

TOWN OF CARVER, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018



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To the Honorable Board of Selectmen
Town of Carver, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carver, 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 Carver, Massachusetts' internal control over financial reporting (internal control) as a basis for designing our auditing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

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

December 18, 2018

TOWN OF CARVER, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018

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Prior Year Comments

Fraud Risk Assessment

Prior Year Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

- What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.
- What assets of the Town are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.
- How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

Current Status – The Town completed a formal fraud risk assessment during 2018. This matter is considered resolved.

Cash Collections

Prior Year Comment

Overall we have found controls over cash to be fairly strong. However, we are aware that several departments are responsible for issuing license and permits that have a fee associated with it and that that fee is usually collected by the department and later turned over to the Collector.

In order to further strengthen internal control over cash the Town may want to consider two avenues: 1) stress that it is preferable that payment be made by check or 2) if payment is made by cash that the payee first pay the collector, receive a receipt confirming payment, and present the receipt to the department that they are interacting with.

This will eliminate cash being handled at the department level.

Current Status – This matter remains unresolved.

Continuing Recommendation – We continue to recommend that, where appropriate, the Town should consider limiting cash collections at the department level.

North Carver Water District User Charges Receivable

Prior Year Comment

User charges receivable are committed and collected in the Planning Department. At one point a couple of years ago, the reconciliation of the general ledger to the Planning Department's QuickBooks was nearly complete. However, due to personnel changes that have occurred in the Planning Department the reconciliation process appears to have stopped completely.

Additionally, we also noted that: 1) the Planning Department is unable to produce an accurate list of accounts receivable outstanding as of any particular date; 2) during FY17 the Planning Department did not consistently provide commitments to the Accounting Department and 3) the Planning Department did not communicate when receivable balances were written off.

Current Status – This matter remains unresolved.

Continuing Recommendation – We understand that the billing process has been moved to the Treasurer's/Collector's office. This is a step in the right direction. We recommend that the Treasurer/Collector sit down with the Accounting Department and develop a process whereby a receivable reconciliation occurs on at least a quarterly basis and that all commitments and adjustments be communicated in a contemporaneous manner.

Housing Loan Receivable

Prior Year Comment

The housing loan receivable was established by the Planning Department as part of a program to help home owners who were facing impending foreclosures. The Planning Department has failed to keep track of who these loans were given out to. Due to this lack of support we cannot trace the general ledger balance to the collector's balance.

Current Status – This matter remains unresolved.

Continuing Recommendation – We continue to recommend that the Planning Department sit down with the Accounting Department to determine a course of action for these loans and whether they represent a valid receivable.

Current Year Comments

School Department Invoices

Comment

We found that when entering invoices into SoftRight, the School Department will enter several invoices for the same vendor with one invoice number or will enter a range of invoice numbers. This bypasses the software's internal control to detect a specific invoice number that has already been processed.

Recommendation

We recommend that every bill be individually entered into SoftRight with its own invoice number. This mitigates the risk of an invoice being paid twice, as well as provides easier tracking of that invoice.

Informational Comments

Documentation of Internal Controls for Federal Grants

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 are 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).

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.

Plymouth County Retirement Association Assessment

Comment

During discussions with management of the Town it was expressed that maybe the Plymouth County Retirement Association's appropriation would be lower if the Town was assessed as an individual entity and not part of an overall pool. In other words, could the Town be paying more than its fair share due to another member community's mortality experience or enrollment data? For example, if Carver's annual COLA is 1% and other communities award an annual 3% COLA, could this be leading to the Town to paying a disproportionate share of the annual assessment? Furthermore, is this disproportionate share compounding over time?

The only way to determine if this were true would be for the System's actuary to determine each members contribution based on an individual actuarial report. There are other systems that do this. However, it must be done in its entirety or not at all