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A.M. PEISCH & COMPANY, LLP

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**ADDISON NORTHWEST SUPERVISORY UNION**

**ADDITIONAL REQUIRED REPORTS**

**JUNE 30, 2014**

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**ADDISON NORTHWEST SUPERVISORY UNION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through the State of Vermont:</i>			
Child Nutrition Cluster:			
National School Lunch Program - School Lunch	10.555	4450S0021300/400	\$ 146,828
National School Lunch Program - Child Nutrition After School Snack	10.555	4450S0021300/400	1,029
School Breakfast Program	10.553	4452S0021300/400	47,267
Summer Food Service Program For Children	10.559	4455S0021300/400	<u>12,445</u>
Total Child Nutrition Cluster			<u>207,569</u>
Total U.S. Department of Agriculture			<u>207,569</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through the State of Vermont:</i>			
Title IIA, Improving Teacher Quality	84.367	4651S0021301/401	<u>137,987</u>
Special Education Cluster:			
IDEA-B - Flow Through	84.027	4226S0021301/401	281,010
IDEA-B Preschool Grants	84.173	4228S0021301/401	<u>4,758</u>
Total Special Education Cluster			<u>285,768</u>
Title I - Grants to Local Educational Agencies	84.010	4250S0021301/401	<u>226,542</u>
Migrant Education Coordination Program	84.144	4256S0021301/401	<u>125,936</u>
Migrant Education Program	84.011	4253S0021301/401	<u>22,437</u>
Title IV, B 21st Century Grant	84.287	4611S0021301/401	<u>68,160</u>
Total U.S. Department of Education			<u>866,830</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Passed through the State of Vermont:</i>			
Block Grant for Prevention and Treatment of Substance Abuse	93.959	A14047S	<u>22,959</u>
Total U.S. Department of Health and Human Services			<u>22,959</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,097,358</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**ADDISON NORTHWEST SUPERVISORY UNION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Addison Northwest Supervisory Union and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2 - Subrecipients**

Addison Northwest Supervisory Union provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided
Title IV, B 21 <sup>st</sup> Century	84.287	\$ 68,160
Child Nutrition Cluster	10.553, 10.555 and 10.559	\$ 207,569



CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS CONSULTANTS

**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 Board of Directors  
Addison Northwest Supervisory Union  
Vergennes, Vermont

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Addison Northwest Supervisory Union, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Addison Northwest Supervisory Union's basic financial statements and have issued our report thereon dated March 20, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Addison Northwest Supervisory Union'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 Addison Northwest Supervisory Union's internal control. Accordingly, we do not express an opinion on the effectiveness of Addison Northwest Supervisory Union's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (finding B-04 and B-05).

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (findings B-01, B-02, and B-03).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Addison Northwest Supervisory Union'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items B-02 and B-03.

### **Addison Northwest Supervisory Union's Response to Findings**

Addison Northwest Supervisory Union's response to the findings identified in our audit is described in the accompanying schedule of findings and question costs. Addison Northwest Supervisory Union'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*AM. Peisch & Company, LLP*

St. Albans, Vermont  
March 20, 2015  
VT Reg. No 92-0000102



CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

To the Board of Directors  
Addison Northwest Supervisory Union  
Vergennes, Vermont

**Report on Compliance for Each Major Federal Program**

We have audited Addison Northwest Supervisory Union'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 Addison Northwest Supervisory Union's major federal programs for the year ended June 30, 2014. Addison Northwest Supervisory Union'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 the requirements of law, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Addison Northwest Supervisory Union'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 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 Addison Northwest Supervisory Union'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 Addison Northwest Supervisory Union's compliance.

### **Basis for Qualified Opinion on Special Education Cluster and Title I Program**

As described in the accompanying schedule of findings and questioned costs, Addison Northwest Supervisory Union did not comply with the requirements regarding Special Education Cluster (CFDA No.'s 84.027 and 84.173) as described in finding C-03 for Activities Allowed or Unallowed / Allowable Costs / Cost Principles, and C-04 and C-05 for Reporting, Title I Program (CFDA No 84.010) as described in findings C-03 for Activities Allowed or Unallowed / Allowable Costs / Cost Principles and C-04 and C-05 for Reporting. Compliance with such requirements is necessary, in our opinion, for Addison Northwest Supervisory Union to comply with requirements applicable to those programs.

