

Federal Reporting
Town of Sanford, Maine



June 30, 2012

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Town of Sanford, Maine

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Federal Reporting:

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**Independent Auditors' Report on Compliance with Requirements
that Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

**To the Town Council
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's major federal programs for the year ended June 30, 2012. 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 of the Town of Sanford, Maine's compliance with those requirements.

As described in item 2012-6 in the accompanying schedule of findings and questioned costs, the Town of Sanford, Maine did not comply with requirements regarding special tests that are applicable to its Title I, Part A Cluster program. Compliance with such requirements is necessary, in our opinion, for the Town of Sanford, Maine to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Sanford, Maine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-4 and 2012-5.

Internal Control over Compliance

Management of the Town of Sanford, Maine is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Sanford, Maine's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 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. *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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-2 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Town of Sanford, Maine as of and for the year ended June 30, 2012, and have issued our report thereon dated March 29, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Town of Sanford, Maine's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Town of Sanford, Maine's compliance but not to provide an opinion on the effectiveness of the Town of Sanford, Maine's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Sanford, Maine's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Purdy Powers & Company
Professional Association

Portland, Maine
March 29, 2013

Schedule of Expenditures of Federal Awards (1 of 2)

Town of Sanford, Maine

For the Year Ended June 30, 2012

Federal Grantor <u>Pass-Through Grantor</u>	Program Title	Federal CFDA Number	Pass-through Number	Expenditures
U.S. Department of Agriculture				
<u>Passed through Maine Department of Education:</u>				
	National School Lunch Program	10.555	01305-A-3014/3020/3022/3024-05	\$ 963,003
	Summer Food Service Program for Children	10.559	01305-A-3016/3018-05	38,793
	Total Child Nutrition Cluster			1,001,796
	Fresh Fruit and Vegetable Program	10.582	01305-A-3028-05	80,833
	Commodity Supplemental Food Program (non-cash assistance)	10.565	N/A	75,574
<u>Passed through Maine Department of Conservation:</u>				
	Urban and Community Forestry Program	10.675		1,113
	Urban and Community Forestry Program	10.675	11-DG-11420004-098	2,226
	Total for CFDA 10.675			3,339
	Total U.S. Department of Agriculture			1,161,542
U.S. Department of Education				
<u>Passed through Maine Department of Education:</u>				
	Special Education Grants to States	84.027	01305-A-3046-12	927,092
	ARRA - Special Education - Grants to States	84.391	02005-A-3046-12	29,550
	Special Education Preschool Grants	84.173	01305-A-6241-23	12,340
	Total Special Education Cluster			968,982
	Title I Grants to Local Educational Agencies	84.010	01305-A-3107-13	869,931
	Title I Grants to Local Educational Agencies	84.010		380
	ARRA - Title I Grants to Local Educational Agencies	84.389A	02005-A-3107-13	84
	Total Title I, Part A Cluster			870,395
	ARRA - State Fiscal Stabilization Fund	84.394	02005-A-2077-01	184,624
	State Fiscal Stabilization Fund Cluster			184,624
	Twenty-First Century Community Learning Centers	84.287	01305-A-3054-67	180,921
	English Language Acquisition State Grants	84.365	01305-A-3090-16	5,284
	Career and Technical Education - Basic Grants to States	84.048	01305-A-3030/3040-08	153,551
	Improving Teacher Quality State Grants	84.367	01305-A-3042-11	265,667
	ARRA - Education Jobs Fund	84.410	01305-A-3099-10	114,943
	Adult Education - Basic Grants to States	84.002	01305-A-6296-64	58,806
<u>Passed through Search Institute:</u>				
	ARRA - Investing in Innovation	84.396	11098	72,581
<u>Passed through Maine Department of Health and Human Services:</u>				
	Safe and Drug-Free Schools and Communities	84.186		804
<u>Direct Awards:</u>				
	Fund for the Improvement of Education	84.215E	Q215E080276-10	85,905
	Fund for the Improvement of Education	84.215E	Q215E090001-11	409,232
	Total for CFDA 84.215E			495,137
	Safe and Drug-Free Schools and Communities	84.184A	Q184A100125-11	278,436
	Safe and Drug-Free Schools and Communities	84.184L	Q184L070176-10	399,242
	Total U.S. Department of Education			4,049,373
U.S. Department of Housing and Urban Development				
<u>Passed through Maine Department of Economic and Community Development:</u>				
	Community Development Block Grants/State's Program	14.228	CT19A-2009071500000000329-6	697,880
	Community Development Block Grants/State's Program	14.228	CT19A-20110920000000001543	20,000
	Community Development Block Grants/State's Program	14.228	CT19A-20100909000000001408	118,008
	Total U.S. Department of Housing and Urban Development and Total CDBG - State-Administered CDBG Cluster			835,888

