

***TOWN OF BURLINGTON, MASSACHUSETTS***

***MANAGEMENT LETTER***

***JUNE 30, 2017***





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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, 2017, 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.

*Powers & Sullivan, LLC*

December 18, 2017



**TOWN OF BURLINGTON, MASSACHUSETTS**

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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 will be hiring a part time employee to work exclusively on police details reconciliations. The Department has implemented a software package known as Police Detail Tracking System (PDTs) which automatically tracks details, personnel eligible for details and updates schedules/ timesheets according to the officers awarded to each detail. The Department is still drafting formal policies and procedures.

### 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 Town has implemented a reconciliation process and has the staff necessary to track police details. The Town is in the process of implanting formal policies and procedures and expects to have a formal set of policies adopted by the end of 2018.

## **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

Resolved - The Town has hired a full time payroll administrator to complete the day to day payroll work as well as to compile accrued sick and vacation time. She compiles accrued sick and vacation time for a majority of the departments within the Town. Several of the smaller departments still track their own but will be centralized once all departments have converted to Munis entirely.

## **PAYROLL WITHHOLDINGS**

### Prior 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.

### Current status

One person in the Treasurer's Office has been reconciling the withholding accounts on a monthly basis, however, due to the extent of time where reconciliations were not occurring it has proven to be an arduous process. The Department plans to utilize the Munis payroll modules in order to maintain the withholding accounts as well as to reconcile them on a monthly basis. There have been significant improvements to the Departments approach in tracking and reconciling these accounts however the Department is still behind in these reconciliations.

### Continuing Recommendation

We continue to 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 has experienced a delay in completing these reconciliations due to the transition to Munis. With the use of Munis, the Department plans to start tracking and reconciling these accounts from within the available modules in hopes of a more timely and complete reconciliation.

## ***CURRENT YEAR COMMENTS***

## 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 has drafted a policy for the Town but it has not been formally approved.

## **SCHOOL REVOLVING FUNDS AND STUDENT ACTIVITY FUNDS**

### Comment

Burlington Public Schools are legally allowed to maintain various revolving funds and student activity funds. Recently the Music and Performing Arts Revolving Fund and student activity funds were subjected to various examinations from independent audit firms both of which identified significant deficiencies in their operations. The audit firms made recommendations to change the internal controls, policies and procedures to be in compliance with laws and regulations. These reports are available by contacting the School Department.

The report related to the Music and Performing Arts Department disclosed that the Department Director had maintained an unauthorized cash fund for several years. Receipts received in cash for performances were not regularly deposited with the Town Treasurer but instead were used for expenses and payroll. This practice is not

in compliance with Massachusetts General Laws and regulations. There was no meaningful documentation supporting the receipts withheld or the expenses.

We have noted that after the reports were issued the School Business Office began the process to making the recommended changes during fiscal year 2018. We will review these changes during the fiscal year 2018 audit.

#### Recommendation

The School Business Office should conduct a review and risk assessment of all other revolving funds and consider engaging independent auditors to assist in this process. A special focus should be placed on whether the internal controls of any activity that charges a fee is adequate to prevent similar violations of laws and regulations.

The use of any unauthorized cash fund where School revenues are diverted and spent without the required authorizations poses a significant risk. We recommend that the staff responsible for operating other revolving funds along with those that are collecting revenue confirm to the Superintendent that either no unauthorized cash funds exist or inform him that they have maintained a cash fund.

#### Management Response

##### *School Revolving Funds and Student Activity Funds*

The following procedures have been put in place by the School Business Office to address recent findings in conjunction with Music and Performing Arts Department agreed-upon-procedures engagements performed by two separate independent audit firms;

- Two bonded individual(s) have been assigned to work the sales of tickets at the music events that involve the handling of cash.
- A petty-cash box of \$200 is signed out at the start of an event (to make change), and turned back over to the Business Office at the conclusion of each event in the same amount.
- All cash is transported in locked cash bag - One individual working the event is given the key, the other the locked bag containing the cash.
- The money is counted by the two individuals working at the conclusion of the event, which is documented with two signatures and placed in the locked cash bag.
- The next business day following the night of an event, the Business Manager reconciles the cash collected to the report in the Tix System. The funds are then turned over for deposit with the Town Treasurer.

Additionally, the School Business Office has taken the following actions in response to findings from the Student Activity Audit Report for the period ending June 30, 2017;

- New Student Activity Policy has been written and adopted by School Committee.
- A mandated training on Student Activities for principals and secretaries is being conducted on April 25, 2018.
- The appropriate checking and agency accounts have been established with the Town Treasurer.
- Bonding applications have been completed for all Principals and Secretaries involved in the handling of the school's student activity account.

In an effort to increase internal controls, the school department has begun the implementation of an online payment system which will provide a more accountable audit trail of monies being collected within the district. Also, the School Department has agreed to an expanded review of revolving accounts during the Town's annual audits going forward; a rotation schedule of the accounts will be determined.