

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS

SUGGESTIONS FOR IMPROVEMENT IN ACCOUNTING
PROCEDURES AND INTERNAL CONTROL
JUNE 30, 2020

To the Honorable Board of Selectmen
Town of East Bridgewater, Massachusetts

In planning and performing our audit of the financial statements of the Town of East Bridgewater, Massachusetts (the Town) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

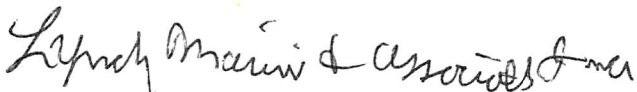
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We are also submitting for your consideration comments and recommendations which are not considered to be significant deficiencies but are intended to improve operations and internal accounting control.

The comments and recommendations presented herewith in are intended to improve the system of internal accounting control or result in other operating efficiencies. This communication is critical by nature because its purpose is to identify issues and areas where improvements can be made. Accordingly, we have not commented on positive attributes of the Town's financial management systems. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex governmental accounting environment and we recognize that practical considerations are an important factor in changing administrative practices and internal control. The Town should weigh the advantages and disadvantages of the suggested changes over the present practices and procedures.

We would like to acknowledge the courtesy and assistance extended to us by Town personnel during our audit. This communication is intended solely for the information and use of Town management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Norwell, Massachusetts
February 22, 2021

PRIOR YEAR COMMENTS

A part of the audit of the Town's financial statements for the year ended June 30, 2019, we had several comments and suggestions in our report dated July 28, 2020. The current status of such comments are noted below, as applicable.

Evaluation of the internal control environment & risk assessments

As noted in our previous Suggestions For Improvement in Accounting Procedures and Internal Control, the Town was in the process of developing a manual of financial procedures. This manual was approved in fiscal year 2021. As internal control evaluations and risk assessments are ongoing, management should continue to monitor and update established policies and procedures.

Develop Fraud Policy

As recommended in our previous Suggestions For Improvements Improvement in Accounting Procedures and Internal Control, the Town adopted a fraud policy during fiscal year 2020. We continue to recommend that management continue to review and update policy, as applicable.

Enhanced Controls Over School Department Cash Receipts

In our previous audits, we recommended management implement appropriate internal controls over all school cash receipts. While certain internal controls were previously implemented, we continue to recommend management review, update and implement appropriate internal controls, including reconciliation, with the Town's general ledger.

Capitalization Policy

In the prior year review of capital assets, we noted that there is no formal capitalization threshold. The Uniform Massachusetts Account System defines a capital asset as "generally having a useful life of greater than 1 year and a value of greater than \$5,000".

While capital planning policies and procedures were included in the financial policies and procedures approved in fiscal year 2021, we continue to recommend the Town formally adopt a capitalization policy related to financial reporting.

Reconciliation of Student Activity Accounts

In prior years, we recommended student activity accounts be reconciled and procedures followed, as outlined in the Student Activity Funds Guidelines, issued by the Department of Elementary and Secondary Education. This recommendation is still applicable.

Increasing Fidelity Bond Coverage

In prior years, we noted the Assistant Treasurer did not maintain an adequate fidelity bond amount in accordance with Massachusetts General Laws (M.G.L.) and recommended fidelity bonds be maintained in compliance with M.G.L. The Town has obtained necessary coverage.

Unsecured Bank Deposits

During our prior audit, we noted the Town was not in compliance with its investment policy relating to unsecured deposits. As of June 30, 2020, \$3.2 million of unsecured deposits at one bank exceeded 10% of the Town's cash (\$1.7 million) by \$1.5 million. While the Town has considered the financial health of the bank, the Town's investment policy states that unsecured deposits will be limited to no more than 10% of a municipality's cash. Management should consider revising adopted policies, as applicable.

Perform Tailing Procedures

In our previous audits, we recommended the Town perform the mandatory tailing procedures through the adoption of M.G.L. Chapter 200A, Section 9A, which the Town adopted at the fiscal year 2021 Annual Town Meeting.

Solid Waste Fund

In our previous audits, we recommend that management evaluate the ongoing viability of the Solid Waste Fund being operated as an Enterprise Fund. Management did adjust service rates to address this matter; however, as a result of the pandemic, management continues to evaluate the financial impact.

CURRENT YEAR COMMENTS & RECOMMENDATIONS

There are not any new additional current year comments as a result of our current year audit.

INFORMATIONAL

Future GASB Pronouncements:

The following are future pronouncements issued by the Governmental Accounting Standards Board (GASB). The Town should become familiar with these pronouncements to evaluate the future potential impact on the Town's financial statements. If needed, we are available to assist and/or answer questions surrounding these pronouncements.

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2021, as amended by GASB Statement No. 95. This pronouncement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in fiscal year 2022, as amended by GASB Statement No. 95. This pronouncement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GAST Statements No. 14 and No. 61*, which is required to be implemented in fiscal year 2021, as amended by GAST Statement No. 95. This pronouncement improves the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

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