



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF BILLERICA, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2023



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 Honorable Select Board
Town of Billerica, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Billerica, Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Billerica, Massachusetts' basic financial statements, and have issued our report thereon dated April 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Billerica, Massachusetts' internal control over financial reporting (internal control) as a basis for designing 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 Billerica, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Billerica, Massachusetts' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Billerica, Massachusetts' 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 financial statements. 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*.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "Powers & Sullivan, LLC". The signature is written in a cursive, flowing style.

April 30, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Select Board
Town of Billerica, Massachusetts

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Billerica, Massachusetts' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Billerica, Massachusetts' major federal programs for the year ended June 30, 2023. The Town of Billerica, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Billerica, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Billerica, Massachusetts and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Billerica, Massachusetts' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town of Billerica, Massachusetts' federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Billerica, Massachusetts' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Billerica, Massachusetts' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Billerica, Massachusetts' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Billerica, Massachusetts' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town of Billerica, Massachusetts' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed one 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 2023-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Billerica, Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Billerica, Massachusetts's basic financial statements. We issued our report thereon dated April 30, 2024, 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 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.



April 30, 2024

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
CHILD NUTRITION CLUSTER:				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through the Commonwealth of Massachusetts</u>				
<u>Department of Elementary and Secondary Education:</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	09-031	\$ -	\$ 202,717
Cash Assistance:				
National School Lunch Program.....	10.555	09-031	-	1,304,786
Total National School Lunch Program.....			-	1,507,503
School Breakfast Program.....	10.553	09-031	-	117,557
TOTAL CHILD NUTRITION CLUSTER.....			-	1,625,060
HIGHWAY SAFETY CLUSTER:				
U.S. DEPARTMENT OF TRANSPORTATION:				
<u>Passed through the Commonwealth of Massachusetts</u>				
<u>Executive Office of Public Safety and Homeland Security:</u>				
State and Community Highway Safety.....	20.600	2022MRSPBILLERICA	-	1,141
National Priority Safety Programs.....	20.616	2023MRSPBILLERICA	-	25,662
TOTAL HIGHWAY SAFETY CLUSTER.....			-	26,803
SPECIAL EDUCATION CLUSTER:				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through the Commonwealth of Massachusetts</u>				
<u>Department of Elementary and Secondary Education:</u>				
Special Education Grants to State.....	84.027	240-694254-2023-0031	-	1,069,297
Special Education Grants to State.....	84.027	240-541078-2022-0031	-	235,658
Special Education Grants to State.....	84.027	240-424571-2021-0031	-	204,674
COVID-19 - Special Education Grants to State.....	84.027	252-541080-2022-0031	-	20,044
Total Special Education Grants to States.....			-	1,529,673
Special Education Preschool Grant.....	84.173	262-694255-2023-0031	-	69,217
Special Education Preschool Grant.....	84.173	262-541079-2022-0031	-	2,829
Total Special Education Preschool Grants.....			-	72,046
TOTAL SPECIAL EDUCATION CLUSTER.....			-	1,601,719
DIRECT PROGRAMS:				
U.S. DEPARTMENT OF THE TREASURY:				
<u>Direct Program:</u>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund.....	21.027	Not Applicable	-	4,240,822
PASS-THROUGH PROGRAMS:				
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY:				
<u>Passed through the Massachusetts Clean Water Trust:</u>				
Capitalization Grants for Clean Water State Revolving Funds.....	66.458	CS25000121- CW 2021	-	505,477
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through the Commonwealth of Massachusetts</u>				
<u>Department of Elementary and Secondary Education:</u>				
Title I Grants to Local Educational Agencies.....	84.010	305-698937-2023-0031	-	78,887
Title I Grants to Local Educational Agencies.....	84.010	305-530825-2022-0031	-	245,020
Total Title I Grants to Local Educational Agencies.....			-	323,907
English Language Acquisition Grants (Fiscal Year 2023).....	84.365	180-698962-2023-0031	-	7,325
Supporting Effective Instruction State Grants.....	84.367	140-698961-2023-0031	-	102,457
Supporting Effective Instruction State Grants.....	84.367	140-530826-2022-0031	-	7,210
Total Supporting Effective Instruction State Grants.....			-	109,667
Student Support and Academic Enrichment Program.....	84.424	309-698963-2023-0031	-	39,551
Student Support and Academic Enrichment Program.....	84.424	309-530827-2022-0031	-	13,090
Total Student Support and Academic Enrichment Program.....			-	52,641
COVID-19 - Education Stabilization Fund.....	84.425D	113-379030-2021-0031	-	8,582
COVID-19 - Education Stabilization Fund.....	84.425D	115-509664-2022-0031	-	68,081
COVID-19 - Education Stabilization Fund.....	84.425U	119-529663-2022-0031	-	455,544
Total Education Stabilization Fund.....			-	532,207
TOTAL EDUCATION.....			-	1,025,747
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Passed through Massachusetts Department of Health and Human Services:</u>				
Cooperative Agreement for Emergency Response - Public				
Health Crisis Response.....	93.354	CSH INTF3202	-	77,743
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<u>Passed through Massachusetts Emergency Management Agency:</u>				
Emergency Management Performance Grants.....	97.042	FY23EMPG20CCP00BILLE	-	5,998
TOTAL.....			\$ -	\$ 9,109,369

See notes to Schedule of Expenditures of Federal Awards.

