

TOWN OF WAYLAND, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2019

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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, 2019, 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.

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. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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. A reasonable possibility exists when the likelihood of an event occurring is either reasonable possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance. We consider item number 2 of this report to be a significant deficiency. During our audit, we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The other 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.

January 30, 2020

PRIOR YEAR RECOMMENDATION:

1. Ensure Compliance with Uniform Guidance

Prior Year Issue:

In the prior year, we recommended that the Town implement enhanced policies and procedures and that all departments be made aware of Uniform Guidance (over federal grants) requirements, including but not limited to: written procedures in accordance with COSO's internal control framework, enhanced capital asset accounting, and enhanced procurement procedures.

Current Year Status:

The recommendation has not yet been implemented.

Further Action Needed:

We continue to recommend that the Town adopt enhanced policies and procedures to ensure compliance with federal guidelines.

Town's Response:

While the Town does not received any Federal Grants more than \$750,000, Town Management is aware of this requirement. The Town Administrator and Finance Director will conduct a review of existing policies and procedures related to the Federal Grant requirements and implement further improvements as needed. Over the past year, the Town has begun implementing enhanced procurement procedures. The Town will develop written policies and procedures. We understand and agree that maintaining proper documentation for Federal Grants is imperative.

CURRENT YEAR RECOMMENDATIONS:

2. Re-establish Timely Cash Reconciliations

During fiscal year 2019, complete cash reconciliations were not performed on a regular and timely basis. As a result, the year-end closing process, including the certification of free cash and audit were delayed. The Town engaged an outside service provider to assist in reconciling all bank accounts, cash book, and MUNIS through June 30, 2019. This process concluded in October 2019.

We recommend that the Town re-establish monthly cash reconciliations. Implementation of this recommendation will improve the reliability of interim financial reports and accelerate the year-end closing process.

Town's Response:

Town Management agrees with the importance of maintaining timely and accurate reconciliations of cash within the Treasury Department. Due to employee turnover in the Treasury Department the Town hired a financial advisor to assist in maintain timely cash reconciliations. We expect that at year end the cash reconciliation will be accurate and completed and Town staff will perform accurate and timely reconciliations going forward.

3. Fund the Withholding Account

The Town's Group Insurance withholding account (a clearing account used to account for the employee's contribution to the cost of health insurance) turned negative during the year, indicating that employee withholdings may not be sufficient to cover their proportionate share of the cost. The Town has analyzed all inflows and outflows to the account and determined that withholdings were not consistently received from School Department employees on a timely basis in past years. For example, often withholdings from a new employee would commence three months into the employee's service to the Town. At its highest point, the deficit had a negative balance ranging from \$150,000 to \$200,000. We understand that the recoupment of these monies is now being negotiated through collective bargaining.

We recommend that the Town fund the deficit in the Group Insurance Withholding account with either, or a combination of, recoupment of monies from employees or through the appropriation process.

Town's Response:

Town Management is actively pursuing an acceptable resolution to recovering employee benefit contributions. The resolution will be addressed during the School collective bargaining process. Town Management understands that any deficit remaining after collective bargaining will need to be funded through an appropriation.

4. Improve Controls Over Payroll

Our sample testing of payroll disclosed the following:

- A few employees were overpaid resulting from either incorrect data entered into the system or payment being based on hours “planned to work” and not actual hours. We understand that these issues were subsequently resolved.
- A few afterschool program employees did not have a contract resulting in an inability to ensure the proper rate of pay. We understand that contracts for these services are being implemented in fiscal year 2020.
- Police Detail hours were entered to the payroll system based on information received from the Police Department Administrative Assistant without approval from a department supervisor.

We recommend that the Town perform an internal audit of payroll as of December 31, 2019. Town procedures should be revised to ensure that timesheets include actual hours worked only and not planned hours. Further, Town procedures should be revised to require approved timesheets to support detail hours, not simply an email indicating the hours worked.

Town’s Response:

School Department’s Response

The School Department identified and corrected any overpayment to one employee in March. In addition, as a result of the Auditor’s recommendation, the School Department has replaced its use of time sheets to issuing contracts to pay tutors who deliver instruction to students in the afterschool program.

Over the past six months, the School Department has taken a number of steps to improve the accuracy of its payroll and human resources systems including but not limited to contracting for and conducting two outside examinations of employee contracts with human resources and payroll data in Munis, refining and standardizing tools to gather accurate information from school for each payroll period, changing its payroll review process, providing training and onsite consultation to employees for reporting time entry and understanding paychecks, updating 403B and 457 plans, correcting the accrual system, improving reports to state pension plans and further segregating duties between human resources and payroll.

Police Detail Response

The Police Department has implemented review procedures related to Detail hours. All Detail hour pay will be reviewed and approved by either the Police Chief or the Lieutenant.

