

TOWN OF WINSLOW, MAINE

**Reports Required by *Government Auditing
Standards* and the Uniform Guidance**

For the Year Ended June 30, 2019

TOWN OF WINSLOW, MAINE
Reports Required by *Government Auditing Standards*
and the Uniform Guidance
For the Year Ended June 30, 2019

Table of Contents

| <u>Report</u> | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 1-2 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 3-5 |
| Schedule of Expenditures of Federal Awards | 6 |
| Notes to Schedule of Expenditures of Federal Awards | 7 |
| Schedule of Findings and Questioned Costs: | |
| Section I - Summary of Auditor's Results | 8 |
| Section II - Findings Required to be Reported Under <i>Government Auditing Standards</i> | 9 |
| Section III - Findings and Questioned Costs for Federal Awards | 10 |
| Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards and <i>Government Auditing Standards</i> | 11 |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Town Council
Town of Winslow, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Winslow, Maine as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Winslow, Maine's basic financial statements and have issued our report thereon dated October 2, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Winslow, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Winslow, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Winslow, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Winslow, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Winslow, Maine in a separate letter dated October 2, 2019.

Town of Winslow, Maine's Response to Finding

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

Purpose of this Report

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



October 2, 2019
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Town Council
Town of Winslow, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Winslow, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Winslow, Maine's major federal programs for the year ended June 30, 2019. The Town of Winslow, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Winslow, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Winslow, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Winslow, Maine's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

Opinion on Each Major Federal Program

In our opinion, the Town of Winslow, Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of the Town of Winslow, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Winslow, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Winslow, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Winslow, Maine as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Winslow, Maine's basic financial statements. We issued our report thereon dated October 2, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



October 2, 2019
South Portland, Maine

TOWN OF WINSLOW, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

| Federal Grantor/Pass-through Grantor Program Title | Federal CFDA Number | Pass-through Grantor's Number | Total Federal Expenditures | CFDA/ Cluster Totals | Passed Through to Subrecipients |
|--|---------------------------|-------------------------------------|----------------------------------|----------------------------|---------------------------------------|
| U. S. Department of Agriculture, passed through Maine Department of Education: | | | | | |
| Child Nutrition Cluster: | | | | | |
| School Breakfast Program | 10.553 | 013-3014 | 100,503 | | - |
| Donated Commodities | 10.555 | N/A | 32,572 | | - |
| Summer Food Service | 10.559 | 013-3016 | 23,015 | | - |
| National School Lunch Program | 10.555 | 013-3024 | 224,096 | | - |
| Total Child Nutrition Cluster | | | | 380,186 | |
| Fresh Fruits and Vegetables | 10.582 | 013-3028 | 21,283 | | - |
| Total U. S. Department of Agriculture | | | 401,469 | | - |
| U.S. Department of Justice, passed through Maine Department of Public Safety: | | | | | |
| COPS Hiring | 16.710 | N/A | 19,372 | | - |
| Passed through Kennebec County: | | | | | |
| Justice Assistance Grant | 16.738 | N/A | 2,992 | | - |
| Total U.S. Department of Justice | | | 22,364 | | - |
| U.S. Department of Transportation, passed through Maine Bureau of Highway Safety: | | | | | |
| Highway Safety Cluster: | | | | | |
| Speed Enforcement | 20.600 | N/A | 3,400 | | - |
| Distracted Driving | 20.600 | N/A | 6,500 | | - |
| Drive Sober Maine Enforcement | 20.600 | N/A | 2,043 | | - |
| Total Highway Safety Cluster | | | | 11,943 | |
| Total U.S. Department of Transportation | | | 11,943 | | - |
| U. S. Department of Education, passed through Maine Department of Education: | | | | | |
| Special Education Cluster: | | | | | |
| Local Entitlement | 84.027 | 013-3046 | 376,369 | | - |
| Preschool Grant | 84.173 | 013-6247 | 4,509 | | - |
| Total Special Education Cluster | | | | 380,878 | |
| Title I-A | 84.010 | 013-3107 | 379,986 | | - |
| 21st Century Grant | 84.287 | 013-3356 | 50,000 | | - |
| Supporting Effective Instruction | 84.367 | 013-3042 | 31,287 | | - |
| Rural Low Income | 84.358 | 013-3305 | 59,463 | | - |
| Total U. S. Department of Education | | | 901,614 | | - |
| Election Assistance Commission: | | | | | |
| Economic and Infrastructure Development Grant Program | 90.601 | NBRC176ME04 | 11,956 | | - |
| Total Election Assistance Commission | | | 11,956 | | - |
| Department of Homeland Security, passed through the Maine Emergency Management Agency: | | | | | |
| Disaster Grants Public Assistance | 97.036 | N/A | 22,021 | | - |
| FEMA - Assistance to Firefighters | 97.044 | EMW-2017-Fo-04589 | 7,020 | | - |
| Total Department of Homeland Security | | | 29,041 | | - |
| Total federal awards | | | \$ 1,378,387 | | - |

