

TOWN OF SANFORD, MAINE

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

For the Year Ended June 30, 2010

TOWN OF SANFORD, MAINE
Reports Required by *Government Auditing Standards*
and OMB Circular A-133
For the Year Ended June 30, 2010

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Certified Public Accountants and Business Consultants

**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, 2010, which collectively comprise the Town of Sanford, Maine's basic financial statements and have issued our report thereon dated January 21, 2011. 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 of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of 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 #2010-1 and #2010-2 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 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 21, 2011.

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 21, 2011
South Portland, Maine



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 compliance of the Town of Sanford, Maine with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. 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 item #2010-3 and #2010-4 in the accompanying schedule of findings and questioned costs, the Town of Sanford, Maine, did not comply with the requirements regarding cash management applicable to its U.S. Department of Education, Special Education Cluster (CFDA #84.027, #84.173, #84.391, #84,392) and the requirements regarding reporting applicable to its 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 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 are applicable to each of its major federal programs for the year ended June 30, 2010.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 in order 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.

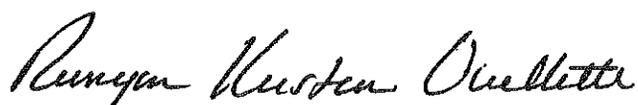
Schedule of Expenditures of Federal Awards

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, 2010, and have issued our report thereon dated January 21, 2011, 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.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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.

A handwritten signature in cursive script, reading "Raymond Hudson Ouellette".

January 21, 2011
South Portland, Maine

TOWN OF SANFORD, MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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, 2010	
					June 30, 2009	June 30, 2010	Federal	Other	Federal	Other		
U.S. Department of Education:												
Direct programs:												
Be Healthy/Be Fit	84.215		N/A	\$ -	6,155	-	-	-	-	-	6,155	
Smaller Learning	84.215L		N/A	-	(96,130)	-	-	-	-	-	(96,130)	
Elementary School Counseling Program	84.215E		N/A	358,676	(21,569)	284,400	-	282,212	-	-	(19,381)	
Extended Secondary Counseling Grant	84.215E		N/A	400,000	-	239,586	-	245,552	-	-	(6,006)	
Safe Schools Healthy Students	84.184L		N/A	714,325	15,647	769,692	-	803,600	-	-	(18,261)	
Passed through Maine Department of Education:												
Adult Basic Education	84.002		6296	-	25,451	50,000	-	53,265	-	-	22,186	
Title V	84.298		1072	-	(304)	-	-	83,645	-	-	(83,949)	
Title IA	84.010		3057	806,382	183,758	806,382	-	790,133	-	-	200,007	
Local Entitlement	84.027		3046	784,463	25,368	784,463	-	875,009	-	-	(65,178)	
21st Century Grant	84.287		3054	250,000	50,634	250,000	-	249,470	-	-	51,164	
Preschool	84.173		6241	21,988	14,261	21,988	-	21,255	-	-	14,994	
English Language Acquisition Grant	84.365		3090	13,442	208	13,442	-	12,859	-	-	751	
Title IID - Technology Competitive	84.318		3003	-	(6,681)	-	-	-	-	-	(6,681)	
Title IID - Technology	84.318		3003	10,490	11,927	10,490	-	9,917	-	-	12,500	
Advanced Placement	84.330		5105	-	2,309	-	-	2,309	-	-	2,309	
Title I-C Basic Grant	84.048		3030	159,542	-	159,542	-	179,782	-	-	(20,240)	
Title I Accountability	84.348		5176	-	2,325	-	-	-	-	-	2,325	
Reading First	84.357		3052	-	(16,488)	-	-	-	-	-	(16,488)	
Improving Teacher Quality	84.367		3042	299,990	282,395	299,990	-	187,459	-	-	394,926	
Title IID - Technology - ARRA	84.386X	Y	3003	25,000	-	25,000	-	-	-	-	25,000	
Title IA - ARRA	84.389A	Y	3057	257,336	-	257,336	-	232,429	-	-	24,907	
Local Entitlement - ARRA	84.391A	Y	3046	426,668	-	426,668	-	278,849	-	-	147,819	
Preschool - ARRA	84.392A	Y	6241	11,902	-	11,902	-	-	-	-	11,902	
ARRA Stabilization	84.394	Y	2077	577,530	356,952	577,530	-	804,641	-	-	129,841	
Passed through Maine Office of Substance Abuse:												
Title IV - Drug Free Schools	84.186		N/A	18,614	5,682	18,614	-	18,614	-	-	5,682	
Total U.S. Department of Education					841,910	5,007,025	-	5,128,771	-	-	720,164	
U.S. Department of Agriculture, passed through the Maine Department of Education:												
National School Lunch Program - Food Donation	10.555		6134	N/A	-	71,247	-	71,247	-	-	-	
National School Lunch Program - Breakfast Program	10.553		3014	N/A	-	190,057	-	190,057	-	-	-	
National School Lunch Program - Subsidized Hot Lunch	10.555		3024	N/A	93,301	640,940	564,399	640,940	419,830	-	237,870	
Summer Food Service Program	10.559		3027	N/A	-	86,999	-	86,999	-	-	-	
Total U.S. Department of Agriculture					93,301	989,243	564,399	989,243	419,830	-	237,870	
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	-	353,448	-	353,448	-	-	-	
Business Assistance Grant - RUBB	14.228		20080519-11502	250,000	-	4,134	-	4,134	-	-	-	
Business Assistance Grant - Maine Manufacturing	14.228		20091015-02458	100,000	-	100,000	-	100,000	-	-	-	
Riverfront Grant	14.228		N/A	675,000	-	8,945	-	8,945	-	-	1	
Neighborhood Stabilization Program	14.228		20090715-00529	2,472,189	-	2,124,681	-	2,124,681	-	-	-	
Technical Assistance Grant	14.228		N/A	14,000	-	14,000	-	14,000	-	-	-	
Total U.S. Department of Housing and Urban Development					-	2,605,208	-	2,605,208	-	-	1	

