



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

***TOWN OF BARRE, MASSACHUSETTS***

***MANAGEMENT LETTER***

***JUNE 30, 2022***

To the Honorable Select Board  
Town of Barre, 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 Barre, Massachusetts (Town), 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 (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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control. We did not identify any findings as a material weakness.

In addition, we became aware of other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

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



May 30, 2023

TOWN OF BARRE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2022

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# ***Continuing Comments***

## **CASH ACCOUNT RECONCILIATIONS – SIGNIFICANT DEFICIENCY**

### Comment

One of the most effective controls to detect and correct errors in a timely manner is a timely process of reconciling bank balances to the cash book in the Treasurer's Office and then reconciling those Treasurer's cash book balances to the Town's general ledger. Performing these monthly reconciliations helps to ensure that errors are detected and corrected timely and that records are complete and accurate.

Over the past few years, the Town has not been able to fully reconcile the Treasurer's cash book balances with the corresponding cash account balances on the Town's general ledger. While the difference is at times immaterial for financial presentation standards, there is a risk that the Town general ledger does not accurately reflect all up-to-date financial information.

### Current Status – Unresolved

At the end of fiscal year 2022, the June cashbook was not fully reconciled to the general ledger. Further, the Town was unable to provide support for the identified reconciling items including outstanding check listings. High turnover in the Treasurer's position has led to poor retention practices and incomplete reconciliations.

Additionally, during fiscal year 2021, the Town implemented a new fund (841) within the general ledger software to track general fund investments and the associated income/(loss). All general fund investments and related earnings should be accounted for within the existing general fund (001). Use of an additional fund has complicated transactions and resulted in an overstatement of cash at year end that required an audit adjustment.

### Continuing Recommendation

We continue to recommend that the Town implement procedures to fully reconcile the Treasurer's cash book balances with the corresponding general ledger cash account balances on a monthly basis. Additionally, we recommend the Town retain records of cash reconciliations.

We further recommend the new fund (841), be closed out into the general fund. This should include a full reconciliation of activity to ensure cash does not continue to be overstated.

## **RECEIVABLE RECONCILIATIONS AND WRITE-OFFS – SIGNIFICANT DEFICIENCY**

### Comment

One of the most effective controls to detect and correct errors in a timely manner is a timely process of reconciling receivable balances from the Treasurer's subledger VADAR, to the Town's general ledger Softright. Performing these monthly reconciliations helps to ensure that errors are detected and corrected timely and that records are complete and accurate.

Currently, receivables are not reconciled monthly between the two software systems. While the difference is at times immaterial for financial presentation standards, there is a risk that the Town general ledger does not accurately reflect all up-to-date financial information.

Additionally, through review of the Town's general ledger we noted that the Town is carrying motor vehicle excise tax receivables and farm animal excise tax receivables which date back to 2001. For receivables that cannot be liened, the likelihood of collection significantly diminishes the longer each receivable remains outstanding. The

process of writing off a receivable does not extinguish the taxpayer's obligation to pay, but it will help the Town by streamlining account management and the reconciliation process. Motor vehicle accounts which have been flagged with the registry of motor vehicles may result in collections at some point in time.

#### Current Status – Unresolved

The receivable balances were not fully reconciled between the two software systems as of June 30, 2022. The most significant variances between systems at June 30, 2021, related to the sewer user charges and water user charges accounts. During the fiscal year 2022 audit we were unable to review detail from the Treasurer/Collectors office for many of the receivable balances and were not provided with yearend reconciliations.

Additionally, old excise receivable accounts were not written off.

#### Continuing Recommendation

We continue to recommend the Town implement procedures to fully reconcile the Treasurer's receivable balances with the corresponding general ledger account balances. Additionally, procedures should be implemented to reconcile these balances monthly on a go-forward basis.

Additionally, we continue to recommend the Town work with the appropriate officials to determine which receivable balances can be deemed uncollectible and therefore written-off the Town ledgers. The Collector should continue to review and write off uncollectible receivables on an annual basis, as appropriate.

### **FRAUD RISK ASSESSMENT**

#### Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets.

When conducting the self-assessment, questions such as the following can be considered:

- What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.

- What assets of the Town are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.
- How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

Current Status – Unresolved

The Town has yet to complete and formally document a fraud risk assessment.

Continuing Recommendation

We continue to recommend that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation. Department heads should provide information detailing any activities within their departments that may lend themselves to potential fraud, i.e. identification of idle cash or collections that don't get turned over daily or instances where internal controls over Town assets are not in place or are not functioning as intended.

**CAPITAL ASSET ACCOUNTING**

Comment

With the implementation of GASB Statement # 34 came the responsibility of capital assets for financial reporting purposes, and the Town subsequently conducted an initial capital asset inventory. Since that time the Town has not implemented a reliable set of policies and procedures to account for and classify capital asset additions, deletions, and transfers.

