

TOWN OF BRAINTREE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018



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To the Honorable Mayor and the Town Council
Town of Braintree, Massachusetts

In planning and performing our audit of the financial statements of the Town of Braintree, Massachusetts as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Braintree, Massachusetts' 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 several matters that represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Town personnel and 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 comments identified in our audit have not been subjected to the auditing 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 of the Town of Braintree, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties

Powers & Sullivan, LLC

December 19, 2018

TOWN OF BRAINTREE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018

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Current Year Comments

INTERNAL CONTROL OVER COMPLETION OF THE TAX RECAPITULATION PROCESS

Comment

During our 2018 audit, we noted that certain supplemental Town Council Orders for fiscal year 2017 were not included on page 4, "Appropriations", of the fiscal year 2018 tax rate recapitulation (Recap) form. Various Supplemental orders voted between November 15, 2016 and March 30, 2017 were not reported to the State. These appropriations include transfers from stabilization and use of free cash within the general fund. These amounts appear to have been overlooked because there is no internal control process in place to capture all of this information in one document.

Recommendation

We recommend the Town implement a tighter control process over the preparation and review of the tax recap to ensure that all voted appropriations are included.

Management's Response

We have put in place a process that as Council action takes place the votes will be put into Gateway recapitulation form and will be checked and reviewed prior to the tax rate being set.

RECONCILE AND ADJUST RECEIVABLES IN THE GENERAL LEDGER

Comment

During our 2018 audit, we noted there were no procedures in place to reconcile the outstanding police and fire detail receivable balances between the Police Department, Fire Department and the Town Accountant's Office. The agency account deficit balance reported in the general ledger should be reconciled to the detail maintained by the Police and Fire Departments. It is important to maintain an accurate receivable balance and detail listing to ensure collectability. Also, by maintaining an accurate receivable listing, the Town can minimize the possibility of creating a permanent deficit that ultimately would have to be funded by the general fund.

Additionally, we became aware that a portion of the Fire Department's receivable balance may not actually be due from the customer that was billed and that these amounts may be due from a different funding source. At the time of this report management was still trying to determine if these receivables would be paid by the customer billed or if these amounts are to be paid from a funding source within the Town.

Recommendation

We recommend the Town implement procedures to fully reconcile the police and fire detail ledger accounts to supporting sub ledgers at the departments in a timely and consistent manner. Doing so will ensure the receivables reflect actual amounts due to the Town. Additionally, we recommend the Town resolve the issues regarding who is ultimately responsible for payment of the Fire details in question.

Management's Response

Management is in the process of addressing these matters and expects to have them resolved in FY2019.

Prior Year Comment - Unresolved

TIMELINESS OF RECORDING BUDGETED TRANSFERS

Previous Comment

During our 2017 audit, and after the Town's books were closed for the fiscal year, we became aware of voted transfer that was not recorded on a timely basis. Town Council voted on April 25, 2017, to transfer \$1,154,689 from the Town's stabilization fund to the general fund. The Town recorded the transfer out of the stabilization fund but failed to record the transfer into the general fund. Upon further review, the Town wrote a check to itself for the transfer which was not deposited until the end of August, which if left unadjusted would have resulted in this being recorded in the subsequent fiscal year.

During our 2018 audit, we became aware of voted transfers from 2016 which were still being carried on the Town's books as due to and due from accounts between the general fund and stabilization fund. The transfer was not completed within the books as the transfer of cash between bank accounts had not been completed. The Town completed both transfers in 2019.

Continuing Recommendation

We recommend the Town implement procedures to verify that all budgeted transfers have been recorded in the general ledger on a timely basis.

Management's Updated Response

We did record the activity within the due/to and due/from accounts in the correct funds. For FY 2019 we have implemented a process of notifying the Accounting and Treasury departments when budget orders are passed by the Council. The Accounting department will check with the Treasurer to ensure that the transfers are made after the Council orders are received and posted.

Informational Comments

DOCUMENTATION OF INTERNAL CONTROLS

Comment

In December 2013, the U.S. Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in an effort to (1) streamline guidance for federal awards while easing the administrative burden and (2) to strengthen oversight over the expenditure of federal funds and to reduce the risks of waste, fraud and abuse.

The Uniform Guidance supersedes and streamlines requirements from eight different federal grant circulars (including OMB Circular A-133) into one set of guidance. Local governments were required to implement the new administrative requirements and cost principles for all new federal awards and to additional funding to existing awards made after December 26, 2014 (fiscal year 2016).

In conformance with Uniform Guidance, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States (the Green Book) and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management is responsible for internal controls and to see that the entity is doing what needs to be done to meet its objectives. Governments have limited resources and constraints on how much can be spent on designing, implementing, and conducting systems of internal control. The COSO Framework can help management consider alternative approaches and decide what action it needs to take to meet its objectives. Depending on circumstances, these approaches and decisions can contribute to efficiencies in the design, implementation, and conduct of internal control. With the COSO Framework, management can more successfully diagnose issues and assert effectiveness regarding their internal controls and, for external financial reporting, help avoid material weaknesses or significant deficiencies.

The COSO internal control framework must incorporate the 5 major components of internal control, while addressing the 17 principles of internal control that support the COSO framework. Refer to www.coso.org for articles describing the 5 components and their 17 principles in detail.

Management should evaluate and assess the government’s internal control system to determine whether: each of the five essential elements of a comprehensive framework of internal control is present throughout the organization; whether each element addresses all of the associated principles; and whether all five elements effectively function together.

Recommendation

We recommend management follow the best practice for establishing and documenting their internal control system using the COSO Internal Control Framework.