### **Qualified Opinion on Special Education Cluster and Title I Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion Paragraph, Addison Northwest Supervisory Union complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster and Title I Program for the year ended June 30, 2014.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, Addison Northwest Supervisory Union 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, 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 and consists as items C-01, C-02 and C-06. Our opinion on each major federal program is not modified with respect to these matters.

Addison Northwest Supervisory Union's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Addison Northwest Supervisory Union'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 Addison Northwest Supervisory Union 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 Addison Northwest Supervisory Union'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 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 Addison Northwest Supervisory Union'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items C-01, C-03, C-04 and C-05 to be material weaknesses.

*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.

Addison Northwest Supervisory Union's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Addison Northwest Supervisory Union's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Addison Northwest Supervisory Union, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Addison Northwest Supervisory Union's basic financial statements. We issued our report thereon dated March 20, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our 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 OMB Circular A-133 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 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 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 financial statements as a whole.

*AM. Peisch & Company, LLP*

St. Albans, Vermont

March 20, 2015

VT Reg. No 92-0000102

**ADDISON NORTHWEST SUPERVISORY UNION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**

**A. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Addison Northwest Supervisory Union.
2. Three significant deficiencies (B-01, B-02, and B-03) and two material weaknesses (B-04 and B-05) in internal control relating to the audit of the financial statements of Addison Northwest Supervisory Union 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 the Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
3. Two instances of noncompliance material to the financial statements of Addison Northwest Supervisory Union, which would be required to be reported in accordance with *Governmental Auditing Standards*, were disclosed during the audit (B-02 and B-03).
4. Four deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133. These deficiencies are reported as material weaknesses (C-01, C-03, C-04, and C-05).
5. The independent auditor's report on compliance for the major federal awards program for Addison Northwest Supervisory Union expresses qualified opinions for the Special Education Cluster and the Title I Program and an unmodified opinion for the Child Nutrition Cluster..
6. Audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133 are reported in this Schedule (C-01, C-02, and C-06)..
7. The programs tested as major programs were Special Education Cluster (CFDA No.'s 84.027 and 84.173), Title I Program (CFDA No. 84.010) and Child Nutrition Cluster (CFDA No.'s 10.553, 10.555 and 10.559).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Addison Northwest Supervisory Union did not qualify as a low-risk auditee.

**ADDISON NORTHWEST SUPERVISORY UNION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**B-01 Grant Budgets in Accounting System**

*Condition:* Budget amounts for grants are not consistently and accurately entered into ADS software.

*Criteria:* Entering budgets into the accounting software is an important element of the internal control system to enable personnel to monitor costs and maintain accountability.

*Effect:* Ineligible costs could be charged to the grant.

*Recommendation:* We recommend that budget line items be entered into the accounting software that agree with the grant agreements. The Supervisory Union should work with ADS to resolve any issues with inputting and producing budget reports.

*Response:* In fiscal year 2015, the budget line items have been entered into the accounting software based on function and objects required by the strategies. The totals of the grant agreements match the total grants.

**B-02 Subgrant Agreements for Subrecipients**

*Condition:* The Supervisory Union did not prepare a subgrant agreement for 21<sup>st</sup> Century grant when the Supervisory Union subgranted the award.

*Criteria:* Subgrant agreements should be prepared when required by the grant agreement.

*Effect:* The State could potentially require the Supervisory Union to return these funds since they were not in compliance with the grant agreement.

*Recommendation:* We recommend the Supervisory Union prepare subgrant agreements with member schools when funds are subgranted to member schools.

*Response:* Addison Northwest Supervisory Union has reduced the instances requiring subgranting of funds to the members schools. The Grant Coordinator and the Business Manager will review the need for subgranting annually. Once a situation is identified that requires subgranting, an agreement will be issued to the member school.

**ADDISON NORTHWEST SUPERVISORY UNION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**B-03 Nonmajor Program Report Filings of SDE 1.1**

*Condition:* The Supervisory Union was unable to locate the quarterly SDE 1.1's for several grants quarterly SDE 1.1's. In addition, several final SDE 1.1's have not been filed for the year.