The Town should have policies and procedures in place to accurately and timely account for capital asset additions, deletions, and transfers. In order to maintain a complete capital asset listing the Town should develop procedures to facilitate accurate capital asset reporting for financial reporting purposes.

Current Status – Unresolved

During fiscal year 2019, the Town purchased capital asset software, Depreciation Works, to maintain their capital assets. The assets have not been entered into the software as of June 30, 2022.

Continuing Recommendation

We continue to recommend that the Town work to develop and implement policies and procedures to ensure the proper accounting for all capital assets and that they also work towards maintaining a complete and accurate capital asset listing by both function and location. Further, the Town should ensure the existing assets are input into the Depreciation Works system.

## **CHAPTER 90 REIMBURSEMENTS**

### Comment

During fiscal year 2019, the Town did not file Chapter 90 program requests for reimbursements in a timely fashion. The requests were processed in fiscal year 2020 and the recommendation was resolved. However, at the end of fiscal year 2021 the Town had a deficit of \$633,000, as no program reimbursements were received during the year. At the end of fiscal year 2022 the Town had received the funds due and was not operating at a deficit.

The Chapter 90 program requires funds to be spent on approved projects prior to requesting reimbursement from the state. The process of not requesting reimbursement of Chapter 90 project expenditures in a timely fashion develops internal control weaknesses. First, the Town experiences decreased cash flows and lost investment earnings while awaiting reimbursement. Second, the Town is at risk of jeopardizing its reimbursement from the State if the reimbursement request is delayed. Finally, a deficit balance could have a negative impact on the Town's certified free cash, leaving fewer funds available for appropriation and immediate use for other Town purposes.

### Current Status – Resolved

## **WATER AND SEWER COMMITMENTS**

### Comment

Water and sewer commitment letters are created quarterly by the Department of Public Works and signed by the respective water or sewer commission to provide the town accountant and treasurer with the approval to record the receivable and issue bills to taxpayers.

Since fiscal year 2019, we noted the signed commitments were provided to Town Hall many months after the utility bills were sent to taxpayers. Timely commitments are required as part of the control process to ensure the bills have been approved by the appropriate board.

### Current Status – Unresolved

No change was noted during the fiscal year 2022 audit.

### Continuing Recommendation

We continue to recommend that the Town review the procedures in place for signing commitments to ensure they are provided prior to the bills being mailed.

## **BOARD AND COMMITTEE MINUTES**

### Comment

While performing audit procedures for the Town's fiscal year 2019, audit we noted the Town did not have meeting minutes available for all the Town's Water Commission and Sewer Commission meetings. While our alternative audit procedures required us to check minutes for these commissions, we did not review minutes for all boards and committees of the Town.



Meeting minutes are an important part of the Town's records and should be prepared in a timely manner and kept in a safe place where they can be readily available and retained permanently.

Current Status – Partially Resolved

During the fiscal year 2022 audit, we noted most of the Water Commission minutes were now available, however the Sewer Commission minutes are only available online February 2018.

Continuing Recommendation

We continue to recommend that the Town ensure all minutes are prepared in a timely manner and kept on file for permanent retention.

**PAYROLL WARRANTS**

Comment

During the audit, we noted instances where the Town released funds for payroll prior to the payment being formally approved by the Town's warrant process. One of the Town's key internal control functions is the review and approval of all expenditures prior to the disbursement of funds. Releasing any funds prior to the authorization and approval of the Select Board, or their designee, is a breakdown in the system.

Current Status – Partially Resolved

The Town Accountant has been working to provide the payroll warrants to the board by Wednesday at noon, to ensure they are signed by Thursday when payroll is released. There are still a few instances when the warrant is not signed in time.

Continuing Recommendation

We continue to recommend that the Town ensure all expenditures are formally approved prior to the release of any funds.

**INTEGRATION OF SOFTWARE SYSTEMS**

Comment

Currently the Town utilizes multiple software systems/packages for financial management and reporting which include the following:

- Softright – Accountant's general ledger.
- VADAR – Collector's receivable detail and cash receipts.
- Excel – Treasurer's cashbook.

Multiple systems can be used by communities if processes are in place to ensure accurate and timely reconciliations of the individual systems. As discussed further in following comments, the Town does not have processes in place for complete reconciliations of the systems between the Accountant and Treasurer/Collector's offices. Using two systems creates additional work for both offices as the information must be duplicated to ensure precise entry in both systems.

Comparable communities typically have one system in place for both offices as staffing is limited and the reconciliation process is time consuming. There are several reputable software systems offered which are UMAS compliant and offer full integration of the modules for general ledger, receivables, and cashbook. Operating one software system would allow for many efficiencies, for example: posting within the cashbook module would automatically update the Town's general ledger cash.

Current Status – Partially Resolved

As of June 30, 2022, multiple systems are still being used and reconciliations are not timely. The Town has obtained a signed contract with VADAR for the general ledger and treasurer/collector's software to be integrated into one system. It was our understanding the implementation was scheduled for July of 2022, however, it has not yet taken place.