Schedule of Expenditures of Federal Awards (2 of 2)

Town of Sanford, Maine

For the Year Ended June 30, 2012

Federal Grantor <u>Pass-Through Grantor</u>	Federal CFDA Number	Pass-through Number	Expenditures
U.S. Department of Transportation			
<u>Passed through Maine Department of Transportation:</u>			
Highway Planning and Construction	20.205	016346.00	\$ 3,939
	Total Highway Planning and Construction Cluster		3,939
<u>Direct Awards from the Federal Aviation Administration:</u>			
Airport Improvement Program	20.106	3-23-0044-25-2009	3,885
Airport Improvement Program	20.106	3-23-0044-25-2010	107,387
		Total for CFDA 20.106	111,272
Total U.S. Department of Transportation			115,211
U.S. Department of Justice			
<u>Passed through City of Biddeford, Maine:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2411	1,170
<u>Passed through County of York, Maine:</u>			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-2160	16,985
<u>Direct Awards:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0647	9,813
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0275	2,531
		Total JAG Program Cluster	30,499
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0428	116,663
Total U.S. Department of Justice			147,162
U.S. Environmental Protection Agency			
<u>Passed through Southern Maine Regional Planning Commission:</u>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	33,356
<u>Direct Awards:</u>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96114501-0	59,413
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96137201-0	8,011
		Total for CFDA 66.818	100,780
Brownfields Assessment and Cleanup Cooperative Agreements	66.814	TR-83490601-0	150,505
Total U.S. Environmental Protection Agency			251,285
Corporation for National and Community Service			
<u>Passed through Maine Commission for Community Service:</u>			
Learn and Serve America: Community-Based	94.004	20120711*158	7,497
Total Corporation for National and Community Service			7,497
U.S. Department of Homeland Security			
<u>Passed through Home Fire Sprinkler Coalition:</u>			
Assistance to Firefighters Grant	97.044	N/A	1,000
<u>Passed through the Maine Department of Defense, Veterans, and Emergency Management:</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1891-DR-ME	32,424
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1920-DR-ME	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4032-DR-ME	21,428
		Total for CFDA 97.036	53,852
Homeland Security Grant Program	97.067	2010-SS-T0-0090	28,967
Total U.S. Department of Homeland Security			83,819
Total Expenditures of Federal Awards			\$ 6,651,777

Notes to Schedule of Expenditures of Federal Awards

Town of Sanford, Maine

June 30, 2012

1. **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Town of Sanford, Maine. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the schedule.

2. **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. **Major Program – Federal**

The following programs were considered major as defined by OMB Circular A-133:

<u>Program</u>	<u>CFDA#</u>
Fund for the Improvement of Education	84.215E
Safe and Drug-Free Schools and Communities	84.184L
Safe and Drug-Free Schools and Communities	84.184A
Title I, Part A Cluster:	
Title I Grants to Local Educational Agencies	84.010
ARRA - Title I Grants to Local Educational Agencies	84.389A
Special Education Cluster (IDEA):	
Special Education-Grants to States (IDEA, Part B)	84.027
Special Education-Preschool Grants (IDEA Preschool)	84.173
ARRA - Special Education-Grants to States (IDEA, Part B)	84.391
Child Nutrition Cluster:	
National School Lunch Program (NSLP)	10.555
Summer Food Service Program for Children (SFSPC)	10.559
CDBG - State-Administered CDBG Cluster:	
Community Development Block Grants/State's Program	14.228

4. **Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2012, the Town had food commodities totaling \$17,940 in inventory.

