

**TOWN OF BOURNE, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2014**



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, 2014, 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 November 21, 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  
November 21, 2014

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## **Comments and Recommendations**

### **Integrated Solid Waste Management (ISWM)**

#### Comment

We identified the following deficiencies related to the financial operations of ISWM:

1. ISWM has entered into agreements where certain vendors pay rates that are different than the landfill fee schedule. We identified several instances whereby these agreements were verbal or the formal contract had not been updated for the current rate being charged. Lack of formal, executed and current agreements is a weakness in internal control.
2. Weight slips are not signed off by the gatehouse attendant when a cash transaction takes place, which is a weakness in internal controls over cash receipts.

#### Recommendation

We recommend a current formal contract be maintained on file for all vendors that are paying rates different than the landfill fee schedule.

We recommend all weight slips be signed by the gatehouse attendant.

#### Management's Response

In recognition of the problems that developed in Fiscal Year 14 as a result of the lapse in long term agreements and realizing that similar situations could arise as ISMW moves forward with a new business model it is unlikely that ISWM will be entering into additional long term contracts given that approximately 91% of ISWM's disposal capacity will be committed to two long term contracts. However, if the opportunity presents itself ISWM will continue to utilize the existing contract format to memorialize the agreement.

ISWM will also institute a monthly internal review of Long Term Contracts and Short Term Disposal Agreements with particular focus given to expiration dates and price adjustments in accordance with the agreements. The Monthly review will be conducted by the Assistant Coordinator of Finance & Recycling and the General Manager.

From this point forward all weight slips will be signed by the gatehouse attendant.

## **Procurement**

### Comment

Excluding the School Department, the Town does not have a centralized purchasing process and does not utilize a purchase order system. Individual department heads are currently responsible for compliance with Massachusetts General Law (MGL) Chapter 30B, the Uniform Procurement Act.

The Town is susceptible to noncompliance with MGL Chapter 30B since the review of all purchases (including quotes obtained, contracts, etc.) does not occur until the Accounting Office reviews the invoices submitted for payment. This process is deficient since the services have already been rendered or the goods have already been received, whichever applies.

### Recommendation

We recommend that management centralize the procurement process and utilize a formal purchase order system for purchases greater than or equal to \$10,000.

Implementation of these recommendations will strengthen internal controls over vendor disbursements and compliance with MGL Chapter 30B.

### Management's Response

The Town will implement a formal purchase order policy for purchases requiring quotes, bids and contracts. The policy will include requirements for purchase orders over 10,000, quotes for purchases between 10,000 and 34,999.99 formal bidding procedures according to Chapter 30B.

## **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.

Although the Finance Director has developed a risk assessment and monitoring policy, the implementation of the program has not been initiated.

### Recommendation

We recommend the Town implement the risk assessment and monitoring program during fiscal year 2015.

### Management's Response

The Town will continue to work on the implementation of the Risk Assessment & Fraud Management program and establish a schedule and timeframe for implementation.

## 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.