

TOWN OF SANFORD, MAINE

**Reports Required by *Government Auditing
Standards* and OMB Circular A-133**

For the Year Ended June 30, 2011

TOWN OF SANFORD, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
For the Year Ended June 30, 2011

<u>Report</u>	<u>Page</u>
Report on 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>	1-2
Independent Auditor's 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	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	9
Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i>	10
Section III - Findings and Questioned Costs for Federal Awards	11-12
Section IV - Status of Prior Year Findings and Questioned Costs	13
Corrective Action Plan	14

**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**

Town Council and School Committee
Town of Sanford, Maine

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sanford, Maine as of and for the year ended June 30, 2011, which collectively comprise the Town of Sanford, Maine's basic financial statements and have issued our report thereon dated January 13, 2012. 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

In planning and performing our audit, we considered the Town of Sanford, Maine'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 of Sanford, Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Sanford, Maine'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 this 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items #2011-1 and #2011-2 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

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, CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sanford, Maine'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 of Sanford, Maine, in a separate letter dated January 13, 2012.

The Town of Sanford, Maine's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Sanford, Maine's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management, Town Council, School Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



January 13, 2012
South Portland, Maine

**INDEPENDENT AUDITOR'S 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**

Town Council and School Committee
Town of Sanford, Maine

Compliance

We have audited the Town of Sanford, Maine's 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 Sanford, Maine's major federal programs for the year ended June 30, 2011. The Town of Sanford, Maine's major federal programs are identified in the summary of auditor's 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 of Sanford, Maine's management. Our responsibility is to express an opinion on the Town of Sanford, Maine'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 of Sanford, Maine'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 on the Town of Sanford, Maine's compliance with those requirements.

As described in items #2011-3 and #2011-4 in the accompanying schedule of findings and questioned costs, the Town of Sanford, Maine, did not comply with the requirements regarding cash management and reporting applicable to its U.S. Department of Education, Special Education Cluster (CFDA #84.027, #84.173, #84.391, #84,392) and U.S. Department of Education, Title I-Part A Cluster (CFDA #84.010, #84.389). Compliance with such requirements is necessary, in our opinion, for the Town of Sanford, Maine's to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Sanford, Maine complied, in all material respects, with the 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, 2011.

INDEPENDENT AUDITOR'S 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, CONTINUED

Internal Control Over Compliance

Management of the Town of Sanford, Maine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Sanford, Maine's internal control over compliance with 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 of Sanford, Maine'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 the 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 the 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, each major fund, and the aggregate remaining fund information of the Town of Sanford, Maine as of and for the year ended June 30, 2011, and have issued our report thereon dated January 13, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**INDEPENDENT AUDITOR'S 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, CONTINUED**

The Town of Sanford, Maine's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Sanford, Maine's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management, Town Council, School Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Renee Newson Ouellette