Schedule of Findings and Questioned Costs

Town of Sanford, Maine

For the Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Town of Sanford, Maine.
2. Significant deficiencies and material weaknesses relating to the financial statement audit are reported in the accompanying Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town of Sanford, Maine were disclosed during the audit.
4. A material weakness relating to the audit of the major federal award programs is reported in the accompanying Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Town of Sanford, Maine expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the Town of Sanford, Maine are reported in Part C of this Schedule.

Schedule of Findings and Questioned Costs - Continued

Town of Sanford, Maine

For the Year Ended June 30, 2012

7. The programs tested as major were:

<u>Program</u>	<u>CFDA#</u>
Fund for the Improvement of Education	84.215E
Safe and Drug-Free Schools and Communities	84.184L
Safe and Drug-Free Schools and Communities	84.184A
Title I, Part A Cluster:	
Title I Grants to Local Educational Agencies	84.010
ARRA - Title I Grants to Local Educational Agencies	84.389A
Special Education Cluster (IDEA):	
Special Education-Grants to States (IDEA, Part B)	84.027
Special Education-Preschool Grants (IDEA Preschool)	84.173
ARRA - Special Education-Grants to States (IDEA, Part B)	84.391
Child Nutrition Cluster:	
National School Lunch Program (NSLP)	10.555
Summer Food Service Program for Children (SFSPC)	10.559
CDBG - State-Administered CDBG Cluster:	
Community Development Block Grants/State's Program	14.228

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Sanford, Maine was not determined to be a low-risk auditee.

Schedule of Findings and Questioned Costs - Continued

Town of Sanford, Maine

For the Year Ended June 30, 2012

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

2012-1 Reconciliation between the Town and School Department

Condition and Context: The Town and the School Department use separate accounting systems and separate general ledgers to simultaneously record the same activity, as the School Department is a department within the Town of Sanford, Maine. It is therefore essential that monthly reconciliations be performed between the School Department's general ledger and the Town's general ledger wherein balance sheet accounts, revenues, and expenditures are promptly reconciled on a monthly basis.

Criteria: All accounts which are simultaneously recorded within the Town and School Department, including all balance sheet, revenue, and expenditure accounts, should have identical balances.

Cause: Monthly reconciliations were not being performed or were not being performed correctly during the year ended June 30, 2012.

Effect: As of June 30, 2012 the revenues, expenditures, and balance sheet accounts reported within the School Department did not reconcile to the Town's general ledger. The differences were not material to the financial statements but were still significant.

Recommendation: We recommend that a reconciliation be performed monthly and entries should be made in the accounting systems so that the two systems have the same information. Any variances should be investigated promptly and the proper system (whether the Town or School Department) should be adjusted.

Management's Response:

City Manager: The City of Sanford agrees with the auditor's recommendation that the School Department should reconcile monthly with the City and School entries should be made in both accounting systems so that the two systems have the same information. Any variances should be investigated promptly by the School Department and the proper system (whether the Town or School Department) should be adjusted.

Superintendent of Schools: Management recognizes that the School Department and City have not reconciled their accounting systems for the past 10 years. Both use different accounting systems and charts of accounts. Additionally a grant program tracking system was used in the School Department that required double account entries.

Schedule of Findings and Questioned Costs - Continued

Town of Sanford, Maine

For the Year Ended June 30, 2012

2012-2 Reliability of School Department's Accounting System

Condition and Context: During our audit we noted numerous deficiencies in the School Department's accounting system. Notably, the balance sheet was not used by the School Department's accounting staff and contained erroneous information; activity was often recorded on a cash basis and cut-off was not maintained; grants receivable was most often absent, and in certain instances, was doubly posted; and individual fund balances were not reconciled.

A significant effort was required after year-end to reconcile certain accounts and funds. The School Department's accounting structure and system of earmarking revenues and tracking expenditures for grant management and budgeting purposes is sophisticated and requires significant effort and time. The resources allocated to the accounting function, in terms of personnel, are not sufficient to consistently and effectively accomplish this task.

Criteria: One of the responsibilities for maintaining a system of internal control includes maintenance of records to provide an audit trail to support the balances recorded in the accounting records as well as procedures to ensure the correspondence of the balances reported and their supporting documentation. The system should also ensure that transactions are recorded according to the precepts of generally accepted accounting principles.

