

TOWN OF WINCHESTER, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018



CliftonLarsonAllen LLP
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Management
Town of Winchester, Massachusetts

In planning and performing our audit of the financial statements of the Town of Winchester, Massachusetts (Town) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

However, during our audit we became aware of matters that are opportunities to strengthen your internal control. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated February 6, 2019.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

This communication is intended solely for the information and use of management, the audit advisory committee, the select board and others within the Town, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
February 6, 2019

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Comments and Recommendations

Water/Sewer Billing

Comment

The Town voted to change water/sewer billing rates effective July 1, 2017. We identified that Water/Sewer bills processed in July 2017 were not reflective of the new billing rates.

According to a memo from the Town's Department of Public Works (DPW), the under-billing was detected after the bills had been issued. The underlying cause was a lack of full communication related to implementing the new billing rates.

In the memo referred to above, the DPW estimates that the under-billing totaled approximately \$18,000. Our recalculations of the under-billing were consistent with this estimate.

Recommendation

We recommend the Town implement procedures to timely update their billing system to reflect new rates immediately after they are voted and approved by the Town.

Management's Response

Corrective action has been taken by establishing an alert system so that when changes are made by Town Meeting, the team is notified to make the appropriate changes.

Financial Policies and Procedures

Comment

Several years ago, the Town developed and implemented formal, written financial policies and procedures. With some exceptions, the policies and procedures have not been formally reevaluated and updated since the initial implementation.

Financial policies and procedures should be periodically evaluated and modified to:

- Verify they accurately reflect current practice
- Determine they are complete and address all aspects of the Town's financial transactions
- Reflect changes in laws, regulations, technology, operations, etc.

Recommendation

We recommend management collaborate with all Town departments to evaluate its existing financial policies and procedures and update them accordingly.

Management's Response

Town Management will be working with departments to make the necessary updates so that we have updated, relevant documentation of essential financial operations.

Risk Assessment and Monitoring

Comment

In previous years, the Town implemented the following risk assessment and monitoring policies and procedures:

- A monthly MUNIS reporting process was developed to assist department heads in managing their budgets
- All vendor procurements over \$3,000 are required to be formally approved by the Town Manager's Office
 - Effective July 1, 2015, the threshold was changed to \$10,000 to better align with Massachusetts General Laws Chapter 30B
- The Recreation Department underwent a cash procedures review by the Treasurer/Collector
- Fraud Prevention and Detection and Financial Policies and Procedures manuals were finalized

In addition:

- During fiscal years 2014 through 2018, the Town's finance team took steps to identify risk areas to focus on as part of a formal risk assessment and monitoring program
- The finance team has conducted monitoring procedures with the Recreation department to discuss updated cash handling processes and collections in general
- The finance team continues to perform vital monthly reconciliation procedures (cash, accounts receivable, etc.) to mitigate financial reporting risks

While these efforts relate to risk assessment and monitoring, continued measures must be taken to fully establish a comprehensive risk assessment and monitoring program.

The risk assessment process should consider the Town's vulnerability to misappropriation of assets. It should also address operations that involve heightened levels of risk. Once the areas vulnerable to risks have been identified, a review of the Town's systems, procedures, and existing controls related to these areas should be conducted. The Town should consider what additional controls (if any) need to be implemented to reduce risk.

After risk has been assessed, periodic monitoring of the identified risk areas must be performed in order to evaluate the controls that have been implemented to mitigate the risks. Since control-related policies and procedures tend to deteriorate over time, the monitoring process ensures that controls are fully operational and effective.

Risk Assessment and Monitoring (Continued)

Recommendation

We recommend management develop and implement a risk assessment program to periodically anticipate, identify, analyze, and manage the risk of asset misappropriation. The risk assessment program should be formally documented and become part of the Town's written financial policies and procedures.

We recommend management develop and implement a monitoring program to periodically evaluate the operational effectiveness of internal controls. The monitoring process should be documented in order to facilitate the evaluation of controls and to identify improvements that need to be made.

Management's Response

Town Management realizes the importance of developing and implementing a formally documented risk assessment program and will work on this with the departments as time allows.