January 13, 2012
South Portland, Maine

TOWN OF SANFORD, MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at		Revenue Recognized		Expenditures		Balance at June 30, 2011
					June 30, 2010	June 30, 2011	Federal	Other	Federal	Other	
U.S. Department of Education:											
Direct programs:											
Be Healthy/Be Fit	84-215		N/A	\$ -	6,165	-	-	-	-	-	6,165
Smaller Learning	84-215L		N/A	-	(96,130)	-	-	-	-	-	(96,130)
Elementary School Counseling Program	84-215E		N/A	522,990	(19,381)	522,990	-	-	-	-	(21,646)
Extended Secondary Counseling Grant	84-215E		N/A	362,564	(6,006)	362,564	-	-	-	-	(14,813)
Alcohol Abuse Reduction Grant	84-184A		N/A	385,386	-	111,726	-	-	-	-	(1,192)
Safe Schools Healthy Students	84-184L		N/A	714,325	(18,261)	557,480	-	-	-	-	(9,271)
Passed through Maine Department of Education:											
Adult Basic Education	84-002		6296	40,371	22,186	40,371	-	-	-	-	11,392
Title V	84-298		1072	-	(83,949)	-	-	-	-	-	(83,949)
Title IA	84-010		3057	680,022	200,007	680,022	-	-	-	-	69,753
Title IA - CIPS	84-010		3057	-	-	-	-	-	-	-	(2,144)
Local Entitlement	84-027		3046	903,109	(65,178)	903,109	-	-	-	-	(13,293)
21st Century Grant	84-287		3054	165,559	51,164	165,559	-	-	-	-	706
Preschool	84-173		6241	24,279	14,994	24,279	-	-	-	-	15,306
English Language Acquisition Grant	84-365		3090	-	751	-	-	-	-	-	(9,340)
Title IID - Technology Competitive	84-318		3003	-	(6,681)	-	-	-	-	-	(6,681)
Title IID - Technology	84-318		3003	-	12,500	-	-	-	-	-	6,503
Advanced Placement	84-330		5105	-	2,309	-	-	-	-	-	2,309
Title I-C Basic Grant	84-048		3030	195,092	(20,240)	193,092	-	-	-	-	(6,210)
Title 1 Accountability	84-348		5176	-	2,325	-	-	-	-	-	2,325
Reading First	84-357		3052	-	(16,488)	-	-	-	-	-	(16,488)
Improving Teacher Quality	84-367		3042	220,012	394,926	220,012	-	-	-	-	265,930
Title IID - Technology - ARRA	84-386X	Y	3003	783	25,000	783	-	-	-	-	25,783
Title IA - ARRA	84-389A	Y	3057	385,993	24,907	385,993	-	-	-	-	410,900
Local Entitlement - ARRA	84-391A	Y	3046	406,788	147,819	406,788	-	-	-	-	624,816
Preschool - ARRA	84-392A	Y	6241	-	11,902	-	-	-	-	-	25,960
ARRA Stabilization	84-394	Y	2077	641,060	129,841	641,060	-	-	-	-	770,901
Education Jobs Fund	84-410	Y	3099	413,065	-	413,065	-	-	-	-	413,722
Passed through Maine Office of Substance Abuse:											
Title IV - Drug Free Schools	84-186		N/A	-	5,682	-	-	-	-	-	3,955
Total U.S. Department of Education					720,164	5,628,893	-	-	-	-	6,248,944
U.S. Department of Agriculture, passed through the Maine Department of Education:											
National School Lunch Program - Food Donation	10-555		6134	N/A	-	6,114	-	-	-	-	6,114
National School Lunch Program - Breakfast Program	10-553		3014	N/A	-	193,467	-	-	-	-	193,467
National School Lunch Program - Subsidized Hot Lunch	10-555		3024	N/A	237,870	678,539	606,668	-	-	-	533,330
Summer Food Service Program	10-559		3027	N/A	-	47,290	-	-	-	-	47,290
Fresh Fruits and Vegetables	10-582		3028	N/A	-	7,203	-	-	-	-	7,203
Total U.S. Department of Agriculture					237,870	932,613	606,668	-	-	-	533,330
U.S. Department of Housing and Urban Development, passed through Maine Department of Economic and Community Development:											
2007 Downtown Revitalization Grant	14-228		20080407-10638	530,000	-	530,000	-	-	-	-	530,000
Riverfront Grant	14-228		N/A	675,000	1	154,365	-	-	-	-	154,429
Neighborhood Stabilization Program	14-228		20090715-00329	2,472,189	-	1,574,623	-	-	-	-	1,574,623
Technical Assistance Grant	14-228		N/A	20,000	-	20,000	-	-	-	-	20,000
CDBG Development Fund Grant	14-228		N/A	300,000	-	300,000	-	-	-	-	300,000
CDBG Public Service	14-228		N/A	40,000	-	40,000	-	-	-	-	40,000
Mid Town Mall Project	14-228		N/A	123,000	-	4,100	-	-	-	-	4,992
Total U.S. Department of Housing and Urban Development				1	2,623,088	-	-	-	-	-	2,624,044