*Criteria:* It is the Supervisory Union's fiduciary responsibility to maintain adequate and complete records. In addition, final SDE 1.1's are required to be submitted after all obligations have been liquidated, but no later than 90 days after the close of the grant period.

*Effect:* The State could withhold subsequent funding of these grants to the Supervisory Union until the final reports are filed.

*Recommendation:* We recommend the Supervisory Union prepare and submit final SDE 1.1 reports on all grants requiring them and after all cash disbursements have been made to accurately report cash disbursements on the final SDE 1.1. We also recommend that copies of all reports submitted to granting agencies be kept on file.

*Response:* The Supervisory Union will prepare and submit final SDE 1.1 reports on all grants requiring them and after all cash disbursements have been made to accurately report cash disbursements on the final SDE 1.1.

**B-04 Approval of Expenditures**

*Condition:* We noted several instances in which there was no indication of approval by the Business Manager.

*Criteria:* The Supervisory Union records should contain signatures as evidence of review and approval of all purchase orders by appropriate personnel in accordance with the Supervisory Union's approved procedures.

*Effect:* An improper expense could be charged to a program.

*Recommendation:* We recommend that the Program Director, if applicable, review items for accuracy to the grant agreement and sign off on all purchase orders. We also recommend that the Business Manager approve all purchase orders.

*Response:* Beginning in fiscal year 2015, all purchase orders for grants require the signature of both the Program Director and the Business Manager.

**ADDISON NORTHWEST SUPERVISORY UNION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**B-05 Lack of Approval for Cash Transfers**

*Condition:* We noted one individual has the authority to perform wire transfers with no approval by another individual.

*Criteria:* Dual authorization of wire transfers is an integral part of internal control to ensure that only legitimate transfers are made.

*Effect:* Unauthorized transfers from cash accounts could occur. Funds could be transferred out of a cash account for unauthorized purposes.

*Recommendation:* We recommend that the Supervisory Union adopt a policy for authorizing bank transfers. We also recommend that limits be placed on the amount an individual is authorized to transfer without approval. For transfers over the limit, we recommend that a second individual be required to provide approval to the bank before the transfer is executed.

*Response:* In fiscal year 2016, the process for transferring funds will be the responsibility of the elected Treasurer of the district. The Supervisory Union Board will adopt a policy outlining the requirements of these bank transfers.

**ADDISON NORTHWEST SUPERVISORY UNION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**C. FINDINGS AND QUESTIONED COSTS – AUDIT OF MAJOR  
FEDERAL AWARDS PROGRAMS**

**Questioned  
Costs**

**DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education:** Special Education Cluster - CFDA No.'s 84.027 and 84.173, Title I Program - CFDA No. 84.010, and Child Nutrition Cluster – CFDA No.'s 10.553, 10.555 and 10.559

**C-01 Reporting - Data Collection Form and Reporting Package**

*Condition:* The Supervisory Union did not submit the data collection form and reporting package for 2013 to the federal audit clearinghouse on time.

*Criteria:* Reports are required to be filed with the granting agency within the earlier of 30 days after receipt of the auditor’s report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the federal cognizant or oversight agency. These reports include the data collection form, the financial statements, the additional required reports and the corrective action plan.

*Effect:* The Supervisory Union was out of compliance with the federal requirements for the 2013 fiscal year.

N/A

*Additional Information:* In October 2014, the reporting package for 2013 was submitted and accepted by the federal audit clearinghouse.

*Recommendation:* We recommend that the Supervisory Union submit the data collection form and reporting package for the year as soon as the financial statements and single audit reports are received in order to be in compliance with the reporting requirements as noted by OMB Circular A-133.

*Grantee’s Response:* Beginning with the audit for fiscal year 2014, the Supervisory Union will submit the data collection form and reporting package for the year as soon as the financial statements and single audit reports are received in order to be in compliance with the reporting requirements as noted by OMB Circular A-133.

**C-02 Procurement - Bids on Contractual Services**

*Condition:* There is no formal procurement policy.

*Criteria:* All expenses that meet the federal standards for procurement must include a cost analysis and rationale for vendor selected.

**ADDISON NORTHWEST SUPERVISORY UNION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

*Effect:* The State could potentially require the Supervisory Union to return funds since they were not in compliance with the grant agreement.

N/A

*Recommendation:* We recommend that the Supervisory Union document create a procurement policy that conforms to applicable Federal and State laws.

*Grantee's Response:* In the future the Supervisory Union will develop a method for documenting the procurement of contracted services.

**DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education:** Special Education Cluster - CFDA No.'s 84.027 and 84.173 and Title I Program - CFDA No. 84.010

**C-03 Activities Allowed or Unallowed / Allowable Costs / Cost Principles - Allocation of Personnel Costs**

*Condition:* We noted the following issues with time studies:

Special Education Cluster: There was one instance where a semi-annual certificate was not on file for half of the year. One semi-annual certificate was not signed by a supervisor. One instance where a personal activity report was filled out which was inconsistent with the grant agreement and the contracted position.

Title I Program: There were six instances where semi-annual certificates were not on file for half of the year. There was one instance where a semi-annual certificate was filed for first half of the year, however, the employee had more than one cost objective, therefore should have done a personal activity report.

*Criteria:* Payroll and benefit costs for employees who have more than one cost objective and are charged to federal programs are required to complete semi-annual certifications which complies with OMB Circular A-87, Attachment B, paragraph 8.h(4), (5) and (6).

*Effect:* Ineligible expenditures may have been charged to the grant.

Unknown

*Population and Items Tested:* We tested four employees that were charged to Special Education Cluster. We tested seven employees that were charged to Title I Program.

*Recommendation:* We recommend that proper records be maintained for all employees requiring time studies. The reports should be submitted to the Business Manager and reviewed for accuracy on a quarterly basis. The allocations of costs also should be trued-up quarterly..

**ADDISON NORTHWEST SUPERVISORY UNION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

*Grantee's Response:* In fiscal year 2015, the Grant Coordinator and the Business Manager have reviewed all grant funded positions and identified the personnel that must complete Personnel Activity Reports and which require a Periodic Time Certification. Those employees have been notified and are currently submitting PARs for their work. The amount charged for salaries will be recalculated quarterly based on actual hours to determine that the grant has not been overcharged.

**C-04 Reporting - Missing SDE 1.1's and Late Filing of SDE 1.1's**

*Condition:* We noted the following issues with SDE 1.1's:

Special Education Cluster: The Supervisory Union was unable to locate five quarterly SDE 1.1's. There was one instance where no final SDE 1.1 was filed. There was two instances where the quarterly SDE 1.1's were filed late.

Title I Program: The Supervisory Union was unable to locate two quarterly SDE 1.1's. There was one instance where no final SDE 1.1 was filed. There was one instance where the quarterly SDE 1.1 was filed late.

*Criteria:* It is the Supervisory Union's fiduciary responsibility to maintain adequate and complete records. In addition, final SDE 1.1's are required to be submitted after all obligations have been liquidated, but no later than 90 days after the close of the grant period.

*Effect:* The State could withhold subsequent funding of these grants to the Supervisory Union until the final reports are filed.

N/A

*Recommendation:* We recommend the Supervisory Union prepare and submit final SDE 1.1 reports on all grants requiring them and after all cash disbursements have been made to accurately report cash disbursements on the final SDE 1.1. We also recommend that copies of all reports submitted to granting agencies be kept on file.

*Grantee's Response:* Beginning in fiscal year 2015, all grants are filed in a binder for grants. This binder is sorted by grants, and includes the grant application, grant award and all SDE 1.1 reports for each grant.

**C-05 Reporting - Reconciliation of SDE 1.1's to the General Ledger**

*Condition:* Balances of the cash requests on the SDE 1.1 forms for individual funds were not reconciled to the deferred revenue or accounts receivable balances as stated in the general ledger.

*Criteria:* The Supervisory Union is responsible for reporting accurate information to the state.

**ADDISON NORTHWEST SUPERVISORY UNION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

*Effect:* Money may be due to or from the state.

Unknown

*Recommendation:* We recommend that all SDE 1.1's be reconciled to the general ledger before they are submitted to the state.

*Grantee's Response:* Beginning in fiscal year 2015, all SDE 1.1's will be submitted to the state based upon the general ledger account balances.

**DEPARTMENT OF EDUCATION – Passed through Vermont Department of Education: Special Education Cluster - CFDA No.'s 84.027 and 84.173**

**C-06 Reporting - Subgrant Agreements for Subrecipients**

*Condition:* The Supervisory Union did not prepare a subgrant agreement when the Supervisory subgranted awards.

*Criteria:* Subgrant agreements should be prepared when required by the grant agreement.

*Effect:* The State could potentially require the Supervisory Union to return these funds since they were not in compliance with the grant agreement.

N/A

*Recommendation:* We recommend the Supervisory Union prepare subgrant agreements with member schools when funds are subgranted to member schools.

*Grantee's Response:* Addison Northwest Supervisory Union has reduced the instances requiring subgranting of funds to the member schools. The Grant Coordinator and the Business Manager will review the need for subgranting annually. Once a situation is identified that requires subgranting, an agreement will be issued to the member school.

**ADDISON NORTHWEST SUPERVISORY UNION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014**

**2013 Findings:**

**DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education:** Title IIA - CFDA No. 84.367, Special Education Cluster - CFDA No.'s 84.027, 84.391 and 84.173, and Migrant Education – CFDA No. 84.011

**C-01 Reporting - Data Collection Form and Reporting Package – 2012 and 2013**

*Condition:* The Supervisory Union did not submit the data collection form and reporting package for 2012 and 2013 to the federal audit clearinghouse on time.

*Current Status:* In August 2014, the reporting package for 2012 was submitted and accepted by the federal audit clearinghouse and in October 2014, the reporting package for 2013 was submitted and accepted by the federal audit clearinghouse. There is a similar instance of noncompliance for the 2013 reporting packages and this finding is repeated in the 2014 audit as finding C-01.

**DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education:** Title IIA - CFDA No. 84.367

**C-02 Activities Allowed or Unallowed / Allowable Costs / Cost Principles - Allocation of Personnel Costs**

*Condition:* During the single audit, we noted two employees did not complete the required Personnel Activity Reports.

*Current Status:* There were similar instances of noncompliance noted and this finding is repeated in the 2014 audit as finding C-03.

**DEPARTMENT OF EDUCATION – Passed through Vermont Department of Education:** Title IIA - CFDA No. 84.367, Special Education Cluster - CFDA No.'s 84.027, 84.391 and 84.173, and Migrant Education – CFDA No. 84.011

**C-03 Activities Allowed or Unallowed / Allowable Costs / Cost Principles - Approval of Expenditures**

*Condition:* We noted the following issues with documentation of approvals on purchase orders:

There were seven instances in which there was no approval by the Program Director or the Business Manager signature, but the purchase order was stamped with the Business Manager's initials.

**ADDISON NORTHWEST SUPERVISORY UNION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014**

There were four instances in which there was approval by the Program Director. There was no Business Manager signature, but the purchase order was stamped with the Business Manager's initials.

There were four instances in which there was no approval by the Business Manager.

There were four instances in which there was no approval by the Program Director.

There was one instance in which there was no approval by the Program Director or the Business Manager.

There was one instance in which a purchase order could not be found.

*Current Status:* There were no similar instances of noncompliance noted during the fiscal 2014 audit.

**DEPARTMENT OF EDUCATION – Passed through Vermont Department of Education:** Title IIA - CFDA No. 84.367, Special Education Cluster - CFDA No.'s 84.027, 84.391 and 84.173, and Migrant Education – CFDA No. 84.011

**C-04 Reporting - Missing SDE 1.1's and Missing support for SDE 1.1's**

*Condition:* The Supervisory Union was unable to locate certain SDE 1.1's. In addition, we were unable to obtain the supporting documentation used to prepare one SDE 1.1.

*Current Status:* There were similar instances of noncompliance noted and this finding is repeated in the 2014 audit as finding C-04.

**DEPARTMENT OF EDUCATION – Passed through Vermont Department of Education:** Title IIA - CFDA No. 84.367, Special Education Cluster - CFDA No.'s 84.027, 84.391 and 84.173, and Migrant Education – CFDA No. 84.011

**C-05 Reporting - Reconciliation of SDE 1.1's to the General Ledger**

*Condition:* Balances of the cash requests on the SDE 1.1 forms for individual funds were not reconciled to the deferred revenue or accounts receivable balances as stated in the general ledger.

*Current Status:* There were similar instances of noncompliance noted and this finding is repeated in the 2014 audit as finding C-05.

**ADDISON NORTHWEST SUPERVISORY UNION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014**

**DEPARTMENT OF EDUCATION – Passed through Vermont Department of Education:** Title IIA - CFDA No. 84.367 and Migrant Education – CFDA No. 84.011

**C-06 Activities Allowed or Unallowed / Allowable Costs / Cost Principles and Period of Availability of Federal Funds - Lack of Documentation for Amounts Charged to Grants**

*Condition:* We were unable to obtain support for six items charged to the grants. There were also two items with no supporting check or remittance advice and one item that had no proof of payment.

*Current Status:* There were no similar instances of noncompliance noted during the fiscal year 2014 audit.

**DEPARTMENT OF EDUCATION – Passed through Vermont Department of Education:** Special Education Cluster - CFDA No.'s 84.027, 84.391 and 84.173

**C-07 Reporting - Subgrant Agreements for Subrecipients**

*Condition:* The Supervisory Union did not prepare a subgrant agreement when the Supervisory subgranted awards.

*Current Status:* There were similar instances of noncompliance reported and this finding is repeated in the 2014 audit as finding C-06.

**C-08 Procurement - Bids on Contractual Services**

*Condition:* During the audit we noted there were eight items for psychological services that the Supervisory Union did not have the proper documentation for procurement of contracted services.

*Current Status:* There were similar instances of noncompliance reported and this finding is repeated in the 2014 audit as finding C-02.

**ADDISON NORTHWEST SUPERVISORY UNION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014**

**2012 Findings:**

**DEPARTMENT OF EDUCATION - Passed through Vermont Department of Education:** Title I - CFDA No.'s 84.010 and 84.389 and Special Education Cluster - CFDA No.'s 84.027, 84.391, 84.173 and 84.392

**C-01 Reporting - Data Collection Form and Reporting Package - 2011**

*Condition:* The Supervisory Union had not submitted the data collection form and reporting package for 2011 to the federal audit clearinghouse.

*Current Status:* During June 2014, the reporting package for 2011 was submitted and accepted by the federal audit clearinghouse; however, there were similar instances of noncompliance and this finding is repeated in the 2014 audit as finding C-01.

**C-02 Activities Allowed or Unallowed / Allowable Costs / Cost Principles and Period of Availability of Federal Funds - Allocation of Personnel Costs**

*Condition:* During the single audit we noted two employees who only had partial pieces of the required time documentation. In addition, we noted that the Supervisory Union did not recalculate time studies to verify that the amount charged to the federal program did not exceed the time spent on the federal cost objective.

*Current Status:* There were similar instances of noncompliance and this finding is repeated in the 2014 audit as finding C-02.

**DEPARTMENT OF EDUCATION - Special Education Cluster - CFDA No.'s 84.027, 84.391, 84.173 and 84.392**

**C-03 Activities Allowed or Unallowed / Allowable Costs / Cost Principles and Period of Availability of Federal Funds - Approval of Expenditures**

*Condition:* On some of the purchase orders selected, there was no evidence of review and approval by the Program Director or Business Manager.

*Current Status:* There were no similar instances of noncompliance noted during the fiscal year 2014 audit.

**ADDISON NORTHWEST SUPERVISORY UNION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014**

**DEPARTMENT OF EDUCATION – Title I - CFDA No.'s 84.010 and 84.389**

**C-04 Reporting - Reconciliation of SDE 1.1 Reports to the General Ledger**

*Condition:* During the annual audit, we noted that the balances of the cash requests on the SDE 1.1 forms for individual funds were not reconciled to the deferred revenue or accounts receivable balances as stated in the general ledger. In addition, some of the SDE 1.1's total disbursements were not reconciled to the general ledger.

*Current Status:* There were similar instances of noncompliance reported and this finding is repeated in the 2014 audit as finding C-05.