

TOWN OF WAREHAM, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2021



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To the Honorable Board of Selectmen
Town of Wareham, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Town'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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Town personnel and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management of the Town of Wareham, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan, LLC

January 27, 2022

TOWN OF WAREHAM, MASSACHUSETTS

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CURRENT YEAR COMMENTS

Receivable Due from the Town of Bourne

Current Year Comment

The Town of Wareham (Town) currently has an outstanding agreement with the Town of Bourne (Bourne) to receive annual payments for capital charges owed to the Town. In previously years, there were disputes among the communities regarding make-up payments owed with respect to past charges, and since then, the communities have come to an agreement for amounts owed to the Town totaling approximately \$400,000. Upon agreement for the make-up payment, a commitment was posted to the general ledger for the amount owed to the Town, however there is a dispute among various departments at the Town whether a commitment had already been previously recorded to the general ledger for this payment. As a result, there is uncertainty regarding the validity of the receivable balance recorded to the general ledger.

Recommendation

We recommend that the Town's Accounting Office, Treasurer's Office, and Water Pollution Control Facility Office review the commitments posted and receivable balance to determine the validity of the balance. Upon determination the Town should record the appropriate entries to write off any balances that are not expected to be collected.

Budgeted Estimated Revenues and Other Financing Sources

Current Year Comment

The Town monitors and reconciles the revenue budget using manual spreadsheets. In 2021, the revenue budget entered to the manual spreadsheet, and therefore used in the monitoring and reconciliations of the budget, did not tie into the budgeted revenues per the annual Tax Rate Recapitulation Sheet in total or per revenue category.

The Town monitors the departmental expenditures on a monthly basis through the use of an automated appropriation budget function with the general ledger system, however, it is also important to monitor revenues to detect and correct problems on a timely basis.

Recommendation

We recommend that the Town implement a system of controls to ensure the revenue budget is monitored properly and reconciles to the Town's Tax Rate Recapitulation Sheet.

One example of a system of controls that could be implemented, is the use of the revenue budget function within the Town's automated accounting system. Through this function, the Town can enter the estimated revenues for the fiscal year into the accounting system and produce reports that will measure budget versus actual revenue performance. The accounting system serves as the official books and records of the Town and because of this, management could utilize this function and rely on the system to provide the necessary information to make managerial decisions.

PRIOR YEAR COMMENTS

Abate Old Receivables

Prior Year Comment

The Town should consider reviewing motor vehicle and boat excise receivables to determine the likelihood of collection. As of June 30, 2020, the Town had approximately \$314,000 and \$128,000 of motor vehicle excise and boat excise receivables, respectively, that are greater than five years old. If any of the receivables are deemed uncollectible the Town should take the appropriate action to abate the uncollectible receivables. This will ensure that the Town's receivables are fairly stated and will help to make the reconciliation process more efficient.

Additionally, as of June 30, 2020, it was estimated that approximately \$958,000 of outstanding ambulance receivables were over 180 days and therefore determined to be uncollectible.

Current Status

The Town has not reviewed the receivables to determine an uncollectible amount and propose an abatement. As of June 30, 2021, the Town had approximately \$325,000 and \$136,000 of motor vehicle excise and boat excise receivables, respectively, greater than five years old.

As of June 30, 2021, it was estimated that approximately \$1,100,000 of outstanding ambulance receivables were over 180 days and therefore determined to be uncollectible.

Recommendation

We recommended that management implement a process to periodically review and determine what accounts are deemed to be uncollectible. Accounts deemed uncollectible should be brought to the Board of Assessors for approval to write off the impacted accounts. Upon approval of the abatement request from the Board of Assessors, the Town should make the appropriate entries to formally write off these receivables.

Automation of Compensated Absences

Prior Year Comment

The Town has implemented a stand-alone payroll module to account for sick and vacation balances for all departments except the schools. However, the system has not been set up to consider benefit stipulations like buyback provisions and vesting schedules for all departments. As a result, the sick and vacation balances tracked by the system are not the most accurate estimate of the liability.

