

TOWN OF CARVER, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2021

To the Honorable Select Board
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, 2021, 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.

Powers & Sullivan LLC

May 27, 2022

TOWN OF CARVER, MASSACHUSETTS

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Prior Year Comments

Internal Control Over Cash Collections

Prior Year Comment

Overall, we have found controls over cash to be fairly strong and the amount of cash collected by Town departments is not substantial. However, when departments outside of the Town Treasurer/Collector's office are allowed to collect cash, the risk associated with that Town revenue is increased. Several Town departments are collecting cash for services provided or for the fee associated with issuing licenses and permits. The cash is usually collected by the department and later turned over to the Treasurer/Collector's office.

In order to further strengthen internal control over cash the Town should consider two avenues: 1) stress that it is preferable that payment be made by check made out to the Town of Carver 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.

For departments not located at Town Hall, where it may not be practical to have residents pay the Collector directly, the Town should consider requiring the use of cash registers for all transactions, and that the cash register receipts be turned in with the associated collections as an added departmental control.

Current Status – Resolved.

The Town has a formal cash handling policy which requires that cash and checks be held in a locked cash drawer or locked cash box until turned over to the Treasurer. The Town departments receiving cash are complying with this policy and the Town has determined that this adequately secures the Town's funds. Consequently, this comment is considered resolved.

North Carver Water District User Charges Receivable

Prior Year Comment

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

Additionally, 1) the Planning Department has been unable to produce an accurate list of accounts receivable outstanding as of any particular date; 2) the Planning Department has not consistently provided commitments to the Accounting Department and 3) the Planning Department has not communicated when receivable balances were written off.

As a result, the Finance Department has been unable to determine if the user charges receivable recorded in the Town's financial statements is accurately reported, and that all payments for water usage have been turned over to the Town. As of fiscal year 2021, the outstanding balance reported on the Town's ledgers totaled approximately \$400 and annual revenues totaled approximately \$88,000.

Current Status – Partially Resolved.

The Town has relocated the process of reconciling the North Carver Water District user charges receivable to the Finance Department. The issues related to reporting commitments and write-offs has been resolved. The Finance Department has been unable to completely reconcile the accounts due to the current software system being unable to segregate accrued interest from the principal outstanding balances. The variances can range from a few hundred dollars to several thousand dollars. The Town is considering changes to the software system to facilitate the reconciliation process and to ensure accurate financial reporting.

Support for Housing Loan Receivable

Prior Year Comment

The housing loan receivable was established by the Planning Department as part of a program to help homeowners 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 any supporting documentation. The general ledger balance totals approximately \$21,000, which has not changed for several years.

We recommend that the Town investigate who the original loans were given to and the terms of the original loans and update the receivable balance accordingly.

Current Status – This matter remains unresolved.

Procurement Card (P-Card) Controls

Prior Year Comment

The School Department has two P-cards that are intended to be used for a limited number of purchases where a vendor will not accept a Town purchase order and it is not possible to go through the Town warrant process in advance of making the purchase. In practice, the Department has been using the P-cards for an increasing number of transactions and in some instances with vendors that customarily would accept Town purchase orders. Additionally, the department has not consistently provided adequate support with the P-card bill to the Finance Department to document what was purchased. Anytime a P-card is used, the purchase is made before it is approved through the Town's warrant approval process, increasing the risk that the purchase is not for an allowable municipal purchase, that it may not be in compliance with procurement laws or that funds may not have been appropriated for this purpose.

The School Department had not adopted formal policies and procedures over the use of P-cards. Such policies would protect the Town by restricting P-card usage to purchases where there is no option to have the purchase pre-approved through the Town's warrant process. We recommended that the School Department establish a policy and control process over the use of P-cards and that all P-card bills be submitted to the Finance Department with original detailed receipts to provide adequate support for the purchases.

Current Status – Resolved.

The school committee approved P-card policies on January 31, 2022.

Reconciliation of Escrow Accounts

Prior Year Comment

The Town maintains performance bonds and review and inspection deposits totaling approximately \$158,000 on the general ledger for various Highway, Planning and/or Conservation Commission purposes. These deposits are required to be maintained in separate bank accounts and are intended to represent deposits or escrow accounts received by the Town that must be returned to the original owners upon satisfactory completion of each individual project, or taken into the Town's balances if the project is complete and the vendor did not fulfill their responsibilities.

The Town has been unable to reconcile the bank account balances maintained by the Treasurer with the balances on the general ledger and with the detailed records maintained by the planning department. Several of the balances have had no activity for many years and the records may no longer exist.

As the custodian of these funds, the Town has a fiduciary responsibility to account for each project accurately. Without a reconciliation of each balance between the source documents, the bank balances, and the ledger, there is a risk of misclassifying payments, overpaying for project escrows, or of not returning funds to their rightful owners at the completion of a project.

We recommended that the Town implement a process to reconcile the escrow accounts between the bank balances, the planning department balances, and the general ledger balances. We also recommended that the Town investigate the projects associated with each account to determine if the projects have been completed and if the funds should be returned to the original depositors or if the funds belong to the Town.

Current Status – This matter remains unresolved.

Current Year Comment

Compliance with State Procurement Laws and Centralize Procurement Documentation

Comment

Chapter 30B of the Massachusetts General Laws, the Uniform Procurement Act, establishes uniform procedures for local governments to use when contracting for supplies, services and real property. Chapter 30B also requires that records be maintained to document the names and addresses of all persons contacted for quotes, all the persons that submitted quotes and the date and amount of each quote. Additionally, all contracts over \$10,000 are required to be in writing. The Office of the Inspector General is responsible for establishing the rules and regulations relative to the implementation of Chapter 30B for procurement of supplies and services.

Per the Office of the Inspector General, purchases made from statewide contracts procured through the Operational Services Division are exempt from the requirements of 30B. M.G.L. c. 30B (1)(c) and municipal entities are able to purchase products or services from statewide contracts without seeking bids or quotations. Municipal entities must comply with use guidelines provided for each statewide contract.

The Town's supporting documentation for procurements, such as bids, quotes and contracts are maintained by individual departments rather than in a centralized location. This increases the risk that such documentation will not be available when needed provide evidence that the procurement was made in compliance with state law. It also increases the risk that an obligation may be incurred without the going through the proper procurement process.

We identified at least one purchase, totaling \$175,000, for a project administered by an Owner's Project Manager (OPM) that was made through a vendor on the state bid list, where the item that was purchased was not covered under the state bid list contract for that vendor. As a result, that purchase was not procured in compliance with state procurement laws. The lack of compliance with state procurement laws also puts the Town at risk of not obtaining the most competitive prices for goods and services.

Recommendation

We recommend that the Town implement procedures to ensure all purchases made with Town funds are in compliance with the relevant state procurement laws and that adequate documentation is maintained to demonstrate the procurement process. Since procurement laws can be complex and subject to change, the Town should ensure that individuals charged with making procurement decisions are properly trained. Finally, to ensure that the Town has maintained adequate documentation for all purchases, we recommend that the Town centralize the maintenance of all procurement documentation.