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, 2009	Revenue Recognized		Expenditures		Transfers	Balance at June 30, 2010
						Federal	Other	Federal	Other		
U.S. Department of Justice - Bureau of Justice Assistance:											
Direct programs:											
Local Law Enforcement Block Grant	16.592		N/A	\$ -	741	-	-	-	-	-	741
Bulletproof Vest	16.592		N/A	-	(1,417)	-	-	1,320	-	-	(2,737)
Justice Assistance Grant	16.738		N/A	30,215	106	-	-	-	-	-	106
Justice Assistance Grant	16.738		N/A	127,000	-	16,322	-	16,322	-	-	-
Justice Assistance Grant - ARRA	16.804	Y	N/A	-	-	127,449	-	41,180	-	-	86,269
Cops Hiring Grant	16.710		N/A	411,362	-	52,236	-	-	-	-	52,236
Total U.S. Department of Justice - Bureau of Justice Assistance					(570)	196,007	-	58,822	-	-	136,615
U.S. Environmental Protection Agency:											
Direct programs:											
Brownfields Assessment and Cleanup Cooperative Agreement	66.818		N/A	200,000	(12,471)	36,678	-	24,207	-	-	-
Brownfields Cleanup Revitalization Loan Fund	66.818		N/A	200,000	-	200,000	-	200,000	-	-	-
Brownfields Assessment and Cleanup Cooperative Agreement	66.818		N/A	200,000	-	45,906	-	45,906	-	-	-
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	Y	N/A	200,000	-	153,203	-	153,203	-	-	-
Brownfields Assessment and Cleanup Cooperative Agreement	66.818		N/A	200,000	-	78,610	-	78,610	-	-	-
Total U.S. Environmental Protection Agency					(12,471)	514,397	-	501,926	-	-	-
U.S. Department of Transportation:											
Direct programs:											
Airport Improvement Program - Taxiways F, G, & C&D	20.106		N/A	2,221,100	(21,552)	1,858,536	48,909	1,858,536	80,412	61,201	8,146
Airport Improvement Program	20.106		N/A	N/A	-	801,193	-	1,305,936	-	-	(504,743)
Passed through the Maine Bureau of Highway Safety:											
2008 Speed Enforcement Grant	20.600		N/A	2,400	(1,120)	2,240	-	-	-	-	1,120
2008 OUI Enforcement Grant	20.600		N/A	3,520	(1,280)	3,360	-	-	-	-	2,080
2009 Safety Belt Enforcement Grant	20.600		N/A	1,600	(1,600)	1,600	-	-	-	-	-
Total U.S. Department of Transportation					(25,552)	2,666,929	48,909	3,164,472	80,412	61,201	(493,397)
U.S. Department of Energy:											
Direct programs:											
Energy Efficiency and Conservation Block Grant	81.128		N/A	87,300	-	87,300	-	87,300	-	-	-
Total U.S. Department of Energy					-	87,300	-	87,300	-	-	-
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 2007	97.036		N/A	N/A	172,291	-	-	11,863	-	-	160,428
FEMA 1815 DR ME	97.036		N/A	N/A	281,795	124,400	-	57,575	-	-	348,620
FEMA 1891 DR ME	97.036		N/A	N/A	-	-	-	192,386	-	-	(192,386)
Total U.S. Department of Homeland Security					459,553	124,400	-	261,824	-	-	322,129
U.S. Department of Health and Human Services, passed through Maine Department of Education:											
Refugee Resettlement	93.576		5019	-	631	-	-	-	-	-	631
School Health Grant	93.938		5172	-	443	-	-	-	-	-	443
Total U.S. Department of Health and Human Services					1,074	-	-	-	-	-	1,074
Totals				\$	1,357,245	12,190,509	613,308	12,797,565	500,242	61,201	924,456

