

TOWN OF WAYLAND, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2015

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Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

To the Board of Selectmen
Town of Wayland, Massachusetts

In planning and performing our audit of the financial statements of the Town of Wayland, Massachusetts as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Wayland'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 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 internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. In addition, because of the inherent limitation in internal control, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

The Town's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Selectmen, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

Melanson Heath

December 3, 2015

PRIOR YEAR RECOMMENDATION:

1. Improve Automation in Tax Collector's Office

Prior Year Issue:

In the prior year, we recommend the Town consider automation improvements in the Treasurer/Collector Office. Specifically, the software should contain some of the following features:

- Integration with the Town Accountant's records.
- Automated cash register and receipt validator.
- Automated daily cash-out function.
- Optical scanning of tax bills for posting receipts to customer accounts.

Current Year Status:

In the fall of 2015, the Town had an IT Assessment performed.

Further Action Needed:

We continue to recommend the Town consider automation improvements in the Treasurer/Collector Office. The above noted features should result in improved efficiency, eliminating the need for many manual and time-consuming procedures as well as provide additional mitigating controls given the limited number of employees in the office.

Town's Response:

The Town continues to use both MUNIS and VADAR Financial Management Systems. As mentioned under Current Year Status, in the fall of 2015 the Town had an IT Assessment performed. The IT Assessment recommended the hiring of an IT Director that would guide the Town in the decision-making process of how best to accomplish a more automated process and improved integration of the two systems currently used. It is anticipated that this will take place in 2016.

CURRENT YEAR RECOMMENDATIONS:

2. Re-establish Timely Cash Reconciliations

During fiscal year 2015, complete cash reconciliations were not performed on a regular and timely basis. This breakdown in controls appears to result from turnover in the Treasurer's office and the attempted breaches to Town bank accounts. As a result, the year-end closing process including the certification of free cash was delayed. The Town engaged an outside service provider to assist the new Treasurer in reconciling all bank accounts, cash book and MUNIS through June 30, 2015. This process concluded in early November 2015.

We recommend that the Town establish a goal to have up-to-date cash reconciliations by January 31, 2016. Implementation of this recommendation will improve the reliability of interim financial reports and accelerate the year-end closing process.

Town's Response:

Cash is being formally reconciled on a monthly basis. As of December 1st we are reconciled through October 2015. Receipts are being posted on a daily basis in both the cashbook and MUNIS. Additionally, we have installed a cash register system whereas all receipts that run through the Collector/Treasurer's office are properly recorded and balanced at the end of the day. These three processes should eliminate any cash balancing issues at year end.

3. Prepare for New Single Audit Requirements

In fiscal year 2016, there will be significant new requirements related to single audits. In addition to raising the threshold for requiring a single audit from \$500,000 to \$750,000, there are new requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (UG) for single audits. The following summarizes the major changes:

- Financial and program management –
 - Establish written policies and procedures for the following:
 - Cash management
 - Determination of allowable costs
 - Employee travel
 - Implement internal controls that comply with COSO's "Internal Control Integrated Framework"
- Property standards – equipment –
 - Maintain property records that include description, serial/identification number, source of funding, acquisition date, cost, location, and ultimate disposition data
 - Conduct a physical inventory every 2 years and reconcile to property/fixed asset records
 - Implement a control system to safeguard property from loss, damage, theft
- Procurement –
 - Establish written policies and procedures for the following:
 - Procurement in compliance with the new procurement standards
 - Standards of conduct covering conflicts of interest
 - Process for conducting proposal evaluations
 - Maintain certain records to detail the history of procurement

- Implement oversight procedures to ensure contractors perform in accordance with terms
- Subrecipient monitoring and management –
 - Establish written policies and procedures for the following:
 - Communication of award requirements
 - Responsibilities for monitoring subrecipients
 - Process for monitoring
 - Methodology for resolving findings
 - Requirements for audits

We recommend that the Town prepare for the single audit changes by training staff and establishing the aforementioned documented policies and procedures. This will help the Town to minimize the risk of new single audit compliance findings in fiscal year 2016.

Town's Response:

The Town is aware of the new requirements, has attended training, and is refining, developing, implementing and publishing new procedures to comply with the new requirements.

On May 12, 2015, the Wayland Public Schools Director of Special Education, School Business Manager and School Accountant participated in a full day training session about the *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, published by the Office of Management and Business (OMB), released in December of 2014. The day-long training was presented by the Department of Elementary and Secondary Education (DESE). The training's agenda included grants administrative changes, IDEA fiscal requirements, policies and procedures, and maintaining fiscal control and oversight.

In addition, the School Accountant and Accounting Office Clerk are participating in a total of four days of training, one day per quarter, during the 2015-2016 fiscal year presented by the Massachusetts Association for School Business Officials (MASBO) with the required outcome of expanding the District's procedural manual to include the new OMB requirements. The manual will be used as a tool and resource for training district staff.

The District has also has received, reviewed, signed, and submitted to DESE the FY2016 Grant Assurances Document. A copy of the document is on file and available upon request.

Lastly, the Director of Special Education, with support from the School Accountant, is completing the necessary and required forms such as Maintenance of Effort Calculation and Excess Cost Calculation for submittal to DESE by the end of December, 2015.