Current Status

The payroll module has not been updated to consider benefit stipulations like buyback provisions and vesting schedules for all departments. As a result, the sick and vacation balances tracked by the system require manual adjustments to provide an accurate estimate of the liability.

Recommendation

We recommended that the Town update the payroll module to consider the benefit stipulations of various union contracts in order to mitigate the need for manual adjustments and provide a more accurate estimate of the liability.

Construction Deposits

Prior Year Comment

In previous management letters we noted various departments receive deposits from developers as surety accounts on building projects. The deposits are placed into a bank account, in which the Treasurer and the developer have signing authority. When a project is completed and the developer has satisfactorily fulfilled their obligation, or as phases are completed, the Board overseeing the project may vote to release funds to the developer. If the developer does not complete a project satisfactorily, the Board may vote to use the funds in the account to complete the project or compensate the Town for the insufficient work.

A reconciliation of the outstanding balances occurred during 2015 between the Town Accountant's Office, Treasurer's Office and the Planning Office. However, the Planning Office did not send letters to all vendors with outstanding construction deposits to determine their validity.

Current Status

Monthly reconciliations continue to occur, and the Planning Office began to review and clean up the outstanding deposits that were identified as a result of the reconciliations. However, the Planning Office did not send letters to all vendors with outstanding construction deposits to determine their validity. Furthermore, there were debit balances in some of the deposit accounts totaling approximately \$16,200 as of June 30, 2021.

Recommendation

We recommended that monthly reconciliations continue and that the Planning Office continues to clean up the reconciling items, as well as debit balances, identified by the reconciliations in a timely manner. We also recommend that letters be sent to all vendors with outstanding construction deposits to inquire about the status of projects.

Fund Deficits

Prior Year Comment

In previous audits, while reviewing the year-end ledger and Town's free cash submission we observed that there were significant amounts of accounts and grant funds that were in deficit balances. This occurred in 2014, 2015, 2016, 2017, 2018, 2019 and 2020 and, as a result, reduced the Town's available free cash figure in those years. These deficits could be due to posting errors or the fact that grant managers are not requesting reimbursements in a timely manner.

Current Status

While reviewing the 2021 free cash submission and year-end ledgers, we noted that multiple funds are reporting old outstanding deficit balances at year end, which reduced the Town's available free cash figure in 2021.

Recommendation

We recommended that the Town Accountant's Office review all deficit accounts and grants funds and determine if there are posting errors, reimbursements due the Town or other adjustments that need to be made to close out the deficits.

We also recommended that procedures be implemented for all department heads to periodically review their grant accounts that are in a deficit balance on at least a quarterly basis and assure that reimbursement requests, where applicable, are submitted in a timely manner.

General Ledger Maintenance

Prior Year Comment

The Town maintained several miscellaneous liability accounts within the general fund. We had noted that many of the balances did not change from year to year. Retaining stale balances on the Town's general ledger can lead to undue time spent on maintaining and reconciling the accounts with supporting documentation.

Current Status

The Town reviewed the miscellaneous general fund liability accounts and recorded entries to close the balances that were determined to be stale.

Audit of Student Activity Accounts

Prior Year Comment

Chapter 70, Section 47 of Massachusetts General Law (MGL), as amended, states that there should be an annual audit of the student activity funds and that such audit should be conducted in accordance with procedures as agreed upon between the School Committee and auditor based on guidelines issued by the Department of Elementary and Secondary Education (DESE). DESE has issued agreed upon procedures and audit guidelines for Student Activity Funds to be followed when conducting student activity audits.

An annual audit of the student activity funds may consist of an internal audit conducted by the school business administrator, if so approved by the School Committee. However, at least one time every three years, it is recommended that the audit be performed by an independent audit firm.

The Town had not had internal or independent audits of its student activity funds in recent years.

Current Status

An independent audit of the student activity funds was conducted as of June 30, 2020.