

***TOWN OF BURLINGTON, MASSACHUSETTS***

***MANAGEMENT LETTER***

***JUNE 30, 2016***



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To the Honorable Board of Selectmen  
Town of Burlington, 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 Burlington, Massachusetts as of and for the fiscal year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) 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.

The Town's written response to the matters identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

December 23, 2016

**TOWN OF BURLINGTON, MASSACHUSETTS**

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**JUNE 30, 2016**

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## ***PRIOR YEAR COMMENTS***

## **POLICE DETAIL ACCOUNT**

### Prior Comment

The Police Detail Agency fund has had a significant negative cash balance. The deficit is due to inadequate billing and collection practices. As a result, a permanent deficit may exist in this fund that the general fund will have to make whole, thereby reducing reserves and free cash.

During the past two years, significant progress has been made for police detail billing and collections practices. Delinquent receivables have been turned over to the Town's Deputy Tax Collector for collection, reconciliations are now occurring, and additional safeguards were put into place to mitigate delinquencies at the time a detail is requested, up to and including the requirement of payment in advance.

### Current Status

The Department is still making progress with billing and collections. During the next fiscal year the Department is planning on hiring a part time employee to work exclusively on police details. The Department is also planning on implementing MUNIS billing module to track police details.

### Continuing Recommendation

We continue to recommend that policies and procedures be implemented that would allow police detail receivables to be reconciled to the general ledger on a monthly basis.

### Management's Response

The Police Department intends to implement the integrated Munis billing system prior to the close of 2017 to improve upon the progress that has been made. Reconciliations are performed monthly and collection of delinquent accounts is substantially improved. The transition to Munis has proven to be more challenging than anticipated and although delayed from 2016, the completion of this aspect of the project is on track to be completed by the end of 2017.

## **ACCRUED COMPENSATED ABSENCES**

### Prior Comment

The Town does not have a centralized system to track and accrue unused earned sick and vacation time. The records for accrued compensated absences are presently maintained by the Department Heads. There is a need for the Town to centralize the system of tracking and accruing compensated absences to ensure compliance with multiple union contracts and other employment agreements. The present system does not minimize the risk that time earned and taken will not be recorded properly. We recommended that sick and vacation time be tracked in a centralized and automated fashion.

### Current Status

The Treasurer's office is now tracking unused vacation and sick time for the Accounting, Treasurer/Collectors, Police, Recreation and the Public Works departments. The Treasurer/Collectors office is training personnel and plans to have all departments on a centralized system by the end of fiscal 2017.

### Continuing Recommendation

We continue to recommend that all sick and vacation time be tracked in an automated centralized system.

### Management's Response

During the fiscal year the Treasurer's office experienced a change in key personnel which required the Department to reprioritize and shift focus away from centralizing compensated absences and towards maintaining the daily tasks. The Department plans to have compensated absences centralized by the end of fiscal 2017.

## ***CURRENT YEAR COMMENTS***

## **PAYROLL WITHHOLDINGS**

### Comment

The balances in the Town's payroll withholdings liability accounts at year end should approximate the amount that will be paid in the subsequent month to the appropriate vendors. During our audit, we noted that the balances of these withholdings accounts had not been reconciled to a detailed listing of expected payments due in subsequent periods. Inaccurate payroll withholding liability balances could result in an increase or decrease in the Town's free cash.

### Recommendation

We recommend that the Town implement procedures to reconcile the payroll withholding liability account balances on a monthly basis.

### Management's Response

The Treasurer's office experienced a change in key personnel which required the Department to reprioritize responsibilities. During fiscal 2017 the Department hired a full time employee who is responsible for reconciling payroll withholdings. The Department expects to have payroll withholdings fully reconciled before the end of fiscal 2017.

## ***INFORMATIONAL COMMENT***

## DOCUMENTATION OF INTERNAL CONTROLS

### Comment

In December 2013, the U.S. Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in an effort to (1) streamline guidance for federal awards while easing the administrative burden and (2) to strengthen oversight over the expenditure of federal funds and to reduce the risks of waste, fraud and abuse.

The Uniform Guidance supersedes and streamlines requirements from eight different federal grant circulars (including OMB Circular A-133) into one set of guidance. Local governments are required to implement the new administrative requirements and cost principles for all new federal awards and to additional funding to existing awards made after December 26, 2014 (fiscal year 2016).

In conformance with Uniform Guidance, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States (the Green Book) and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The COSO internal control framework is generally accepted as a best practice within the industry including the best practices prescribed by the Government Finance Officers Association (GFOA). COSO is a joint initiative of 5 private sector organizations dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The original COSO framework was published in 1992 and has been revised several times for changes in operations, technology, and audit risk. The most recent updates to the COSO Internal Control - Integrated Framework were issued in 2013 and are available at [www.coso.org](http://www.coso.org).

Management is responsible for internal control and to see that the entity is doing what needs to be done to meet its objectives. Governments have limited resources and constraints on how much can be spent on designing, implementing, and conducting systems of internal control. The COSO Framework can help management consider alternative approaches and decide what action it needs to take to meet its objectives. Depending on circumstances, these approaches and decisions can contribute to efficiencies in the design, implementation, and conduct of internal control. With the COSO Framework, management can more successfully diagnose issues and assert effectiveness regarding their internal controls and, for external financial reporting, help avoid material weaknesses or significant deficiencies.

The COSO internal control framework incorporates 5 major components of internal control, which are supported by 17 principles of internal control as follows:

### 1. CONTROL ENVIRONMENT

- 1) Demonstrates commitment to integrity and ethical values
- 2) Exercises oversight responsibility
- 3) Establishes structure, authority, and responsibility
- 4) Demonstrates commitment to competence
- 5) Enforces accountability

2. RISK ASSESSMENT

- 6) Specifies suitable objectives
- 7) Identifies and analyzes risk
- 8) Assesses fraud risk
- 9) Identifies and analyzes significant change

3. CONTROL ACTIVITIES

- 10) Selects and develops control activities
- 11) Selects and develops general controls over technology
- 12) Deploys through policies and procedures

4. INFORMATION & COMMUNICATION

- 13) Uses relevant information
- 14) Communicates internally
- 15) Communicates externally

5. MONITORING

- 16) Conducts ongoing and/or separate evaluations
- 17) Evaluates and communicates deficiencies

Management should evaluate and assess the government's internal control system to determine whether: each of the five essential elements of a comprehensive framework of internal control is present; whether each element addresses all of the associated principles; and whether all five elements effectively function together.

Recommendation

We recommend management follow the best practice for establishing and documenting their internal control system using the COSO Internal Control Framework.

Management's Response

Management will review this comment and determine the best route to document and if necessary establish the internal control system using the COSO Internal Control Framework.