

TOWN OF BOURNE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2013



CliftonLarsonAllen LLP
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To the Honorable Board of Selectmen
Town of Bourne, Massachusetts

In planning and performing our audit of the financial statements of the Town of Bourne, Massachusetts (Town) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 deficiencies in internal control (other than significant deficiencies and material weaknesses) that are opportunities to strengthen your internal control and improve the efficiency of your operations. We also want to make you aware of a recently issued accounting standard that will significantly impact your financial statements in future years. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 28, 2014, on the financial statements of the Town.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with Town personnel, and we 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 responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

CliftonLarsonAllen LLP

Boston, Massachusetts
March 28, 2014

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Comments and Recommendations

Tax Foreclosures

Comment

There are no procedures in place to reconcile tax foreclosures timely. We identified several instances whereby the tax foreclosure balance reported on the general ledger was not reduced for tax foreclosure sales. We also identified several instances whereby the tax foreclosure balance detail (maintained by the Treasurer/Collector) and amount reported on the general ledger were not reduced for amounts transferred to the Bourne Housing Authority.

The financial statements have been properly adjusted to reflect this activity.

Recommendation

We recommend procedures be implemented to reconcile tax foreclosure balances monthly.

Management's Response

Tax Foreclosures have been reconciled effective 7/1/2013. They are now part of the monthly reconciliation process.

Integrated Solid Waste Management (ISWM)/Landfill Revenues and Expenses

Comment

ISWM currently has a contract with a customer that allows ISWM to deliver waste to SEMASS (an energy-to-waste facility) when ISWM is not accepting waste. When this occurs, the customer incurs the tipping fee (on behalf of Bourne) at the SEMASS facility. As a result, monthly invoices to the customer are “netted” for the tipping fees incurred at the SEMASS facility. We identified that the net activity is not being “grossed” up on the general ledger. The current process understates revenues and expenses of the landfill.

Recommendation

We recommend ISWM provide the appropriate information to the Finance Director monthly so revenues and expenses of the landfill can be accurately recorded in the general ledger.

Management’s Response

ISWM will provide the information to the Finance Department on a monthly basis so the appropriate entries can be made to gross up revenues and expenditures on the general ledger.

Risk Assessment and Monitoring

Comment

Our previous years' management letters reported that the Town had not developed and implemented a risk assessment and monitoring program.

As of the date of this report, the Finance Director has developed a risk assessment and monitoring policy.

Recommendation

We recommend the Town implement the risk assessment and monitoring program during fiscal year 2014.

Management's Response

The Town will work to implement the risk assessment and monitoring program.

Student Activity Funds

Comment

The Town maintains student activity funds for several of its schools. Massachusetts General Laws (MGL) Chapter 71, Section 47, which establishes various guidelines related to student activity funds, states the following:

“There shall be an annual audit of the student activity funds which shall be conducted in accordance with procedures as agreed upon between the school committee and the auditor based upon guidelines issued by the department of education.”

Based on our discussions with the Director of Business Services, the School Department internally performed agreed-upon procedures on the student activity funds during fiscal year 2013. However, the procedures performed (and findings and recommendations) were not documented.

In addition, the Massachusetts Association of School Business Officials’ (MASBO) *Student Activity Accounts Guidelines for Massachusetts School Districts* recommends an independent audit firm conduct audits or agreed-upon procedures at least once every three (3) years.

Recommendation

We recommend the School Department document it’s internally performed agreed-upon procedures on its student activity funds. Such documentation should include identification of the procedures performed, findings and recommended corrective actions.

We recommend the School Department consider the MASBO recommendation to have an independent audit firm conduct the student activity fund audit or agreed upon-procedures at least once every three (3) years.

Management’s Response

We agree with the recommendation above and have scheduled an independent audit firm to conduct an audit of the FY14 student activity account transactions. The school department has initiated a process that requires the Director of Business Services to conduct an annual performance audit of all student activity accounts based upon MGL, Chapter 71, Section 47 or the guidelines issued by the department of education. The documentation of the procedures performed and findings will be recorded and maintained.

Financial Policies and Procedures

Comment

As reported in prior years' Management Letters, we believe that preparation of a formal policy and procedures manual would improve and standardize the Town's financial policies and procedures.

Without formalized written policies and procedures, the Town is inherently subject to everyday inconsistencies in its operations. It is also difficult to measure performance and efficiencies without a baseline. The number of such inconsistencies can be minimized by the written codification of policies and procedures and insistence on adherence to them.

Such a manual should include policies and procedures relative to all financial functions and processes, including, but not limited to, the following:

- Cash receipts
- Cash disbursements
 - Payroll
 - Vendor
- Procurement
- Grant administration
- Personnel (i.e., hiring, payroll and related changes, etc.)
- Month-end and year-end closing procedures

The manual should also clearly define the objectives, responsibilities and authorizations for all employees/job positions.

The use of written policies, procedures, and job descriptions in conjunction with specific assignment of responsibilities would increase supervisory personnel's effectiveness. Such written documents would decrease the time spent on supervision of clerical personnel and in attempts to define job responsibilities on each occasion of employee turnover.

Recommendation

The Finance Director has begun the process of developing financial policies and procedures for several financial processes. We recommend management continue the development of the financial policies and procedures manual.

Management's Response

The Town continues to develop the financial policies and procedures.

Informational Comment

Pension Accounting and Financial Reporting

Comment

In June of 2012, the Governmental Accounting Standards Board (GASB) issued *Statement No. 68*, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25, which revises and establishes new financial reporting requirements for governments that provide pension benefits to its employees and retirees.

The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town of Bourne will be required to recognize its long-term obligation for pension benefits as a liability in its government-wide financial statements. The implementation of this Statement will also:

- More comprehensively measure the annual costs of pension benefits
- Place conditions on the use of the discount rate used to measure the projected benefit payments to their actuarial present value
- Require the use of the “entry age” actuarial cost allocation method, with each period’s service cost determined by a level percentage of pay (referred to as attribution method)
- Expand pension related note disclosures
- Expand pension related required supplementary information disclosures

The requirements of this Statement will improve the decision-usefulness of pension information in governmental financial statements and will enhance the comparability of pension information between governmental entities.

Given the significance of the pension fund liability, the financial reporting impact under the new standard will significantly affect the Town of Bourne’s financial statements.

It should be noted that the implementation of GASB Statement No. 68 is strictly a financial reporting standard and does not constitute a state or federal mandate regarding the funding of the net pension obligation.

The Town of Bourne’s required implementation date of GASB Statement No. 68 is fiscal year 2015.

Recommendation

We recommend management familiarize itself with GASB Statement No. 68 to prepare for its implementation.

Management’s Response

The Town recognizes the significance that the changes that GASB statement No. 68 will have on the reporting of pension benefits in the town’s financial statements and will continue to educate and familiarize management about the effect of those changes.