Cause: The balance sheet was not used by the School Department's accounting staff and contained erroneous information; activity was often recorded on a cash basis and cut-off was not maintained; grants receivable was most often absent, but in instances when it existed, was doubly posted; and individual fund balances were not reconciled.

Effect: Information generated by the School Department's accounting system was prone to error. Balance sheet accounts, including fund balances, were not correct and required significant adjustment through the audit process. Additionally, management may be using incorrect information upon which to make decisions. Interim internal and external financial reports may be inaccurate, causing confusion and misunderstandings among users of the financial data.

Recommendation: We recommend that the School Department review its accounting procedures and ensure that all transactions are recorded in accordance with generally accepted accounting principles. We also recommend that the School Department ensure that balances reported in its accounting system regarding balance sheet accounts, including fund balances, are accurate at period-end. Monthly reconciliations of balance sheet accounts and the active provision of reports to program managers would contribute to the reliability of the School Department's accounting system.

Schedule of Findings and Questioned Costs - Continued

Town of Sanford, Maine

For the Year Ended June 30, 2012

2012-2 Reliability of School Department's Accounting System - continued

We also recommend a review of the accounting functions and workloads. Consideration should be given to adding additional staff. In our opinion, the accounting, recordkeeping, and reporting requirements exceed the resources allocated to accomplish them. Increased staffing would allow certain internal control procedures mentioned in this report not presently possible due to the limited number of financial staff currently available. The reliability of the School Department's financial records would be improved through additional review procedures.

Management's Response: Maine Public School Systems are annually required by outside Federal and State Agencies to respond to and account for mandated program requirements often with duplicate and complex responses. Funding for additional resources is often lacking with precious funding earmarked for direct impact (classroom) for teaching and learning.

Schedule of Findings and Questioned Costs - Continued

Town of Sanford, Maine

For the Year Ended June 30, 2012

Significant Deficiencies

2012-3 Segregation of Duties

Condition and Context: During our consideration of internal control, we noted that the assignment of responsibilities to the accounting and managerial staff of the School Department did not provide an optimum segregation of duties.

Criteria: Controls are most effective when different individuals are assigned the responsibility of authorizing transactions, recording transactions, and maintaining the custody of assets.

Cause: One person performed two or more of these functions in the normal course of performing their duties. The same person in the School Department is responsible for processing and posting cash receipts, posting and allocating expenses, generating and posting general journal entries, and preparing reports for internal and external reporting.

Effect: Errors, omissions, and irregularities may be present and go undetected by management.

Recommendation: We recommend that the School Department consider modifying responsibilities concerning the financial affairs the School Department to provide optimum segregation of duties as well as implementing oversight and independent review functions.

Management's Response: Management recognizes the concern for internal controls. Limited financial resources for personnel complicates the day to day functions in the business/accounting office.

Schedule of Findings and Questioned Costs - Continued

Town of Sanford, Maine

For the Year Ended June 30, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2012-4 Unreasonable Allocation of Administrative Salary

Program: Funds for the Improvement of Education (CFDA 84.215E)

Condition and Context: During our audit we examined the allocation of administrative salaries to verify compliance with grant requirements covering allowable activities and allowable costs/cost principles. We were not provided with documentation of the method of allocation used and found it unreasonable that a significant fraction of administrative salaries were allocated to this grant. Upon inquiry we learned that the School Department administers many grants but does not have a documented method of allocating certain salaries.

Questioned costs: \$11,138

Criteria: One of the responsibilities for maintaining a system of internal control includes maintenance of records to provide an audit trail to support the balances recorded in the accounting records.

Cause: The School Department could not provide documentation supporting the allocation of administrative salaries to the grant.

Effect: Supporting documentation aids in providing assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements. Furthermore, without documentation, it is not possible to establish whether costs complied with grant requirements surrounding allowable activities and allowable costs/cost principles.

Recommendation: We recommend that the School Department establish and document a reasonable methodology for the allocation of certain salaries to grants, such as documenting time staff spent on each grant through the use of timesheets or other contemporaneous methods of tracking time. Alternatively, an allocation based upon program or grant size could be appropriate.

