

TOWN OF BARNSTABLE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018



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To the Honorable Town Council
Town of Barnstable, Massachusetts

In planning and performing our audit of the financial statements of the Town of Barnstable, Massachusetts, as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Barnstable, Massachusetts' 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 several matters that represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

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 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.

This communication is intended solely for the information and use of management of the Town of Barnstable, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan LLC

December 20, 2018

TOWN OF BARNSTABLE, MASSACHUSETTS

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Prior Period Comments

Fixed Assets

Prior Comment

Since the implementation of GASB #34, the Town has compiled a detailed listing of all assets owned by the various departments of the Town. Maintaining this list requires the Town to account for additions, deletions, disposals and transfers of fixed assets. The Town has implemented procedures to account for annual fixed asset additions; however, procedures have not been implemented to properly account for deletions, disposals or transfers. In order to maintain a complete and accurate fixed asset listing the Town needs to develop procedures to facilitate accurate fixed asset reporting.

For several years we have recommended that the Town work to develop and implement policies and procedures to insure the proper accounting for all capital assets and that they also maintain a complete and accurate fixed asset listing by both function and location. One method for identifying non-infrastructure fixed asset disposals would be to annually confirm their existence with each department. To account for infrastructure disposals, it is often more practical to implement a systematic and rational method to estimate the assets replaced each year.

Current Status – *Partially Resolved*. The Town has begun the process to remove some of their governmental assets that can be easily identified and are no longer in service throughout the various Town departments. No disposals of business-type assets have been recorded in the current year, but are expected to be recorded in future years.

Management of Student Activity Funds

Prior Comment

Massachusetts General Law (MGL), Chapter 71, Section 47 requires that school districts maintain student activity funds in accordance with guidelines issued by the Department of Elementary and Secondary Education (DESE).

The DESE has published a comprehensive manual titled Agreed-Upon Procedures and Audit Guidelines – Student Activity Funds. Within each section of the manual is the DESE Policy Guidance, the MGL Requirement and DESE's explanation of what type of policies, internal controls and audit procedures should be implemented in order to be in compliance with the law.

These guidelines can be found on the DESE website at the following address:

<http://www.doe.mass.edu/finance/accounting>

One of the MGL requirements is that an annual audit of the student activities be completed. The DESE manual provides guidance on the acceptable methods and timing of the audit. The Town has not conducted an audit in the manner required by the MGL and the DESE in recent years.

We recommended that the Town implement policies and procedures to comply with the MGL audit requirement and the guidelines established by DESE.

Current Status – *Partially Resolved*. The Town has completed an internal review of the Barnstable High School student activity funds. The Town is still in the process of implementing policies and procedures to comply with the MGL audit requirement.

Documentation of Internal Controls

Prior Comment

In December 2013, the U.S. Office of Management and Budget (OMB) issued Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) in an effort to (1) streamline guidance for federal awards while easing the administrative burden and (2) to strengthen oversight over the expenditure of federal funds and to reduce the risks of waste, fraud and abuse.

The Uniform Guidance supersedes and streamlines requirements from eight different federal grant circulars (including OMB Circular A-133) into one set of guidance. Local governments were required to implement the new administrative requirements and cost principles for all new federal awards and to additional funding to existing awards made after December 26, 2014 (fiscal year 2016).

In conformance with Uniform Guidance, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States (the Green Book) and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management is responsible for internal controls and to see that the entity is doing what needs to be done to meet its objectives. Governments have limited resources and constraints on how much can be spent on designing, implementing, and conducting systems of internal control. The COSO Framework can help management consider alternative approaches and decide what action it needs to take to meet its objectives. Depending on circumstances, these approaches and decisions can contribute to efficiencies in the design, implementation, and conduct of internal control. With the COSO Framework, management can more successfully diagnose issues and assert effectiveness regarding their internal controls and, for external financial reporting, help avoid material weaknesses or significant deficiencies.

The COSO internal control framework must incorporate the 5 major components of internal control, while addressing the 17 principles of internal control that support the COSO framework. Refer to www.coso.org for articles describing the 5 components and their 17 principles in detail.

Management should evaluate and assess the government’s internal control system to determine whether: each of the five essential elements of a comprehensive framework of internal control is present throughout the organization; whether each element addresses all of the associated principles; and whether all five elements effectively function together.

Current Status – Partially Resolved. The Town has started a process to assess and document the internal controls in different departments.