

TOWN OF TEWKSBURY, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018

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To the Honorable Board of Selectmen
Town of Tewksbury, Massachusetts

In planning and performing our audit of the financial statements of the Town of Tewksbury, 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 Tewksbury, Massachusetts' 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 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 Tewksbury, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Powers & Sullivan, LLC".

October 10, 2018

TOWN OF TEWKSBURY, MASSACHUSETTS

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JUNE 30, 2018

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Prior Year Comments

Develop Written Disaster Recovery Policies

Prior Comment

Over the past few years, Town and School management have begun the process of creating a written disaster recovery plan. We encourage this process to continue. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing facilities.

A disaster recovery plan should include, but not be limited to, the following matters:

1. Location of, and access to, off-site storage.
2. A listing of all data files that would have to be obtained from the off-site storage location.
3. Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing. (Management should make arrangements for such backup with another organization, a computer vendor, or a service center. The agreement should be in writing.)
4. Responsibilities of various personnel in an emergency.
5. Priority of critical applications and reporting requirements during the emergency period.

We noted that management has upgraded the MUNIS, Student Data Management, and general data applications, including the associated hardware and that backup procedures are being redesigned to assure offsite backup of data.

In addition to the improvements noted above, we continue to recommend that all Town disaster recovery procedures be documented. We also recommend that Items 3, 4 and 5 be addressed in the document.

Status – Partially Resolved. The Town has begun to develop a written Disaster Recovery Plan.

Fixed Asset Capitalization Policy

Prior Comment

The Town has implemented a fixed asset software system to assist in tracking fixed assets. However, the Town currently does not have a written policy for capitalizing fixed assets. Implementing a fixed asset capitalization policy will reduce uncertainty as to which purchases to capitalize. This will allow asset types to be consistently capitalized.

We recommended the Town implement a written capitalization policy and have it formally approved by the Board of Selectmen. We also recommend that the capitalization threshold be increased from \$10,000 to \$35,000.

Status – Resolved. The Town has approved a fixed asset capitalization policy and an increase in their capitalization threshold to \$35,000.

Centralization of Procurement Documentation

Prior Comment

We noted supporting documentation for procurements, such as bids, quotes and contracts are being kept by individual departments instead of in a centralized location. This increases the risk that such documentation will not be available when needed for payment authorization, outside audits and other Town purposes. It also increases the risk that an obligation may be incurred without the proper bids or quotes and not be detected by Management.

We recommended that the Town develop a plan to centralize all procurement documentation in one location.

Status – Resolved. The Town has centralized the procurement documentation.

Develop Procedures for Recording the Disposal of Infrastructure Assets

Prior Comment

The Town does not have a process for reporting deletions of infrastructure assets once they have been replaced or reached the end of their useful life. As a result, the Town has not reported the deletion of any infrastructure assets since the implementation of GASB Statement #34. In compliance with GASB Statement #34, the Town is required to report all material capital assets at historical cost and to depreciate them over their useful lives. To accurately report capital assets, the Town must annually account for all capital asset additions and deletions. Since infrastructure assets cannot be specifically identified, the Town must establish a reasonable and consistent method for reporting deletions of infrastructure assets. This can be accomplished by establishing useful lives for each group of infrastructure assets consistent with the Town's system for maintaining each class of infrastructure (i.e. roads, sidewalks, water pipes, etc.)

We recommended the Town establish a policy for recording deletions of infrastructure assets as they reach the end of their useful lives and/or are replaced by new construction.

Status – Resolved. The Town has implemented a policy for infrastructure deletions.

Tax Lien Receivable Reconciliation

Prior Comment

We noted during the prior year that the Town does not have a reconciliation process in place for tax liens receivables. We recommended that formal reconciliation procedures between the Treasurer's office and the Town Accountant's office be implemented in order to ensure proper valuation of the accounts.

We recommended that the Town reconcile the activity in the tax liens receivable account on a monthly basis to ensure that the activity is properly accounted for.

Status – Resolved. The Town is reconciling the tax lien receivable account on a monthly basis.

Informational Comment

Documentation of Internal Controls

Current Year 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.

Status – Resolved. The Town has created an internal control manual that encompasses the major components of internal control.