Management's Response: Management does not agree with the audit findings that the questioned cost for administrative salary of \$11,138 is unreasonable.

Schedule of Findings and Questioned Costs - Continued

Town of Sanford, Maine

For the Year Ended June 30, 2012

2012-5 Free and Reduced-Price Meals Provided to Ineligible Children

Program: Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, 10.559)

Condition and Context: During our audit we examined the determination of eligibility for the provision of free and reduced-price meals to children in the Town's schools. We identified 62 children who were deemed eligible through "administrative override," which was a procedure not in conformity with the procedures established by the USDA and the State of Maine.

Questioned costs: \$29,256

Criteria: Eligibility for free and reduced-price meals is determined by the economic circumstances of the children's households. This is established through applications by parents of the children that declare incomes beneath certain guidelines or reporting by the State for children whose households receive certain welfare benefits. School administrators are allowed to prepare applications for children whose parents refuse to apply but must estimate income and household size information for those children.

Cause: The School Department used a procedure they called "administrative override" which involved a school administrator, such as a principal, preparing a parental free and reduced-price lunch application form that included only the child's name and the administrator's signature. No documentation of estimated household income or size was provided.

Effect: Sixty-two children who were made eligible for free and reduced-price meals through "administrative override" may not have been truly eligible. The School Department received reimbursement for those meals from the State of Maine, and ultimately, the Federal government.

Recommendation: We recommend that the School Department review its eligibility determination procedures for free and reduced-price meals and ensure they conform with procedures established by the USDA and the State of Maine.

Management's Response: Management acknowledges that "administrative override," for children to receive meals at school have taken place. State Officials were notified. Food Service management was also notified. Management also acknowledges that this past practice is allowable under some circumstances.

Schedule of Findings and Questioned Costs - Continued

Town of Sanford, Maine

For the Year Ended June 30, 2012

2012-6 Hiring of Highly-Qualified Teachers

Program: Title I, Part A Cluster (CFDA 84.010, 84.389)

Condition and Context: During our audit we examined the determination of Highly-Qualified Teacher status for three teachers among eighteen hired for the 2011-2012 school year. Two of the three selected were not Highly-Qualified Teachers according to Federal criteria.

Questioned costs: N/A

Criteria: Schools receiving Title I, Part A Cluster funds must ensure that all teachers, regardless of whether their salaries are funded with Title I, Part A Cluster funds, are Highly-Qualified Teachers. Highly-Qualified Teachers in the State of Maine are those possessing a bachelor's degree; licensure from the State of Maine; and can prove subject-matter mastery through either sufficient coursework in their area of teaching, a passing score on the Praxis II subject-matter test, or sufficient points on the H.O.U.S.S.E. rubric.

Cause: Principals of the two aforementioned teachers reported that they were not Highly-Qualified Teachers at the date of hire or at the date of the audit. They lacked evidence of subject-matter mastery.

Effect: Two out of the three recently-hired teachers examined were not Highly-Qualified Teachers.

Recommendation: We recommend that the School Department review its hiring policies and ensure that all teachers hired are Highly-Qualified Teachers.

Management's Response: Management acknowledges the hiring of two non-Highly Qualified teachers, one (1) at the Middle School and One (1) at the High School. Both are non-Titles eligible schools.

Schedule of Findings and Questioned Costs - Continued

Town of Sanford, Maine

For the Year Ended June 30, 2012

D. Status of Prior Year Findings and Questioned Costs

Item 2011- 3

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

Recommendation: The prior auditor recommended that requests 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: N/A

Current status: All of the School Department's grants with the State of Maine and the Federal government were on a reimbursement basis during the year ended June 30, 2012. Advances were not noted and drawdowns were supported with expense reports showing grant expenses incurred to date.

Item 2011- 4

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

Recommendation: The prior auditor recommended that cash management reports 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: N/A

Current status: All of the School Department's grants with the State of Maine and the Federal government were on a reimbursement basis during the year ended June 30, 2012. Advances were not noted and drawdowns were supported with expense reports showing grant expenses incurred to date. Cash management reports were not available to be reviewed as the client stated they were eliminated during the transition to a reimbursement-basis system of payment.