

TOWN OF EAST BRIDGEWATER, MASSACHUSETTS
SUGGESTIONS FOR IMPROVEMENT IN ACCOUNTING
PROCEDURES AND INTERNAL CONTROL
JUNE 30, 2017

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, 2017, 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. The factual accuracy of our comments has been discussed with management to obtain their concurrence before the development of our recommendations for improvement. Matters commented on represent findings during the audit and have not been reviewed subsequent to March 8, 2018.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on many 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.

Lynch Marini & Associates Inc

Norwell, Massachusetts
March 8, 2018

PRIOR YEAR COMMENTS

A part of the audit of the Town's financial statements for the year ended June 30, 2016, we had several comments and suggestions in our report dated March 31, 2017. The current status of such comments are noted below, as applicable.

Allocation of Net Pension Liability to Business-Type Activities

With the implementation of GASB No. 68, we recommended best practice to allocate the Net Pension Liability amongst the Town's governmental activities and all business-type activities. As recommended by the National Council on Governmental Accounting, Statement 1, *Governmental Accounting and Financial Reporting Principles* paragraph 42, long-term liabilities that are "directly related to, and expected to be paid from" those funds be reported in the statement of net position or statement of fiduciary net position, respectively.

We continue to recommend allocating net pension liability amongst business-type activities.

Capitalization Policy

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

We continue to recommend that the Town adopt a capitalization policy.

Reconciliation of Student Activity Accounts

Per prior year discussions with the town Treasurer/Collector, we were informed that Student Activity checking accounts do not have formal reconciliations prepared on a monthly basis. We recommended that these reconciliations be performed on a monthly basis. In addition, we recommended compliance with the Student Activity Funds Guidelines issued by the Department of Elementary and Secondary Education.

We continue to recommend that Student Activity checking accounts be reconciled on a monthly basis and compliance with DESE guidelines.

Maintenance and Recordkeeping of Grants

As a result of prior year procedures performed during the Single Audit under the Uniform Guidance, we recommended the School Department enhance the reconciliation process between supporting spreadsheets maintained to track grants and the general ledger.

We evaluated this comment in the current year and determined that monthly reconciliations are being performed timely and accurately.

Commingling of Grants

During the prior year audit, we noted that the SPED 240 grant was comprised of two sub grants that were comingled in the general ledger and the tracking spreadsheets. We recommended that in the event a grant is comprised of multiple sub grants, that it be accounted for separately in the general ledger and tracking spreadsheets.

We evaluated this comment in the current year and determined that the general ledger and tracking spreadsheets adequately segregate sub grants.

CURRENT YEAR COMMENTS

As part of our audit of the Town's financial statements for the year ended June 30, 2017, we have the following comments and recommendations:

Increasing Fidelity Bond Coverage

During our test of compliance with insurance coverage requirements, we noted that the Treasurer had \$200,000 in coverage and the Assistant Treasurer had \$50,000 in coverage for the periods 9/23/2016 – 9/23/2017 and 12/28/16 – 12/28/2017, respectively. Since the Treasurer handles receipts in excess of \$50 million, the required bond coverage is \$250,000. The minimum amount of the bond of an Assistant Treasurer is one quarter of the amount associated with the Treasurer. We recommend fidelity bonds be maintained in compliance with MGL.

Accurate Submission of Grant Final Reports

During the procedures performed for the Single Audit, we noted that the final report for the FY2016 SPED 240 grant submitted to the Commonwealth of Massachusetts did not agree to the general ledger for the grant period. Total expenditures per the final report were \$491,127 and total expenditures for the reporting period in the general ledger were \$517,783. We recommend that final reports are reconciled to the general ledger before submission to the Commonwealth.

* * * * *