

**TOWN OF BOURNE, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2017**



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, 2017, 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 audit procedures that are appropriate in the circumstances 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 26, 2018 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 various 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 entity, and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
March 26, 2018

This page is intentionally blank.

**TOWN OF BOURNE, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2017**

---

**TABLE OF CONTENTS**

**COMMENTS AND RECOMMENDATIONS**

<b>INFORMATION TECHNOLOGY</b>	<b>1</b>
<b>IRREVOCABLE OPEB TRUST</b>	<b>3</b>
<b>SCHOOL DEPARTMENT – GATE RECEIPTS</b>	<b>4</b>
<b>CASH RECEIPTS - PLANNING, BUILDING AND INSPECTION DEPARTMENTS</b>	<b>5</b>
<b>STUDENT ACTIVITY FUNDS</b>	<b>6</b>
<b>OTHER POSTEMPLOYMENT BENEFIT ACCOUNTING AND FINANCIAL REPORTING</b>	<b>7</b>

## **Comments and Recommendations**

### **Information Technology**

#### Comment

As part of the 2017 audit, we performed an Information Technology (IT) Financial Audit Support Review. The objective of our IT Financial Audit Support Review was to evaluate the computer processing environments and general controls that help ensure the reliability of the business and financial systems that support business objectives during the current and future reporting periods.

We identified the following:

#### *Strategic Planning*

There is no formal documented strategic plan, which presents the risk that adequate measures have not been taken to plan for future growth and changes. Strategic planning as it relates to the long term planning for the IT environment should address interests and goals of the organization and plans for how to achieve them.

#### *Disaster Recovery/Business Continuity*

There is currently no formal, written, disaster recovery and business continuity plan, which presents the risk that employees are not educated on business continuity and recovery procedures in the event of a disaster.

#### *External Vulnerability Assessment*

There have been no External Vulnerability Assessment or Penetration Tests performed, which presents the risk of unauthorized access to the Town's network, systems and data.

#### *User Account Administration*

The Town does not regularly perform a documented review of network and application user accounts to ensure only current employees and approved business partners have active user accounts.

The Town does not perform a documented review of permissions and security roles assigned to users in systems and applications to validate employees and approved business partners continue to have appropriate access based on job responsibilities.

#### *Vendor Management Policy*

Services provided by contract personnel to supplement resources or provide specific technical expertise are not always supported by contractual agreements that outline specific terms and compliance requirements resources must comply with, including nondisclosure of confidential or restricted data.

## Recommendation

We recommend an IT Strategic Plan be developed in co-operation with key business unit areas to ensure IT goals are consistent with mid-to-long term objectives and future growth. The plan should include an IT centric analysis over how key business objectives will be prioritized, achieved and integrated with IT. Considerations should also be taken relative to future regulatory compliance implications the IT department may have to support.

We recommend the Town implement formal policies to address disaster recovery and business continuity. The plan should be tested in its entirety periodically, including restoration testing.

We recommend the Town consider contracting a third party to perform an external vulnerability assessment and penetration test to gain an outside perspective on the effectiveness of the security surrounding the IT environment.

We recommend the Town compare network and application user accounts to a list of current employees provided by HR on a semi-annual basis to validate only current employees and approved business partners have active user accounts. In addition, the District should maintain documentation to provide evidence of this review.

We recommend the Town periodically (i.e., semi-annually) review all permissions and user roles in all systems and applications to ensure permissions are consistent with job responsibilities and user roles are assigned appropriately to employees and approved business partners. The review should be documented, including any changes made as a result of the review.

We recommend the Town require all contract personnel to sign a contractual agreement that outlines specific terms and compliance requirements resources must comply with, including nondisclosure of confidential or restricted data.

## Management's Response

An IT Strategic Plan will be developed in co-operation with key business unit areas to include IT centric analysis as to how key business objectives will be prioritized, achieved, and integrated with IT.

The IT department will develop formal policies to address disaster recovery and business continuity based on recommendations and budget. Once implemented it will be tested in its entirety periodically.

Once the IT department has completed many of the planned adjustments to the network, a 3rd party penetration test will be considered.

The IT department will work in conjunction with HR to build a process where a list of current employees and approved business partners is provided to the IT department for comparison on a semi-annual basis, and changes are documented.

As part of the process where a list of current employees and approved business partners is compared to Active Directory, job roles and permissions will be verified on a semi-annual basis and documented to include any adjustments made.

The IT department will develop a contractual agreement to be signed by all contract personnel outlining specific compliance requirements to include NDA of restricted or confidential data.

## **Irrevocable OPEB Trust**

### Comment

In April of 2015 the Town established an irrevocable other postemployment benefits (OPEB) trust. However, a separate federal tax identification number (FTIN) for the OPEB Trust has not been obtained from the internal revenue service and the assets accumulated (totaling approximately \$1,059,000 at June 30, 2017) for OPEB remain with the Town.

