

***TOWN OF ANDOVER, MASSACHUSETTS***

***REPORTS ON FEDERAL AWARD PROGRAMS***

***YEAR ENDED JUNE 30, 2018***

**TOWN OF ANDOVER, MASSACHUSETTS**  
**REPORTS ON FEDERAL AWARD PROGRAMS**  
**YEAR ENDED JUNE 30, 2018**

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**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**

**Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Andover, 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 Andover, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Andover, Massachusetts' basic financial statements, and have issued our report thereon dated February 7, 2019.

**Internal Control Over Financial Reporting**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Ronak A. Shah, LLC". The signature is written in a cursive, flowing style.

February 7, 2019



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**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**

**Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Andover, Massachusetts

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Town of Andover, 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, 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 item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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

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

Management of the Town of Andover, 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 Andover, 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 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 Andover, 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. 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 of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by 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 Town of Andover, Massachusetts' as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Andover, Massachusetts' basic financial statements. We issued our report thereon dated February 7, 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.

*Pons & Sullivan, LLC*

February 7, 2019

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through the Massachusetts Department of Elementary and Secondary Education:</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	05-009	\$ -	\$ 181,912
Cash Assistance:				
National School Lunch Program.....	10.555	05-009	-	356,501
After School Snack Program.....	10.555	05-009	-	3,189
Total National School Lunch Program.....			-	541,602
Cash Assistance:				
School Breakfast Program.....	10.553	05-009	-	52,406
TOTAL CHILD NUTRITION CLUSTER.....			-	594,008
<b>HIGHWAY SAFETY CLUSTER:</b>				
U.S. DEPARTMENT OF TRANSPORTATION:				
<u>Passed through the Massachusetts Highway Safety Division:</u>				
State and Community Highway Safety.....	20.600	PD OT ENF 087A8014035	-	1,908
National Priority Safety Programs.....	20.616	PD OT ENF 319A7000448	-	131
TOTAL HIGHWAY SAFETY CLUSTER.....			-	2,039
<b>SPECIAL EDUCATION CLUSTER:</b>				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through the Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education Grants to States (Fiscal Year 2018).....	84.027	240-146830-2018-0009	-	1,355,233
Special Education Grants to States (Fiscal Year 2017).....	84.027	240-102232-2017-0009	-	214,590
Special Education Grants to States (Fiscal Year 2017).....	84.027	274-220-7-0009	-	1,500
Special Education Grants to States (Fiscal Year 2018).....	84.027	231-202017-2018-0009	-	10,000
Total Special Education Grants to States.....			-	1,581,323
<u>Passed through the Massachusetts Department of Elementary and Secondary Education:</u>				
Special Education Preschool Grants (Fiscal Year 2017).....	84.173	298-027-7-0009	-	319
<u>Passed through the Massachusetts Department of Early Education and Care:</u>				
Special Education Preschool Grants (Fiscal Year 2018).....	84.173	26218ANDOVERPUBLICSC	-	21,382
Special Education Preschool Grants (Fiscal Year 2017).....	84.173	26217ANDOVERPUBLPAY	-	422
Total Special Education Preschool Grants.....			-	22,123
TOTAL SPECIAL EDUCATION CLUSTER.....			-	1,603,446
<b>OTHER PROGRAMS:</b>				
U.S. DEPARTMENT OF EDUCATION:				
<u>Direct Program:</u>				
Arts in Education.....	84.351	Not Applicable	-	598,445
<b>PASS-THROUGH PROGRAMS:</b>				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through the Massachusetts Department of Elementary and Secondary Education:</u>				
Title I Grants to Local Educational Agencies (Fiscal Year 2018).....	84.010	305-141361-2018-0009	-	174,048
Title I Grants to Local Educational Agencies (Fiscal Year 2017).....	84.010	305-094035-2017-0009	-	53,754
Total Title I Grants to Local Educational Agencies.....			-	227,802
English Language Acquisition Grants (Fiscal Year 2018).....	84.365	180-147759-2018-0009	-	28,286
English Language Acquisition Grants (Fiscal Year 2017).....	84.365	180-038-7-0009	-	1,414
Total English Language Acquisition Grants.....			-	29,700
Supporting Effective Instruction State Grant (Fiscal Year 2018).....	84.367	140-141355-2018-0009	-	88,471
Supporting Effective Instruction State Grant (Fiscal Year 2017).....	84.367	140-094089-2017-0009	-	29,160
Total Improving Teacher Quality State Grants.....			-	117,631
Statewide Longitudinal Data Systems.....	84.372	110-202675-2018-0009	-	24,000
Student Support and Academic Enrichment.....	84.424	309-141360-2018-0009	-	4,758
Hurricane Education Recovery.....	84.938	FY18 PUERTO RICO	-	11,633
TOTAL EDUCATION PASS-THROUGH PROGRAMS.....			-	415,524

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Passed through the Massachusetts Department of Public Health:</u>				
Medical Reserve Corps Small Grant Program.....	93.008	MRC-091247	-	496
Block Grants for Prevention and Treatment of Substance Abuse.....	93.959	ANDOVER FY18 301A7019820	-	104,955
TOTAL HEALTH AND HUMAN SERVICES.....			-	105,451
TOTAL.....			\$ -	\$ 3,318,913

See notes to schedule of expenditures of federal awards.

(Concluded)

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal awards activity of the Town of Andover, 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 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 Andover, Massachusetts's, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Andover, Massachusetts.

**Note 2 – Summary of Significant Accounting Policies**

The accounting and reporting policies of the Town of Andover, Massachusetts, are set forth below:

- (a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred. 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.
- (b) Cash Assistance - School Breakfast and Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.
- (c) Non-Cash Assistance (Commodities) - School Lunch Program - Program expenditures represent the value of donated foods received during the year.
- (d) Hurricane Education Recovery - Program expenditures represent federal reimbursement for eligible program costs incurred.
- (e) Disaster Grants have been recorded in the year that the grant was approved.
- (f) The Town of Andover, Massachusetts has not elected to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Town of Andover, Massachusetts.
2. No material weaknesses or significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the Town of Andover, Massachusetts, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs is reported in the Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Town of Andover, Massachusetts, expresses an unmodified opinion on all major federal award programs.
6. There was one audit finding relative to the major federal award programs for the Town of Andover, Massachusetts.
7. The Special Education cluster was tested as a major program.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Town of Andover, Massachusetts was determined to be a low-risk auditee.

**B. Findings-Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Program Audit****U.S. DEPARTMENT OF EDUCATION**

Passed through Massachusetts Department of Elementary and Secondary Education

**Special Education Cluster**

Special Education Grants to States CFDA No. 84.027  
Special Education Preschool Grants CFDA No. 84.173

2018-001: Timely Filing of Final Financial Reports

*Condition and Criteria:* Form FR-1 (Final Financial Report) for the 2017 Special Education grants was due on October 31, 2017. The FFR for the 274 Special Education Improvement grant and the 298 Early Childhood Special Education Program Improvement grant were both submitted on December 12, 2017. The Town was not granted an extension to allow for late filing.

*Context:* The Town has not complied with the grant reporting requirements by submitting the final reports within the required timeframe.

*Effect:* The Town is not in compliance with grant requirements.

*Cause:* Lack of procedures in place to file final reports timely.

*Questioned Costs:* n/a

*Auditor's Recommendation:* The Auditors recommend the Town implement procedures to ensure compliance with all grant reporting requirements.

*Views of Responsible Officials:* The Andover Schools will implement procedures to ensure timely filing of final financial reports.

**D. Summary Schedule of Prior Audit Findings**

None