

TOWN OF BURLINGTON, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2020



100 Quannapowitt Parkway
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

www.powersandsullivan.com

To the Honorable Board of Selectmen
Town of Burlington, Massachusetts

In planning and performing our audit of the financial statements of the governmental 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, 2020, 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.

November 30, 2020

TOWN OF BURLINGTON, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2020

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PRIOR YEAR COMMENT

PAYROLL WITHHOLDINGS

Prior Comment

During the prior year audit, we noted that the process for reconciling payroll withholding accounts to a detailed listing of expected payments due in subsequent periods had improve from previous years. 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 third parties. Inaccurate payroll withholding liability balances could result in an increase or decrease in the Town's free cash.

Current status

During the current year audit, we noted that payroll withholding reconciliations are occurring but not on the recommended monthly basis. It was further noted that the recommended monthly reconciliation be signed off on by both the Treasurer's office and the Accounting office is still not occurring.

Continuing Recommendation

We continue to recommend that the Town reconcile the payroll withholding liability account balances on a monthly basis. We further continue to recommend that the reconciliations be signed off on by both the Treasurer's office and the Accounting office to ensure timelines are upheld.

Management's Response

This comment will be addressed by the Treasurer and Town Accountant to assure proper reconciliation on a continued basis.

RECONCILIATION OF CASH

Prior Comment

During the prior year audit, the Treasurers office had tracked, on a monthly basis, a \$500,000 variance between the cashbook and bank balances. This variance was identified when the Town cashbook was converted from QuickBooks to Munis. An adjustment was made to the cashbook which resulted in a positive impact on the Towns cash balance.

We recommended that on a monthly basis the Treasurer's office provide the cashbook to bank reconciliation to the Accounting office to ensure that the general ledger reflects all activity. Having both departments review the reconciliations on a monthly basis will allow variances to be identified and resolved timely.

Current Status

The Treasurer's office has been providing the cashbook balances to the Town Accountant on a quarterly basis, however the reconciliations between the cashbook and the bank have not been provided.

Continuing Recommendation

We continue to recommend that on a monthly basis the Treasurer's office provide the cashbook to bank reconciliation to the Accounting office to ensure that the general ledger reflects all activity. We further recommend that the Treasurer's office and the Accounting office sign off on the documents. Having both departments review the reconciliations monthly will allow variances to be identified and resolved timely.

Management Response

The Treasurer's office has revamped the reconciliation process. Each week the activity in the general ledger is being reconciled and bank statements are being reconciled monthly and reviewed by the Treasurer.

TAILINGS

Prior Comment

During the prior audit, it was noted that the Town has a liability of approximately \$128,000 of tailings that relates to checks that were written to vendors and/or employees, went unclaimed for a period of time, were voided and then recorded as a liability in accordance with the Commonwealth's abandoned property (tailings) laws.

This balance has not changed since 2014 and contains checks that date back to 2005. On a regular basis, the Treasurer should be analyzing the checks that were placed into tailings and then, in accordance with Massachusetts General Laws (MGL), make attempts to return the check to the rightful owner. After a year the Town is able to move these checks bank into the General Fund.

We recommended that the Treasurer follow the Commonwealth's abandoned property laws and move the long-term outstanding checks back into the General Fund.

Current Status

This comment has not been addressed. The \$128,000 of tailings liability continues to remain on the ledger.

Continuing Recommendation

We continue to recommend that the Treasurer follow the Commonwealth's abandoned property laws and move the long-term outstanding checks back into the General Fund.

Managements Response

The Treasurer's department is reviewing the process with the goal of adhering to the Commonwealth's law.

SCHOOL FINANCIAL MANAGEMENT POLICIES AND PROCEDURES

Prior Comment

In the prior year the School Superintendent and School Committee requested that we review the new School budget processes and make recommendations for improvement. We reviewed the fiscal year 2019 interim and final budget to actual reports and projections for accuracy and if the amounts were supported by adequate documentation. We reviewed the process of managing potential budget deficits by cost centers and appropriation line items through interim budget transfers. The results of our tests indicated that the majority of the new procedures were working as intended and the actual results for fiscal year 2019 produced a budgetary surplus.

We discussed the benefits of making budgetary transfers during the year between cost centers and individual appropriation accounts as a best practice of oversight and management of the budget. This type of budgetary control is utilized by the Town since they do not have a bottom-line budget. When we reviewed the actual budget to actual ledger reports several individual appropriation accounts were in a deficit position for which interim transfers were not currently being made. We found that the financial reports presented to the School Committee by the Business Manager is used as the budgetary control function using the same cost centers that the approved budget is presented in, but on a monthly basis. This process requires a crosswalk between the ledgers and reports.

We recommended the Business Office implement a process to make internal budgetary transfers during the year that requires each cost center or appropriation account be managed to operate with a balanced budget throughout the year in Munis. We further recommended that the school's chart of accounts be rebuilt to satisfy the correlation between the cost centers.

Current Status

This comment is considered resolved. The transfer policy implemented during the prior year is still being followed. Monthly financials are still being reported to the School Committee and the new chart of accounts is still being developed.

CURRENT YEAR COMMENTS

LOCKBOX/TAX COLLECTOR BANK ACCOUNT

Comment

During our audit of cash, we noted that the Lockbox/Tax Collector bank statement was approximately \$185,500 lower than what was being reported on the Treasurers cashbook at June 30th. The Treasures office is aware of this reconciling item as this variance has been consistently carried from month to month during the reconciliation process.

Recommendation

We recommend that the Treasurers office continue to monitor and research this variance. Once the components that comprise the variance are identified and documented, adjustments should be made.

Management Response

The Treasurer's goal is to identify the reasons for the continued variance and eliminate the continued problem.