### Recommendation

We recommend the OPEB trust obtain a FTIN and the Trustees establish a separate bank and/or investment account under the OPEB Trust's FTIN. Once established, we recommend the OPEB trust's assets accumulated by the Town be transferred to the OPEB trust.

### Management's Response

The OPEB fund is invested using an investment policy established for the OPEB account only. The other trust funds are invested under the general Town Investment Policy. The OPEB trust account is maintained separately from the other trust funds and it has its own account number of #101203 in the reporting of the account activity. It does not seem to be a requirement to get a different TIN number for the OPEB trust fund funds with some municipalities that choose to do it and some that don't. The recommendation will be reviewed for consideration.



## **School Department – Gate Receipts**

### Comment

The School Department collects cash receipts for various athletic events (i.e., football games, basketball games, etc.) that are subsequently submitted (via turnover form) to the Town Treasurer for deposit. We selected a sample of 15 turnover forms submitted to the Treasurer and identified 11 instances where cash receipts were not deposited with the Treasurer within 7 days after the cash was collected for an event. Proper internal controls require the timely deposit of cash receipts.

### Recommendation

We recommend cash receipts be submitted and deposited with the Treasurer no later than one week after collection.

### Management's Response

The School Department personnel responsible for this internal control has been notified of the proper timeline and will ensure the timely deposit of cash receipts moving forward.

## **Cash Receipts - Planning, Building and Inspection Departments**

### Comment

The Planning and Building and Inspection Departments collect cash receipts for various fees and permits. We identified the following related to the cash collection and deposit process:

- Cash receipts collected, documented and turned over to the Treasurer are primarily performed by one employee, which does not properly segregate duties.
- Cash receipts are kept in an unlocked drawer for up to one week prior to deposit with the Treasurer.
- Revenue collected by the Departments is not reconciled to the general ledger at any time during the year.

### Recommendation

We recommend management design internal controls, including mitigating controls, to properly address the lack of segregation of duties related to the collection of the Departments cash receipts.

We recommend cash receipts be safeguarded in a locked drawer (at a minimum).

We recommend cash receipts collected by the Departments be reconciled to the activity recorded in the general ledger twice per year (at a minimum).

### Management's Response

Separation of duties is difficult as we are a small department and have only one secretary. The department head will double check the deposit/receipts prior to turnover and deposit. The drawer will be locked daily at the end of the day. Reports will be provided to reconcile deposits to the general ledger and deposits will be reconciled to documentation to monitor controls.

## **Student Activity Funds**

### Comment

During fiscal year 2016, we performed a separate agreed-upon procedures engagement related to the School Department's student activity funds. The purpose of the engagement was to assist the School Department determine whether its student activity funds were being administered in accordance with the Massachusetts Student Activity Law (Massachusetts General Law (MGL) Chapter 71, Section 47) for the period July 1, 2014 through June 30, 2015.

The detailed results and recommendations from the procedures we performed are documented in our report dated September 23, 2016. Our report, among other things, identified the following deficiencies:

1. Non-student activities (i.e., scholarship funds, lost library books, supplies, etc.) that are required to be accounted for directly by the Town (e.g., deposited with the Treasurer and initially processed through the Town's general ledger) are being accounted for in the student activity funds.
2. Bank reconciliations are not being performed.
3. Reconciliations of the total student activity funds maintained by the School Department to the Town's general ledger are not performed.
4. Documentation supporting all disbursements was not maintained on file.

To date, there has been no action taken regarding the findings in our report.

### Recommendation

We recommend the School Department implement the recommendations outlined in our report dated September 23, 2016.

### Management's Response

1. The School Department has moved scholarship funds out of the student activity accounts. The School Department is working to eliminate non-student activities such as lost library books and supplies from the student activity accounts. We anticipate this process being completed for the start of the next fiscal year.
2. The School Department currently reconciles money in and money out on a consistent basis out of each of the student activity accounts. To create a consistent standard of reconciliation that is necessary across all four schools, the School Department is evaluating software at this time.
3. The School Department is working with the Town Treasurer to ensure that reconciliations of the total student activity funds maintained by the School Department to the Town's general ledger are being performed.
4. The respective schools have been notified that all documentation for disbursements have to maintained on file.

## **Other Postemployment Benefits Accounting and Financial Reporting**

### Comment

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

The implementation of this Statement 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 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. 75 is strictly a financial reporting standard and does not constitute a state or federal mandate regarding the funding of the net OPEB obligation.

The Town's required implementation date is fiscal year 2018.

### Recommendation

We recommend management continue to familiarize itself with GASB Statement No. 75 to prepare for its implementation.

### Management's Response

Management is aware of the impact of the OPEB liability and will continue to monitor the impact with the financial implications of funding the liability.