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, 2010

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, 2010. 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, 2010

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:

CFDA Numbers

Name of Federal Program or Cluster

14.228	Community Development Block Grant
66.818	Brownfields Assessment and Cleanup Cooperative Agreements
84.384	ARRA Stabilization Fund
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.010, 84.389	Title I-Part A Cluster
84.215	Elementary and Secondary School Counseling Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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

#2010-1 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.

#2010-2 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, 2010, 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

#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.

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, 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.

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 is working with the Local Entitlement Administrator to identify the issue. Draw down schedule will be examined and adjusted for the next cycle. We will also be working to identify and track expenses to make sure that expenses are tracked and allocated to the correct fund.*

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

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

#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.

Criteria: The School 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's accounting system before being submitted to the State of Maine.

Questioned Costs: None

Management Response: *The pass-through entity only manages revenue and expenses on a quarterly basis and does not provide assurances on beginning or ending balances. They can and do verify receipt amounts. At issue is timing of receipt of revenue checks. Many times checks are cut by the DOE on the last day or near the last day of the month. Sanford School Department receives and books the payment in a different month. Reconciling the DOE cash Management can be accomplished but at times requires an additional step in the process to verify the print date of the check vs. the deposit date. DOE is aware of this timing issue and is looking for ways to address this.*

In addition, many times the checks that are received do not have sufficient detail to correctly determine the appropriate account to be credited. Even though contact information is on the check sometimes it takes a few days to have DOE identify the exact account. They are also aware of this issue and have been attempting to provide more information on the check and to provide additional contact information to assist in clarifying the appropriate accounts.

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

Section IV - Status of Prior Year Findings and Questioned Costs

NONCOMPLIANCE – FEDERAL AWARDS

**#2009-2 – U.S. Department of Education, for the Period July 1, 2008 through June 30, 2009, CFDA #84.010
Title IA Disadvantaged**

Statement of Condition: The Title IA Disadvantaged program had excess cash balances on hand for excessive periods of time.

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

Cause: Allowable cost expenditures under the Title IA Disadvantaged program from July 1, 2008 through June 30, 2009 were not sufficient to prevent a quarter-end cash overflow, as defined by the State of Maine, for the third and fourth quarters.

Status: No finding in current year.

**#2009-3 – U.S. Department of Education, for the Period July 1, 2008 through June 30, 2009, CFDA #84.010
Title 1A Disadvantaged**

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

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

Cause: Some beginning balances on the cash management report did not reconcile with the balances on the accounting system. Also, some revenues and expenditures reported on the accounting system did not reconcile with those that were reported on the cash management report.

Status: See current year finding #2010-4.

**#2009-4 – U.S. Department of Education, for the Period July 1, 2008 through June 30, 2009, CFDA #84.027,
84.173 Special Education Cluster**

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

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

Cause: Some beginning balances on the cash management report did not reconcile with the balances on the accounting system. Also, some revenues and expenditures reported on the accounting system did not reconcile with those that were reported on the cash management report.

Status: No finding in current year.