

**TOWN OF WINCHESTER, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2014**



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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To the Honorable Board of Selectmen  
Town of Winchester, Massachusetts

In planning and performing our audit of the financial statements of the Town of Winchester, Massachusetts (Town) as of and for the year ended June 30, 2014, 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 matters that are opportunities to strengthen your internal control. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated February 12, 2015, 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 suggestions 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 Audit Advisory Committee, the Board of Selectmen and others within the Town, and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, MA  
February 12, 2015

**TOWN OF WINCHESTER, MASSACHUSETTS**

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## **Comments and Recommendations**

### **Procurement**

#### Comment

We identified the following deficiencies during our testing of procurement:

- The Town's policies and procedures manual related to procurement has not been updated for recent changes to Massachusetts General Laws Chapter 30B, the Uniform Procurement Act (MGL 30B). For example, the minimum threshold for obtaining quotations recently changed from \$5,000 to \$10,000 and the minimum threshold for obtaining bids recently changed from \$25,000 to \$35,000.
- For one (1) vendor tested, a contract could not be located. MGL 30B requires all written documents required by MGL 30B be retained on file for six years from the date of the final payment under a contract.
- Some of the documents we requested were filed at various departments and locations. Ideally, all procurement-related documents should be filed in a central location.

#### Recommendation

We recommend the Town:

- Update its policies and procedures manual related to procurement for all changes made to MGL 30B since the policies and procedures manual was initially created
- Implement policies and procedures to create, execute and file contracts for all procurements that fall under the requirements of MGL 30B and to retain such contracts for six years from the date of final payment
- Implement policies and procedures to file all procurement documents in a central location

#### Management's Response

Town Management agrees with the recommendations and will make the appropriate changes to the Financial Policies and Procedures Manual so that it addresses the updated thresholds and best practices.

In relation to filing procurement documents centrally, we will take this under advisement as we are reviewing the current filing structure.

## **Police Off-Duty Details**

### Comment

As of June 30, 2014, approximately \$70,000 of accounts receivable related to Police off-duty details were greater than two (2) years old. Given the aging of these accounts receivable, the majority of the balance may be uncollectible, which would require the Town to fund the Police Off-Duty Details Fund by other available funds (e.g., free cash).

### Recommendation

We recommend the Town review its Police off-duty details accounts receivable and write off accounts receivable that are deemed uncollectible.

We recommend any deficit in the Police Off-Duty Detail Fund be funded with available funds.

### Management's Response

Town Management agrees with the recommendation that uncollectable Police Off-Duty Detail accounts be written off, and that funds be made available to fund this process.

Over the past few years, the Treasurer, in conjunction with the Police Department, have reviewed all outstanding Police Detail Receivables and identified a number of accounts that have been deemed uncollectable. Discussions have also taken place with the Department of Revenue regarding the process they recommend the Town follow.

A more complete review is currently underway with the intention of preparing a Town Meeting Article for the funding of these accounts, in order to reduce this receivable. The Treasurer, together with the Town Manager and the Police Department, are also exploring improved methods for the billing and collection of all Police Detail accounts.

## **Recreation Department**

### Comment

In prior years' Management Letters, we identified that the Recreation Department (Department) has not completed and implemented a formal financial policies and procedures manual documenting the system of internal control surrounding the Department's operations.

Although our comment remains unresolved, it should be noted that the Town has previously developed and implemented formal financial policies and procedures manuals that address general controls and procedures related to significant financial transactions (cash receipts, cash disbursements, etc.).

### Recommendation

We recommend the Department work with the Town's Finance Team to develop and implement policies and procedures that are specific to the Department's cash receipts and revenues and to add these specific areas to the Town's existing financial policies and procedures manual.

### Management's Response

Town Management agrees with this recommendation and will continue to work with the Recreation Department and other Town Departments to update the existing Financial Policies and Procedures Manual to make sure it is relevant and includes all essential financial operations.

## **Risk Assessment and Monitoring**

### Comment

In previous years, the Town implemented the following risk assessment and monitoring policies and procedures:

- A MUNIS report was developed to assist department heads in managing their budgets
- All vendor payments over \$3,000 are required to be formally approved by the Town Manager, Assistant Town Manager and Comptroller
- The Recreation Department underwent a cash procedures review by the Treasurer/Collector
- Fraud Prevention and Detection and Financial Policies and Procedures manuals were finalized

In addition, during fiscal year 2014, the Town's finance team began the process of identifying risk areas to focus on as part of a formal risk assessment and monitoring program.

While these efforts relate to risk assessment and monitoring, continued measures must be taken to fully establish a comprehensive risk assessment and monitoring program.

The risk assessment process should consider the Town's vulnerability to misappropriation of assets. It should also address operations that involve heightened levels of risk. Once the areas vulnerable to risks have been identified, a review of the Town's systems, procedures, and existing controls related to these areas should be conducted. The Town should consider what additional controls (if any) need to be implemented to reduce risk.

After risk has been assessed, periodic monitoring of the identified risk areas must be performed in order to evaluate the controls that have been implemented to mitigate the risks. Since control-related policies and procedures tend to deteriorate over time, the monitoring process ensures that controls are fully operational and effective.

### Recommendation

We recommend management develop and implement a risk assessment program to periodically anticipate, identify, analyze, and manage the risk of asset misappropriation. The risk assessment program should be formally documented and become part of the Town's financial policies and procedures manual.

We recommend management develop and implement a monitoring program to periodically evaluate the operational effectiveness of internal controls. The monitoring process should be documented in order to facilitate the evaluation of controls and to identify improvements that need to be made.

### Management's Response

Town Management agrees with this recommendation and it is our goal to dedicate more resources to this task. The process of establishing the appropriate financial team to develop and implement a risk assessment and monitoring program is ongoing. The program will include a formal documentation of how the Town anticipates, identifies, analyzes and manages the various risks each department is exposed to, including, but not limited to the risk of asset misappropriation. The program will also incorporate monitoring procedures to periodically evaluate internal control effectiveness in each department as processes, technology and other factors change.