Note 1 – Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Town of Billerica, Massachusetts under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

Note 2 – Significant Accounting Policies

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

- a) Basis of Accounting - The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b) Cash Assistance – National School Lunch Program and School Breakfast Program - Program expenditures represent federal reimbursement for meals provided during the year.
- c) Non-Cash Assistance (Commodities) – National School Lunch Program – Program expenditures represent the value of donated foods received during the year.
- d) The Town has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Billerica, Massachusetts.
2. A material weakness relating to the audit of the basic financial statements are reported in the 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*.
3. No significant deficiencies relating to the audit of the basic financial statements is reported in the 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*.
4. No instances of noncompliance material to the basic financial statements of the Town of Billerica, Massachusetts, were disclosed during the audit.
5. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Federal Awards required by the Uniform Guidance.
6. The auditor's report on compliance for the major federal award programs for the Town of Billerica, Massachusetts, expresses an unmodified opinion on all major federal award programs.
7. There was one audit finding relative to the major federal award programs for the Town of Billerica, Massachusetts.
9. The programs tested as major programs were the Special Education Cluster #84.027 and 84.173 and the Coronavirus State and Local Fiscal Recovery Fund #21.027.
9. The threshold for distinguishing Type A and B programs was \$750,000.
10. The Town of Billerica, Massachusetts was determined not to be a low-risk auditee.

B. Findings - Financial Statements Audit**2023-001: Material Weakness – School Department and Town Accounting Systems**

Criteria: Management is responsible for maintaining a system of internal control that allows for the accurate preparation and presentation of financial reports. While the Town has an established internal control structure, there were certain instances in which items impacting the preparation of the financial statements and schedule of expenditure of federal awards were not appropriately communicated through the accounting system. The breakdown in internal control did not cause material misstatement; however, the facts and circumstances surrounding the matter meet the definition of a material weakness.

Condition: Management did not perform timely and accurate monthly reconciliations between the school department's general ledger (program records) and the Town's general ledger (the official books and records of the Town) throughout 2023.

Context: The Town Accountant's office is responsible for establishing and maintaining procedures to ensure that receipts and disbursements are properly authorized and recorded to the general ledger accurately and timely. The Accounting office maintains the official books and records of the Town which are used to prepare the Town's financial reports. The school department maintains its own set of program records and is responsible for providing accurate financial data to the Accounting office to be recorded to the Town's general ledger. During 2023 differences were identified between the Town and school department records. These were corrected prior to the issuance of the financial statements and SEFA.

Effect: Education expenditures recorded to the Town's general ledger did not agree to the school department's program records. These errors were ultimately corrected prior to the issuance of the audited financial statements.

Cause: Turnover of key personnel in the school business office resulted in a breakdown of information sharing within the accounting system.

Repeat Finding: This matter was reported in the previous year as finding 2022-001.

Recommendation: The Town should implement a universal accounting system that does not rely on manual journal entries to properly reflect education spending across the various funds. In the interim, the Town should complete monthly reconciliations between the general ledger and the school department's program records.

Views of Responsible Officials and Planned Corrective Actions: Management is in the process of reviewing existing internal control procedures in order to make appropriate changes to strengthen the process. The Town is currently developing plans to address this matter in the fiscal year 2025 budget process.

C. Findings and Questioned Costs – Major Federal Award Programs Audits

U.S. DEPARTMENT OF TREASURY

COVID-19 Coronavirus State and Local Fiscal Recovery Fund

Federal Assistance Listing Number 21.027

2023-002: Reporting to Federal Government

Compliance Requirement: Reporting

Type of Finding: Compliance and Internal Control over Compliance – Other Matter

Criteria or Specific Requirement: Grantees must comply with reporting requirements established by the U.S. Treasury. The Town is required to submit "Project and Expenditure" reports to the U.S. Treasury quarterly, which include, among other data, total expenditures incurred through the reporting period.

Condition: The quarterly report submitted by the Town for the period April to June 2023 did not reconcile with actual expenditures charged to the general ledger.

Questioned Costs: None reported.

Context: The Town filed the quarterly report timely, but did not report all expenditures that had been incurred through the end of the reporting period.

Effect: The expenditures reported were understated by approximately \$572,000.

Cause: The Town generated an expenditure report from the general ledger system to assist in preparing the reporting submission; however, the report was not generated with the proper parameters to include all expenditures.

Recommendation: The Town should implement procedures to ensure that all expenditures incurred in a given reporting period are included on the applicable project and expenditure report. The Town should also ensure that the omitted expenditures are included in the next reporting submission.

Views of Responsible Officials and Planned Corrective Actions: Management was aware of the reporting inaccuracy, which was the result of a clerical error in generating reports. The error will be corrected on the subsequent report submitted in fiscal 2024.

D. Summary Schedule of Prior Audit Findings

2022-001: Significant Deficiency – Reconciliation of Program Records to the General Ledger

Condition and Criteria: Management is responsible for maintaining a system of internal control that allows for the accurate preparation and presentation of financial reports. While the Town has an established internal control structure, there were certain instances in which items impacting the preparation of the financial statements and schedule of expenditure of federal awards were not appropriately communicated through the accounting system. The breakdown in internal control did not cause material misstatement; however, the facts and circumstances surrounding the matter meet the definition of a significant deficiency.

Recommendation: The Town should implement a universal accounting system that does not rely on manual journal entries to properly reflect education spending across the various funds. In the interim, the Town should complete monthly reconciliations between the general ledger and the school department's program records.

Current Status: The planned corrective action was not taken in fiscal 2023. This matter has been reported in finding 2023-001.