TOWN OF SANFORD, MAINE
Schedule of Expenditures of Federal Awards, Continued

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	ARRA Funds	Pass-through number	Program or award amount	Balance at June 30, 2010	Revenue Recognized		Expenditures		Transfers	Balance at June 30, 2011
						Federal	Other	Federal	Other		
U.S. Department of Justice - Bureau of Justice Assistance:											
Direct programs:											
SMART Grant	16.203		N/A	\$ 7,000	-	7,000	-	6,297	-	-	703
Local Law Enforcement Block Grant	16.592		N/A	-	741	-	-	-	-	-	741
Bulletproof Vest	16.592		N/A	4,408	(2,737)	4,407	-	2,475	-	-	(805)
Cops in Schools	16.710		N/A	-	-	30,351	-	30,351	-	-	-
Cops Hiring Grant	16.710	Y	N/A	411,362	52,236	70,325	-	122,561	-	-	-
Justice Assistance Grant	16.738		N/A	30,215	106	-	-	-	-	-	106
Justice Assistance Grant	16.738		N/A	127,000	-	11,385	-	4,686	-	-	6,699
Justice Assistance Grant - ARRA	16.804	Y	N/A	N/A	86,269	-	-	61,209	-	-	25,060
Justice Assistance Grant - ARRA	16.804	Y	N/A	N/A	-	2,548	-	5,726	-	-	(3,178)
Total U.S. Department of Justice - Bureau of Justice Assistance					136,615	126,016	-	233,305	-	-	29,326
U.S. Environmental Protection Agency:											
Direct programs:											
Brownfields Assessment and Cleanup Cooperative Agreement	66.818		N/A	200,000	-	53,369	-	89,581	-	-	(36,212)
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	Y	N/A	200,000	-	46,797	-	46,797	-	-	-
Brownfields Assessment and Cleanup Cooperative Agreement	66.818		N/A	200,000	-	121,390	-	161,390	-	-	(40,000)
Brownfields Aerofab 2 Cleanup Cooperative Agreement	66.818		N/A	240,000	-	191,990	-	191,989	-	-	1
Brownfields Area Planning Grant	66.814		N/A	175,000	-	-	-	3,052	-	-	(3,052)
Total U.S. Environmental Protection Agency					-	413,546	-	492,809	-	-	(79,263)
U.S. Department of Transportation:											
Direct programs:											
Airport Improvement Program - Taxiways F, F1, G, & C&D	20.106		N/A	2,221,100	8,146	48,440	2,550	87,398	4,600	-	(32,852)
Airport Improvement Program	20.106		N/A	5,197,856	(504,743)	4,732,226	249,065	4,252,698	223,826	-	24
Passed through the Maine Bureau of Highway Safety:											
Party Patrol	20.600		N/A	10,000	10,000	-	-	10,000	-	-	-
2008 Speed Enforcement Grant	20.600		N/A	2,400	1,120	1,200	-	2,320	-	-	-
2008 OUI Enforcement Grant	20.600		N/A	3,520	2,080	3,200	-	5,280	-	-	-
2009 Safety Belt Enforcement Grant	20.600		N/A	7,000	-	7,000	-	7,000	-	-	-
Total U.S. Department of Transportation					(483,397)	4,792,066	251,615	4,364,696	228,426	-	(32,838)
U.S. Department of Homeland Security, passed through											
Maine Emergency Management Agency:											
Homeland Security Grant - 03/04	97.004		N/A	-	5,467	-	-	-	-	-	5,467
FEMA 1693 DR IVE	97.036		N/A	645,578	160,428	-	-	160,428	-	-	-
FEMA 1815 DR IVE	97.036		N/A	N/A	348,620	-	-	348,620	-	-	-
FEMA 1891 DR IVE	97.036		N/A	N/A	(192,886)	346,714	-	132,669	-	-	21,659
FEMA 1920 DR IVE	97.036		N/A	N/A	-	185,118	-	10,000	-	-	175,118
Total U.S. Department of Homeland Security					322,129	531,832	-	651,717	-	-	202,244
Corporation for National and Community Service:											
Direct program:											
Learn and Serve - Summer of Service	94.018		N/A	62,500	(8,509)	62,500	-	70,382	-	-	(16,391)
Total Corporation for National and Community Service					(8,509)	62,500	-	70,382	-	-	(16,391)
U.S. Department of Commerce											
Direct programs:											
EDA - Public Works Grant - Sanford Reg. Airport	11.500		N/A	1,175,000	617,605	177,270	533	177,270	720,486	(250,000)	(352,348)
Total U.S. Department of Commerce					617,605	177,270	533	177,270	720,486	(250,000)	(352,348)
Totals				\$	1,542,478	15,287,824	858,816	15,795,780	1,482,242	(250,000)	161,096

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF SANFORD, MAINE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the Town of Sanford, Maine for the fiscal year ended June 30, 2011. The reporting entity is defined in the notes to Basic Financial Statements of the Town of Sanford, Maine.

- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.
 - 1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.

 - 2. Major Programs - OMB Circular A-133 establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the Town of Sanford, Maine are identified in the summary of auditor's results in the Schedule of Findings and Questioned Costs.

- C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the Town's fund financial statements.

TOWN OF SANFORD, MAINE
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no
 Significant deficiencies identified? yes

Noncompliance material to financial statements noted? no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? no
 Significant deficiencies identified? none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.710	Public Safety Partnership and Community Policing Grants
20.106	Airport Improvement Program
84.394	ARRA Stabilization Fund
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.010, 84.389	Title I-Part A Cluster
84.410	Education Jobs Fund
97.036	Disaster Relief Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$474,000

Auditee qualified as low-risk auditee? no

TOWN OF SANFORD, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*

SIGNIFICANT DEFICIENCIES

#2011-1 Preparation of Financial Statements

Statement on Auditing Standards 112 requires external auditors to determine whether or not client personnel having responsibility over the financial reporting process have acquired the expertise to identify all financial reporting matters in compliance with generally accepted accounting principles. In other words, it requires that the annual financial statements (including all fund reporting, disclosures and government-wide statements) could be accurately prepared and understood in-house *without the assistance of the external auditor*. Additionally, when the auditing firm does prepare the financial statements, the Town must assign a competent management level individual to oversee this service. Management must review, approve and accept responsibility for the financial statements and related notes.

Currently, it is common practice for governmental entities to rely on their external auditors to provide the expertise necessary to prepare the financial statements and the related disclosures. The cost-benefit of doing otherwise may not be justifiable to management. However, because the Town currently takes this approach, it is considered to have a control deficiency in the design of internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles.

Management's response: This process has been assigned to the auditors as the cost benefit of having management prepare the statements is not justifiable at this time. Management is capable of reviewing, approving, and accepting responsibility for the financial statements and related attachments.

#2011-2 Reconciliation between Town and School

Since the Town and the School Department's general ledgers are set up as separate companies, it is essential that monthly reconciliations be performed between the School's general ledger and the Town's general ledger and also that revenues and expenditures be reconciled between Town and School on a monthly basis. This reconciliation should be performed promptly after month end. An essential part of this process is for the Town to receive all School Department journal entries and postings promptly so that they can be posted to the Town's general ledger. Additionally, entries are occasionally posted to cash by the School Department that are not cash transactions in the month posted. This makes the cash reconciliation process cumbersome. These adjustments are generally to record receivables, payables and accruals and should be posted as such rather than to cash.

As of June 30, 2011, the revenues and expenditures on the School Department's accounting system did not reconcile with the revenues and expenditures that were posted on the Town's accounting system. We recommend that a reconciliation for the Town and School be performed monthly. Also, once the reconciliation is prepared, entries should be made in the accounting systems so that the two systems have the same information. Any variances should be investigated and the proper system (whether the Town or School) should be adjusted appropriately.

Management's response: School personnel will reconcile general ledger account balances to supporting documentation on a monthly basis.

TOWN OF SANFORD, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

NONCOMPLIANCE – FEDERAL AWARDS

#2011-3 - U.S. Department of Education, for the Period July 1, 2010 through June 30, 2011, CFDA #84.027; #84.173; #84.391; #84.392 Special Education Cluster (IDEA)

Statement of Condition: The school special education cluster had excess cash balances on hand for excessive periods of time.

Criteria: Draw downs of federal funds must be made as close as possible to the time of making distributions. Time should be minimized between the transfer from the U. S. Treasury and the disbursement of funds by the recipient.

Effect: Excess cash on hand could result in the payment of federal funds being delayed or denied.

Cause: Allowable cost expenditures under the school special education cluster from July 1, 2010 through June 30, 2011 were not sufficient to prevent a quarter-end cash overflow, as defined by the State of Maine, for certain quarters.

