

TOWN OF WAYLAND, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY LETTER	1
 <u>PRIOR YEAR RECOMMENDATION:</u>	
1. Improve Automation in Tax Collector's Office	3
 <u>CURRENT YEAR RECOMMENDATIONS:</u>	
2. Establish More Comprehensive Long-term Debt Schedules	3
3. Improve Controls Over Water Abatements	4
4. Prepare to Implement GASB 74 and 75 for OPEB	4
5. Implement Municipal Modernization Changes	5

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, 2016, 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.

_____, 2016

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.
- Automation of cash register and receipt validator.
- Automation of daily cash-out function.
- Optical scanning of tax bills for posting receipts to customer accounts.

Current Year Status:

The Town hired a new IT Director in fiscal year 2016 and we understand will consider incorporating this project into the fiscal year 2018 budget.

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:

CURRENT YEAR RECOMMENDATIONS:

2. Establish More Comprehensive Long-term Debt Schedules

The Town's long-term debt interest amortization schedules are estimated based on prior amortization summaries and certain assumptions regarding the debt refunding that occurred in fiscal year 2016. As a result, the annual future debt service requirements may be different from the amounts reported in the schedule and the distinction between water and waste water debt is not always clear.

We recommend that the Town, in conjunction with its financial advisor, prepare a comprehensive schedule of future principal and interest requirements based

on actual amortization schedules. Preparation of such a report will provide the Town assurance that annual appropriations will match debt service requirements.

Town's Response:

3. Improve Controls Over Water Abatements

Our audit disclosed that incorrect water meter readings are currently abated by the Public Works Department and not the Board of Public Works. As a result, meter reading errors do not receive the same level of monitoring applied to other abatements.

We recommend that the Public Works Department obtain Board approval on all abatements. Implementation of this recommendation will improve oversight over all billing adjustments.

Town's Response:

4. Prepare to Implement GASB 74 and 75 for OPEB

Beginning in fiscal year 2017, the Town will be required to implement the Governmental Accounting Standards Board (GASB) Statement 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), and in fiscal year 2018 GASB Statement 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB 74 applies if a trust fund has been established to fund future OPEB costs, and GASB 75 applies whenever OPEB benefits are offered. GASB has taken the position that OPEB is a form of compensation and the liability/expense should be recognized while the employee provides service to the government. GASB Statements 74 and 75 replace Statements 43 and 45, and require the full net OPEB liability and related expenses to be presented on the government's accrual basis financial statements. Previously, the liability was recorded incrementally, generally increasing based on the degree to which a government funded the annual required contribution. It is expected that the implementation of these accounting standards will have a material impact on the Town's financial statements, including the recording of a larger net OPEB liability and substantial new disclosures.

We recommend the Town begin planning for the implementation of GASB 74 and 75, which includes gaining an understanding of the new requirements, educating applicable financial statement users, and ensuring that actuarial valuations are performed in a timely manner and in compliance with the new requirements. More specifically, for Towns that have established OPEB Trust Funds, GASB 74 will require additional required supplementary information in the fiscal 2017 audited financial statements. Therefore it is critical that the first GASB 74/75 actuarial valuation be completed in a timely manner, preferably with a July 1, 2016 measurement date. It will be also important for the Town to maintain an adequate system of documentation to support the employee census data information provided to the actuary, since this information will now be subject to annual audit testing.

Town's Response:

5. Implement Municipal Modernization Changes

In August 2016 the Governor signed the Municipal Modernization bill which changes and streamlines many existing Massachusetts General Laws (MGLs) that apply to local governments. The changes include revisions to MGLs affecting borrowing, collection procedures, financial management and governance, tax administration and exemptions, and special funds. These changes generally are effective November 7, 2016.

We recommend the Town take action to understand and implement the changes that are applicable to the Town. This will hopefully help reduce the Town's accountability and governance requirements, while ensuring continued compliance with MGLs.

Town's Response: