



ADDISON NORTHWEST SUPERVISORY UNION

ADDITIONAL REQUIRED REPORTS

JUNE 30, 2012



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**ADDISON NORTHWEST SUPERVISORY UNION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION:			
<i>Passed through the State of Vermont:</i>			
Title IIA, Teacher Quality	84.367A	4651S0021201	\$ 187,211
Title IIA, Teacher Quality, SAHES	84.367B	4653S0021201	<u>24,298</u>
Total Title IIA			<u>211,509</u>
IDEA-B - Flow Through	84.027	4226S0021201	292,664
IDEA-B - Flow Through - ARRA	84.391	4756S0021201	15,631
IDEA-B - Preschool Grants - ARRA	84.392	4758S0021201	1,676
IDEA-B - Preschool Grants	84.173	4228S0021201	<u>11,117</u>
Total Special Education			<u>321,088</u>
Title I, Improving Education	84.010	4250S0021201	269,428
Title I, Improving Education - ARRA	84.389	4750S0021201	<u>25,216</u>
Total Title I			<u>294,644</u>
Title IV, B 21st Century	84.287	4611S0021201	<u>114,468</u>
Migrant Education Program	84.011	4253S0021201	<u>149,406</u>
Math & Science Partnership	84.366	4655S0021201	<u>875</u>
School Improvement Grants	84.377	4255S0021201	<u>45,522</u>
Total U.S. Department of Education			<u>1,137,512</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,137,512</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, 2012**

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

Of the federal expenditures presented in the Schedule, Addison Northwest Supervisory Union provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
84.287	Title IV, B 21 st Century	\$114,468
84.377	School Improvement Grants	\$45,522

**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**

Board of School Directors
Addison Northwest Supervisory Union
Vergennes, Vermont

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, 2012, which collectively comprise Addison Northwest Supervisory Union's basic financial statements and have issued our report thereon dated July 31, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Addison Northwest Supervisory Union is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Addison Northwest Supervisory Union's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Addison Northwest Supervisory Union's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Addison Northwest Supervisory Union's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule

of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting listed as B-1 and B-2. 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.

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 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 the management of Addison Northwest Supervisory Union in a separate letter dated July 31, 2014.

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

St. Albans, Vermont
July 31, 2014
VT Reg. No 92-0000102

A. M. Peisch & Company, LLP



CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of School Directors
Addison Northwest Supervisory Union
Vergennes, Vermont

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Addison Northwest Supervisory Union's management. Our responsibility is to express an opinion on Addison Northwest Supervisory Union's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Addison Northwest Supervisory Union's compliance with those requirements.

As described in items C-1 through C-3 in the accompanying schedule of findings and questioned costs, Addison Northwest Supervisory Union did not comply with the requirements regarding activities allowed or unallowed, allowable costs/cost principles and reporting that are applicable to its Title I Program and Special Education Program. Compliance with such requirements is necessary, in our opinion, for Addison Northwest Supervisory Union to comply with requirements applicable to those programs.

offices

401 Water Tower Circle
Suite 302
Colchester, VT 05446
(802) 654-7255

27 Center Street
P.O. Box 326
Rutland, VT 05702
(802) 773-2721

181 North Main Street
St. Albans, VT 05478
(802) 527-0505

1020 Memorial Drive
St. Johnsbury, VT 05819
(802) 748-5654

57 Farmvu Drive
White River Jct., VT 05001
(802) 295-9349

In our opinion, except for the noncompliance described in the preceding paragraph, Addison Northwest Supervisory Union complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Addison Northwest Supervisory Union is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Addison Northwest Supervisory Union's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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-1 through C-3 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 findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Addison Northwest Supervisory Union's response and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Addison Northwest Supervisory Union as of and for the year ended June 30, 2012, and have issued our report thereon dated July 31, 2014, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise Addison Northwest Supervisory Union's 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

St. Albans, Vermont
July 31, 2014
VT Reg. No 92-0000102

A. M. Peisch & Company, LLP

ADDISON NORTHWEST SUPERVISORY UNION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Addison Northwest Supervisory Union.
2. Two significant deficiencies relating to the audit of the financial statements of Addison Northwest Supervisory Union are reported in the 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. No 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.
4. Three deficiencies in internal control over major federal award programs disclosed during the audit are reported in the auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. These deficiencies are reported as material weaknesses.
5. The auditor's report on compliance for the major federal awards program for Addison Northwest Supervisory Union expresses a qualified opinion.
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.
7. The programs tested as major programs were 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).
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.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

B-1 SUBGRANT AGREEMENTS FOR SUBRECIPIENTS

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

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

Response: The Supervisory Union will start preparing subgrant agreements with member schools when funds are being subgranted to members schools.

B-2 NONMAJOR PROGRAM REPORT FILINGS OF SDE 1.1

Condition: The Supervisory Union did not prepare final SDE 1.1 reports for Tobacco Grant ESA Grant, School Improvement Grant and 21st Century Grant. Also, final SDE 1.1 reports were not filed timely for Best Grant, ESA SAHES Grant, and Math Science Partnership Grant. There were four final SDE 1.1 reports filed before year end.

Criteria: 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 hold 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.

Response: The Supervisory Union will timely prepare all required SDE 1.1 reports to the State of Vermont.

Criteria: Payroll and benefit cost for employees who are charged to federal programs are required to have supporting documentation that 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 seven employees that were charged to Title I. We noted that two of the employees tested had only partial time documentation for their time study.

Recommendation: We recommend that proper time records be maintained for all employees requiring a time study, personal activity report, or semi-annual certificate. We also recommend that at the end of the grant period, the amount charged for salaries be recalculated based on actual hours to determine that the grant has not been overcharged. In addition, we recommend that all reports be submitted to the Business Manager to be reviewed for accuracy.

Grantee's Response: Staff have attended Agency of Education training on grant management and time documentation on July 15, 2014. The Supervisory Union will maintain full compliance with all required time documentation effective July 1, 2014.

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

C-3 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.

Criteria: The Supervisory Union records should contain evidence of review and approval of all purchase orders by appropriate program personnel.

Effect: An improper expense could be charged to the grant.

N/A

Population and Items Tested: We tested twenty-seven special education items and noted that one purchase order did not have approval from the Program Director. We also noted that three purchase orders did not have approval from the Program Director or the Business Manager. All purchases appeared to be for special education purposes.

Recommendation: We recommend that the Program Director review items for accuracy to the grant agreement and sign off on all purchase orders.

Grantee's Response: All purchase orders will be reviewed and signed by two qualified staff (program and fiscal).

**ADDISON NORTHWEST SUPERVISORY UNION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012**

2011 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-1 Data Collection Form and Reporting Package - 2010

Condition: The Supervisory Union had not submitted the data collection form and reporting package for 2010 to the federal audit clearinghouse.

Current Status: During September 2012, the reporting package for 2010 was submitted and accepted by the federal audit clearinghouse; however, there were similar instances of noncompliance for the 2011 reporting package and is reported in the 2012 audit as C-1.

C-2 Allocation of Personnel Costs

Condition: During the single audit we noted three employees who did not have the proper required time documentation. In addition, there were three employees who only had partial pieces of the required documentation.

Current Status: There were similar instances of noncompliance and is reported in the 2012 audit as C-2.

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

C-3 Approval of Expenditures

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

Current Status: There were similar instances of noncompliance and is reported in the 2012 audit as C-3.

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

C-4 Reconciliation of SDE 1.1 Reports to the General Ledger

Condition: During the annual audit, we noted that the balance of the cash request 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 no similar instances of noncompliance reported in 2012.

2010 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-1 Allocation of Personnel Costs

Condition: During the single audit we noted two employees did not have the required time study. In addition, we noted that the Supervisory Union did not recalculate time studies to verify that time spent on the federal cost objectives did not exceed grant awards.

Current Status: There were similar instances of noncompliance and is reported in the 2012 audit as C-2.

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

C-2 Approval of Expenditures

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

Current Status: There were similar instances of noncompliance and is reported in the 2012 audit as C-3.