

TOWN OF WAREHAM, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2020



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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, 2020, 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

February 11, 2021

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CURRENT YEAR COMMENTS

General Ledger Maintenance

Current Year Comment

The Town maintains several miscellaneous liability accounts within the general fund. We noted that many of the balances have not changed 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.

Recommendation

We recommend that the Town review these accounts and determine if the balances are stale. If determined that the balances are stale, the Town needs to determine the proper entry to close out these accounts. This will help to remove accounts that have no activity, which would result in a more concise and accurate general ledger.

PRIOR YEAR COMMENTS

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

Current Status – The Town has not conducted an internal or independent audit of its student activity funds as of June 30, 2020.

Recommendation

We recommend that the Town implement a process for complying with the MGL by conducting annual audits on all student activity funds and that the audit results be formally reported to the School Committee.

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, 2019, the Town had approximately \$297,000 and \$123,000 of motor vehicle excise and boat excise receivables, respectively, that are greater than 5 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.

Current Status – The Town has not reviewed the receivables to determine an uncollectible amount and propose an abatement. As of June 30, 2020, the Town had approximately \$314,000 and \$128,000 of motor vehicle excise and boat excise receivables, respectively, greater than five years old. Furthermore, 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.

Recommendation

Management should 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 Assessor's 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.

Student Activity Expenditure Documentation

Prior Year Comment

The prior year-end cash reconciliation included a reconciling item of approximately \$10,000, which related to checks from the student activity accounts that have cleared the bank but have not been posted to the general ledger. The reason for this reconciling item was a timing issue between when the checks were written and cashed from the student activity accounts and when that information was turned over to the accounting office for proper posting to the general ledger. The delay in providing the expenditure documentation to the Accounting Office increases the risk that there are inappropriate student activity expenditures being processed and increases the risk that the accounting ledgers do not correctly reflect the proper cash balances at the end of the period.

Current Status – The Town and School have cleared previously noted reconciling items related to the Student Activity accounts. Expenditure documentation is now being provided to the Accounting Office in a timelier manner.

Automation of Compensated Absences

Prior Year Comment

In previous management letters we noted the records for accrued compensated absences are maintained primarily by Department Heads and the Town Administrators Office on individual employee cards. We believe there is a need for the Town to centralize the system of tracking and accruing compensated absences to ensure compliance with the multiple union contracts and other employment agreements. The present system does not minimize the risk that time earned and taken will be recorded properly.

The employee cards are sent to each employee on a semi-annual basis for their review. At fiscal year end, the cards are summarized on a spreadsheet for audit accrual purposes. However, the spreadsheet does not account for buyback provisions, vesting schedules or other adjustments necessary to determine the most accurate estimate of the required liability.

Since the Town has converted its payroll functions to Harpers, it is possible to record and monitor the compensated absences liability through the payroll system. This would provide greater internal control over accumulated sick and vacation time.

Current Status - 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.

Recommendation

We recommend that the Town update the payroll module to consider the benefit stipulations of various Town departments 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. However, the Planning Office has not worked to clean up the outstanding balances that were identified as a result of the reconciliations.

Recommendation

We recommend that monthly reconciliations continue, and we recommend that the Planning Office clean up the outstanding balances identified because of the reconciliations in a timely manner.

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 and 2019 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 2020 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 2020.

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.