

TOWN OF BOURNE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2015

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, 2015, 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 December 14, 2015, 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

Lexington, Massachusetts
December 14, 2015

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Comments and Recommendations

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 has implemented a purchase order system effective for January 1, 2016. This will require departments to request approval by the appropriate authority, department head to Finance department, prior to any purchase over 10,000.

Integrated Solid Waste Management (ISWM) Fees

Comment

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.

Recommendation

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

Management Response

ISWM will see to it that any Long Term or Short Term agreements it enters into will be memorialized in accordance with established protocol as well as those proposed in this letter and the proposed "Monthly Long Term and Short Term Agreement Review" is conducted in accordance with the time table established in this response letter.

Given that approximately 91% of ISWM's disposal capacity will be committed to two long term contracts it is unlikely that ISWM will be entering into additional long term contracts however if the opportunity presents itself ISWM will continue to utilize the existing contract format to memorialize the agreement.

Since the majority of ISWM's disposal capacity is committed for the foreseeable future it is more likely that ISWM will seek agreements of a much shorter duration. Tracking of these agreements will be achieved by using a Short Term Disposal Agreement which will include a check box indicating that the disposal rate as well as the begin and end dates of the agreement have been entered into the Waste Works Scale Software and will appear on the monthly Contract File Listing Report. "Short Term" will be defined as any agreement lasting less than six months. This document will include signature blocks for the Assistant Coordinator of Finance & Recycling and the General Manager.

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.

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 2016.

Management's Response

A Plan of Assessment has been started and areas of risk have been identified. These areas which involve the possible risk of loss have begun the process of being reviewed and documented per the policy.

Chapter 90 Highway Grants

Comment

The Town maintains a Chapter 90 fund on its general ledger to account for roadway construction projects approved and paid for by the Commonwealth of Massachusetts. The Chapter 90 fund is a reimbursable grant program in which the Town is required to expend funds first, and is subsequently reimbursed based on requests submitted to the Massachusetts Highway Department.

We identified Chapter 90 expenditures incurred for the period June 2014 through August 2014, totaling approximately \$365,000, were not requested for reimbursement until July 8, 2015. The lack of timely requests has a negative impact on investment income and the calculation of free cash.

Recommendation

We recommend procedures be implemented to request Chapter 90 reimbursements timely.

Management's Response

The DPW has the responsibility for filing the request for Chapter 90 reimbursements and fully understands the necessity of filing these reimbursements on a timely basis. The request for the \$365,000 was a unique reimbursement for the salt shed for the new DPW Facility and the receipt of payment was received in time that it did not affect our free cash calculation. The town will continue to monitor the expenditures for Chapter 90 projects to ensure that timely filings for reimbursements are made as to not affect the town negatively.

Other Postemployment Benefits Accounting and Financial Reporting (Informational Only)

Comment

In June of 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, which establish new financial reporting requirements for governments that provide other postemployment benefits (OPEB) to its employees and retirees.

The implementation of these Statements will represent a significant change in the accounting and reporting of OPEB expense and the related liability. The implementation of these Statements will:

- Require the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position
- Require that projections of benefits payments incorporate the effects of projected salary changes and service credits, as well as projected automatic postemployment benefit changes
- 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 the attribution method)
- Expand OPEB related note disclosures
- Expand OPEB related required supplementary information disclosures

Given the significance of the net OPEB liability, the financial reporting impact under the new standard will significantly affect the Town's financial statements.

It should be noted that the implementation of GASB Statement No.'s 74 and 75 are strictly financial reporting standards and do not constitute a state or federal mandate regarding the funding of the net OPEB obligation.

The Town's required implementation date of GASB Statements No. 74 and 75 are fiscal year 2017 and fiscal year 2018, respectively.

Recommendation

We recommend management familiarize itself with GASB Statements No. 74 and 75 to prepare for their implementation.

Management's Response

With continued professional education attended by the financial team, the town acknowledges the significant effect that GASB Statements 74 & 75 will have on the presentation of the Towns Financial Statements for FY2017 and FY2018.