



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

***TOWN OF WAREHAM, MASSACHUSETTS***

***MANAGEMENT LETTER***

***JUNE 30, 2022***



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

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To the Honorable Select Board  
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, 2022, 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*

March 27, 2023

**TOWN OF WAREHAM, MASSACHUSETTS**

**MANAGEMENT LETTER**

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## ***CURRENT YEAR COMMENTS***

## **General Ledger Journal Entries**

### Current Year Comment

Manual journal entries are generally used to record year-end accruals, to reclassify transactions, and to correct mispostings. The accounting system used by the Town is designed to minimize the need for manual journal entries. Recording the transaction properly and charging it to the correct account at its inception is the most efficient and accurate means of recording the Town's financial activity.

A significant number of manual journal entries were posted to the general ledger during 2022, particularly within the school grant funds. The need for a significant number of correcting entries could indicate a weakness in the design of the accounting process. If the School Department finds that journal entries are needed frequently, an immediate review of policies and procedures surrounding the transaction type in question should be performed to isolate where the deviation from prescribed policies and procedures is occurring and what the correction should be.

### Recommendation

We recommend that the School Department work to identify and correct the underlying issues resulting in the need for an abundance of manual journal entries.

## **Recording Debt Principal and Interest Payments**

### Current Year Comment

The Town annually makes debt principal and interest payments on its long-term debt obligations. In some instances, the Town records the principal and interest payments to the same general ledger expenditure account. As a result, an adjustment is required to separate the payments for proper reporting in the Town's financial statements. Additionally, budgetary control is diminished because users of reports generated by the accounting system cannot easily discern which amounts represent principal payments and which represent interest payments. Recording the payments to separate accounts would improve the accuracy of reports generated by the accounting system and help to ensure that debt service payments are recorded properly within the general ledger in accordance with the required debt payment schedules.

### Recommendation

We recommend that the Town create and utilize separate general ledger accounts to record debt principal and interest payments.

## ***PRIOR YEAR COMMENTS***

## **Receivable Due from the Town of Bourne**

### Prior Year Comment

In prior years we noted, 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 previous 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.

### Current Status

The commitment in question was determined to be valid and in 2022, the Town received full payment of the disputed amount from the Town of Bourne.

## **Budgeted Estimated Revenues and Other Financing Sources**

### Prior Year Comment

In prior years we noted, 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.

### Current Status

In 2022, the revenue budget entered into the Town's external budget spreadsheet was reconciled to the Tax Rate Recapitulation Sheet. The Town has determined that the external budget spreadsheet is an effective way to monitor the Town's revenue budget and provides the necessary information to make managerial decisions.

## **Abate Old Receivables**

### Prior Year Comment

In prior years we noted, that the Town should consider reviewing motor vehicle and boat excise receivables to determine the likelihood of collection. As of June 30, 2021, the Town had approximately \$325,000 and \$136,000 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, 2021, it was estimated that approximately \$1,100,000 of outstanding ambulance receivables were over 180 days old and therefore determined to be uncollectible.

### Current Status

During 2022 the Town reviewed the excise tax receivable balances and determined that amounts outstanding from tax year 2002 and prior were likely not collectible. The Town wrote off motor vehicle excise tax receivables totaling approximately \$45,000 for tax years 2000 through 2002. However, as of June 30, 2022, the Town had approximately \$252,000 and \$128,000 of motor vehicle excise and boat excise tax receivables, respectively, greater than five years old.

As of June 30, 2022, it was estimated that approximately \$1,568,000 of outstanding ambulance receivables were over 180 days old and therefore determined to be uncollectible.

### Recommendation

We continue to recommend that management continue to periodically review and determine which accounts are considered to be uncollectible. Accounts determined to be 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

In prior years we noted, 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 continue to recommend 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 prior years we noted, various Town 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, 2022.

#### Recommendation

We continue to recommend that monthly reconciliations occur timely and that the Planning Office continues to clean up the reconciling items, as well as debit balances, identified by the reconciliations in the month they are noted. 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 prior years we noted, 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 has occurred in 2014 through 2021 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 2022 year-end ledgers, we noted that multiple funds are reporting old outstanding deficit balances at year end, which will reduce the Town's available free cash figure in 2022.

#### Recommendation

We continue to recommend 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 recommend 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.