: The Town Administrator reports that the overall staffing hours currently budgeted for the Finance Team, given the activities it carries out, is not adequate to the task. The staffing pattern does not allow for any redundancy for the Town Accountant. Therefore, the Town Administrator has proposed a re-organization of the workflow and staffing pattern such that there is a 19.5 hour per week Assistant Town Accountant within a relatively constant staffing complement. However, there is a concern that with the Town caught up with past audits, the Town management might be able to dial back its Finance Team staffing and question the levels of compensation which are now believed to be approaching market equity.

Anticipated Completion Date: Fiscal year 2018

Contact: Kelli Pontbriand, Town Accountant

2014-006. Material Weakness in Internal Control – Lack of Documented Policies and Procedures

Recommendation: We recommend that the Town review the COSO internal control framework and state Department of Revenue manuals and develop a comprehensive set of policies and procedures to effectively safeguard the Town's assets and better ensure that the Town's financial and operating objectives are met.

Corrective Action Planned: The Town Administrator advises that the Town, with the assistance of a state Community Partnership grant, has retained the Collins Center of UMass Boston to help it develop a formalized set of financial policies addressing various matters including, but not limited to, those enumerated in the auditor's observations.

Anticipated Completion Date: Fiscal year 2018

Contact: Kelli Pontbriand, Town Accountant

**TOWN OF TEMPLETON, MASSACHUSETTS
CORRECTIVE ACTION PLANS
YEAR ENDED JUNE 30, 2014
(Continued)**

Findings – Financial Statements Audit

2014-007. Material Weakness in Internal Control – Bank to Cashbook Reconciliation Process

Recommendation: We recommend that the Treasurer’s Office implement procedures to ensure that monthly bank statement reconciliations are performed within 30 days of the previous month end.

Corrective Action Planned: The Town is currently reviewing all remaining outstanding tailings and had reduced the amount in question to approximately \$26,000. By the end of fiscal year 2017, it is expected that the Town will begin the process of turnover to the state’s Abandoned Property Program. Such a review and turnover is expected to become codified, as part of the policies being developed under a preceding finding, to be part of the annual audit preparation.

Anticipated Completion Date: Fiscal year 2017

Contact: Kelli Pontbriand, Town Accountant

2014-008. Material Weakness in Internal Control – Treasurer’s Cashbook to General Ledger Cash Reconciliation Process

Recommendation: We recommend that the Town implement procedures to ensure that timely monthly cash reconciliations between the Treasurer’s cashbook and Accountant’s the general ledger are performed.

Corrective Action Planned: Without the proper beginning balances reconciliations were not able to be performed timely. For fiscal year 2017, reconciliations are being done currently on monthly basis.

Anticipated Completion Date: Fiscal year 2017

Contact: Kelli Pontbriand, Town Accountant

**TOWN OF TEMPLETON, MASSACHUSETTS
CORRECTIVE ACTION PLANS
YEAR ENDED JUNE 30, 2014
(Continued)**

Findings – Financial Statements Audit

2014-009. Material Weakness in Internal Control – Accounts Receivable Reconciliation Process

Recommendation: We recommend that the Town implement procedures to ensure that timely receivable reconciliations between the Treasurer's balances and Accountant's the general ledger are performed. Variances should be investigated immediately and adjustments made only after a thorough investigation is performed.

Corrective Action Planned: Without the proper beginning balances reconciliations were not able to be performed timely. For fiscal year 2017, reconciliations are being done currently on monthly basis.

Anticipated Completion Date: Fiscal year 2017

Contact: Kelli Pontbriand, Town Accountant

2014-010. Noncompliance with Laws and Regulations – Procurement Process

Recommendation: We recommend that the Town implement procedures to ensure that all applicable procurement laws are followed when required. All applicable contracts should be certified and maintained by the Town Accountant. The Town should also consider implementing a purchase order system to better control expenditures at their earliest point.

Corrective Action Planned: The State Office of the Inspector General conducted a four-hour overview of Chapter 30B and spoke to the matter of several interrelated statutes including, but not limited to, the state's prevailing wage and construction bid laws. Approximately twenty five Town staff and committee members attended the session. As a follow-up, the Town is developing a localized guidebook, including the development of requiring purchase orders for expenditures above a certain order to obtain control over, and compliance with, the process.

Anticipated Completion Date: Fiscal year 2017

Contact: Kelli Pontbriand, Town Accountant

**TOWN OF TEMPLETON, MASSACHUSETTS
CORRECTIVE ACTION PLANS
YEAR ENDED JUNE 30, 2014
(Continued)**

Findings – Financial Statements Audit

2014-011. Noncompliance with Laws and Regulations – Timeliness of Submission of Reports to the Department of Revenue

Recommendation: We recommend that the Town implement procedures to ensure that balance sheets and Schedule A submissions to the Department of Revenue are completed timely.

Corrective Action Planned: The audits are now current for the Town and with reliable staff this process should happen on a timely basis for fiscal year 2017.

Anticipated Completion Date: Fiscal year 2017

Contact: Kelli Pontbriand, Town Accountant

2014-012. Material Weakness in Internal Control – Other Postemployment Benefit Obligation “OPEB”

Recommendation: We recommend that the Town implement procedures to calculate the OPEB liability for future financial statements.

Corrective Action Planned: The Town Administrator has included funds in the budget for FY 2018 to cover an OPEB actuarial so that the liability can be included in the FY 2018 financials.

Anticipated Completion Date: Fiscal year 2018

Contact: Kelli Pontbriand, Town Accountant