Recommendation: Request for draw downs, which are accomplished in the application, should be timed such that they are received in the later periods of the grant resulting in these payments being reimbursements for expenditures already made rather than advances.

Questioned Costs: None

Management's response: *The Business Office has been working with the Title 1A Disadvantaged Administrator to further clarify and quantify the issue. The School Department still is in receipt of payments that are in excess of our monthly expense that creates the excessive cash situation. The new monthly payment request procedure will greatly reduce the excessive cash issue. We are reviewing the draw down schedule and when provided an opportunity will be amending the schedule of payments to reflect more closely expenses if necessary. The Business Office has initiated providing hard copy monthly cash management reports for individual grants / accounts to allow program managers to better monitor their accounts. Through the Tyler Technology ADS software our administrators have the ability to track on a daily – real time basis expenses and revenues.*

TOWN OF SANFORD, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards, continued

#2011-4 - U.S. Department of Education, for the Period July 1, 2010 through June 30, 2011, CFDA #84.027; #84.173; #84.391; #84.392 Special Education Cluster (IDEA) and CFDA #84.010; 84.389 Title I – Part A Cluster

Statement of Condition: The ending balances reported on the cash management report for federal programs did not reflect the balances reported on the School's accounting system.

Criteria: The School Department is required to submit financial information on the cash management report to its pass-through entity, which is the State of Maine.

Effect: The pass-through entity may not be able to correctly monitor its subrecipient's cash management if the information provided is incorrect.

Cause: Beginning and ending balances on the cash management report did not reconcile with the balances on the accounting system. Also, expenditures reported on the accounting system did not reconcile with those that were reported on the cash management report

Recommendation: The cash management reports should be carefully reviewed and compared to what is being reported on the School Department's accounting system before being submitted to the State of Maine.

Questioned Costs: None

Management Response: *The School Department sometimes receives checks from the Maine DOE that come at the end of the month or quarter and are/were received in the beginning of the next month. If this happens at the end of a reporting period that can cause a mis-alignment between the Maine DOE cash management report and the School Department's recorded cash received*

The Business Office has been working with the auditors to verify account balances where there are differences between School and Town balances. In one instance, after going back through several years of records, a beginning balance was not accurate and even though all entries were correct the error was carried through until we identified the source of the discrepancy. The Business Office continues to work with the auditors to rectify identified differences. From my review the tracking of the quarterly and yearly revenues and expenses for all grant accounts they are very accurate and the issue appears to be with earlier balances that may have been incorrect where the error has carried through a year or more.

The School Department has a robust accounting system and have taken steps to record both the issue date, the received date and the deposit date to insure that the cash management report reflects the Maine DOE's payment schedule. Sanford has a dedicated and educated staff who are responsible and take pride in and ownership of their work. We have been and will continue to make review and make adjustments to our processes when necessary

TOWN OF SANFORD, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs

NONCOMPLIANCE – FEDERAL AWARDS

#2010-3 - U.S. Department of Education, for the Period July 1, 2009 through June 30, 2010, CFDA #84.027, #84.173; #84.391A; #84.392A Special Education Cluster (includes ARRA Funds)

Statement of Condition: The school special education cluster had excess cash balances on hand for excessive periods of time.

Cause: Allowable cost expenditures under the school special education cluster from July 1, 2009 through June 30, 2010 were not sufficient to prevent a quarter-end cash overflow, as defined by the State of Maine, for certain quarters.

Status: See current year finding #2011-3

#2010-4 - U.S. Department of Education, for the Period July 1, 2009 through June 30, 2010, CFDA #84.010, #84.389A, Title I – Part A Cluster (includes ARRA Funds)

Statement of Condition: The ending balances reported on the cash management report for federal programs did not reflect the balances reported on the School's accounting system.

Cause: Beginning and ending balances on the cash management report did not reconcile with the balances on the accounting system. Also, expenditures reported on the accounting system did not reconcile with those that were reported on the cash management report.

Recommendation: The cash management reports should be carefully reviewed and compared to what is being reported on the School's accounting system before being submitted to the State of Maine.

Questioned Costs: None

Status: See current year finding #2011-4.