TOWN OF WINSLOW, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB)'s Uniform Guidance 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 Winslow, Maine for the fiscal year ended June 30, 2019. The reporting entity is defined in notes to basic financial statements of the Town of Winslow, Maine.
- B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.
 - 1. Pursuant to the Uniform Guidance, 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 - the Uniform Guidance establishes the levels of expenditures or expenses to be used in defining major federal financial award programs. Major programs for the Town of Winslow, Maine have been identified in the attached Schedule of Findings and Questioned Costs - Summary of Auditor's Results.
- 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 of Winslow, Maine's fund financial statements.
- D. The Town of Winslow, Maine has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF WINSLOW, MAINE
Schedule of Findings and Questioned Costs
June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

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 federal programs:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------------|--|
| 84.027; 84.173 | Special Education Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

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

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

SIGNIFICANT DEFICIENCY

2019-001 – Preparation of Financial Statements

Criteria: Client personnel designated as having responsibility over the financial reporting process would need to have the knowledge of all the various financial statement disclosure requirements in addition to an understanding of fund financial statements and government-wide financial statements.

Statement of Condition: Auditing standards require external auditors to determine whether or not client personnel designated as having responsibility over the financial reporting process possess the expertise to identify all financial reporting matters in compliance with generally accepted accounting principles without the reliance on external auditors.

Cause: The Town does not employ an individual that possesses the expertise to prepare a complete set of financial statements that are in accordance with generally accepted accounting principles.

Effect: The Town 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, and as a result, we are required to report this as such in this letter.

Recommendation: From a practical standpoint, the costs of maintaining the expertise in-house to meet these requirements often exceed the benefit. As a result, it is common practice for governmental entities to rely on assistance from their auditing firm to assist in the preparation of the financial statements and the related disclosures. When the auditing firm prepares the financial statements, the Town must assign a competent management level individual to oversee this service. Additionally, management must review, approve, and accept responsibility for the financial statements and related notes.

Management's response/corrective action plan: *Regarding the noted significant deficiency pertaining to the preparation of financial statements, management for the Town of Winslow, Maine understands the current accounting standards. The cost of having an expert in-house to prepare the financial statements exceeds the benefits; therefore, we hire an outside audit firm to prepare our financial statements.*

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

Section III - Findings and Questioned Costs for Federal Awards

2019-002 – Uniform Guidance Procurement Standards

Criteria: One of the more significant provisions of the Uniform Guidance that affects the School Department is the procurement standards under 2 CFR sections 200.318 through 200.326. Under the new procurement standards, the School Department is required to have a documented purchasing policy, which at a minimum, incorporates the provisions of the Uniform Guidance.

Statement of Condition: The Office of Management and Budget (OMB) revised regulations applicable to federally funded programs. The new regulations are contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance replaced OMB Circulars A-133, A-87, and A-110 and incorporates new requirements for grant recipients. The Uniform Guidance includes not only protocols for program management and administration, but also updates compliance regulations for federal awards. Currently, the School Department does not have a formal written procurement policy that incorporates all provisions of the Uniform Guidance procurement standards.

Cause: The School Department has not adopted a procurement policy that covers all aspects required by the Uniform Guidance. However, during our testing of procurement over federal expenditures, we did not notate any violations of the Uniform Guidance procurement standards.

Effect: Items required by the Uniform Guidance procurement standards that are not currently addressed in the School Department's procurement policy are as follows:

- Conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts
- Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms
- Bonding requirements
- Contract provisions
- Subrecipient and contractor determinations
- Retention requirements for records

Recommendation: We recommend that management review the applicable provisions of the Uniform Guidance procurement standards and update the School Department's procurement policy appropriately. This would include adding any missing components to the School Department's current procurement policy and updating definitions of types of procurement, i.e., micro-purchases, small purchases, and small acquisition threshold, to match the language used in the Uniform Guidance procurement standards.

Management response/corrective action plan: *The School Department is working on implementing a procurement policy to be in line with federal procurement standards in 2020.*

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

Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards and *Government Auditing Standards*

Federal Awards – NONE

Government Auditing Standards –

Preparation of Financial Statements

Auditing Standards require external auditors to determine whether or not client personnel designed as having responsibility over the financial reporting process possess the expertise to identify all financial reporting matters in compliance with generally accepted accounting principles without the reliance on external auditors. This means that these individuals would need to have the knowledge of all the various financial statement disclosure requirements in addition to an understanding of fund financial statements and government-wide financial statements. From a practical standpoint, the costs of maintaining the expertise in-house to meet these requirements often exceed the benefit. As a result, it is common practice for governmental entities to rely on assistance from their auditing firm to assist in the preparation of the financial statements and the related disclosures. When the auditing firm prepares the financial statements, the Town must assign a competent management level individual to oversee this service. Additionally, management must review, approve and accept responsibility for the financial statements and related notes.

Unfortunately, when this approach is taken, the Town 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, and as a result, we are required to report this as such in this letter.

Status: The Town continues to rely on auditor assistance in the preparation of the financial statements, as it is not cost effective to have this expertise in-house.

Recommendation: We recommend the appropriate employees at the Town consider attending training sessions or taking accounting courses in order to gain the expertise necessary to prepare the financial statements in the future.

Corrective Action Plan: Systems are in place so that financial statements will be reviewed monthly and we will continue to work with our auditors to make sure we assume the correct responsibility. Auditors will receive required assistance from the Town of Winslow, Maine's management to work towards complete financial compliance. This will be an ongoing responsibility of the Town Manager.