TOWN OF BURLINGTON, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2013
To the Honorable Board of Selectmen  
Town of Burlington, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Burlington, Massachusetts as of and for the fiscal year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding 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.

The Town’s written response to the matters identified in our audit has 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 of the Town of Burlington, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

November 25, 2013
# TOWN OF BURLINGTON, MASSACHUSETTS

## MANAGEMENT LETTER

**JUNE 30, 2013**

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PRIOR YEAR COMMENTS
TAILINGS

Prior Comment

In prior years we had noted issues related to the monitoring, managing and reconciliation of the tailings account administered by the Treasurer’s Office.

Tailings represent checks issued by the Town that have not been cashed by the recipient (i.e. outstanding checks). Chapter 200(a), Abandoned Property, Section 9(a) of Massachusetts General Law provides a mechanism by which a treasurer can account for and reclaim these un-cashed checks. There are two basic procedures to follow based on the amount of the outstanding check; those that are less than $100 issued by the Town and those in the amount of $100 or more issued by the Town.

Current Status

The Treasurer’s office has made significant improvements in monitoring and managing tailings. The Treasurer’s office moved checks into the tailings account during the fiscal year and was able to provide a detailed listing of checks that comprised most of the balance reported on the ledger. Of the tailings amount reported on the ledger, $2,600 of checks was unsupported and therefore we considered this matter resolved.

VENDOR BANK ACCOUNT RECONCILIATIONS

Prior Comment

In prior years we had noted that the reconciliations for the vendor account were not occurring monthly. We also noted there were a significant number of unidentified reconciling items. We had recommended that all cash accounts be reconciled monthly and that reconciling items be clearly identified and resolved in a timely fashion.

The basis for this comment was that if reconciliations are not performed monthly, there is a risk that errors or irregularities may occur and not be detected within a timely manner and that detection of potential fraud is reduced.

Current Status

During fiscal 2013, the vendor account had not been reconciled on the suggested monthly basis causing there to be unidentified variances at fiscal year-end. The Treasurer opened a new vendor bank account during fiscal 2014 and designed procedures to reconcile the accounts on a monthly basis.

Continuing Recommendation

We continue to recommend that all cash accounts be reconciled monthly and to identify and resolve reconciling items in a timely manner. We further recommend that the vendor account reconciliation be reviewed and approved by the Treasurer each month.

Management’s Response

The Town is now reconciling all bank accounts within 60 days of month end. It is management’s goal to have all accounts reconciled within 45 days of month end.
IMPLEMENT A MONTH-END CLOSING SCHEDULE

Prior Comment

We have noted over the past few years that the Town is unable to perform a monthly close out in a timely manner. The closing process is usually delayed because critical procedures are either not performed on time or are performed too early in the process. As a result, there are delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, and financial reports.

We believe that the month-end closing could proceed more quickly by developing a closing schedule that indicates who is responsible for each procedure and when each procedure is due to be completed. The timing of specific procedures could be coordinated with the timing of management’s need for the information. The due dates should be monitored to determine that they are being met.

We recommended that the Town document its month-end closing procedures.

Current Status

No improvements have been made in fiscal year 2013. However, a formal schedule has been agreed upon during fiscal 2014.

Continuing Recommendation

We continue to recommend that the Town adhere to the agreed upon month-end closing schedule.

Management’s Response

The Town implemented a month end closing schedule on October 1, 2013. Since implementation, the process has been successful.

POLICE DETAIL ACCOUNT

Prior Comment

Since Fiscal 2007 the Police Detail Agency fund has had a significant negative cash balance. The deficit is due to inadequate billing and collection practices. As a result, a permanent deficit may exist in this fund that the general fund will have to make whole, thereby reducing reserves and free cash.

We also noted that new police details are being granted to companies and organizations that had have outstanding unpaid receivable balances.

Current Status

During fiscal 2013, the Town hired an independent firm to conduct a review of the operations and policies relating to police details. The report made the following recommendations:

1. Formal policies and procedures for the collection process need to be implemented.

2. Implement a formal write-off policy that includes the methodology for writing off delinquent accounts.
3. Collecting and filing detail slips, entering information into the departments system and preparing payroll and vendor invoices should be handled by a clerical staff member, not the administrating officer.

4. The Department should conduct a detail review of the activity and determine if the Town has any recourse to collect amounts owed. Consider bringing vendors to court for non-payment after all reasonable collection attempts have been made or hiring third party collection agency.

5. The Department should submit detailed reports of the amounts billed, collected and written off and the outstanding receivable listing each month to the Town Accountant to be recorded on the ledger. The receivable recorded on the ledger should be reconciled to the Departments receivable balance on a regular basis.

Continuing Recommendation

We continue to recommend that the Town review and implement the recommendations that were provided in the report.

Management’s Response

As of January 1, 2014 the Police Department has implemented the Police Detail Billing module of the IMC Time and Record Keeping Software package to replace the current Access database billing system. By June 30, 2014, the goal is to have all detail billing and collections activity reported on the general ledger and reconciled monthly to the detail receivable balances. All delinquent receivables are in process of being turned over the Town’s Deputy Tax Collector for further collection efforts. Additional safeguards have also been put into place to mitigate delinquencies at the time a detail is requested, up to and including the requirement of payment in advance. The Police Department will continue to closely monitor the status of this fund moving forward to ensure that this deficit is extinguished over time.

ACCRUED COMPENSATED ABSENCES

Prior Comment

The Town does not have a centralized system to track and accrue unused earned sick and vacation time. The records for accrued compensated absences are presently maintained by the Department Heads. There is a need for the Town to centralize the system of tracking and accruing compensated absences to ensure compliance with multiple union contracts and other employment agreements. The present system does not minimize the risk that time earned and taken will not be recorded properly.

Current Status

The Town is in the process of implementing a centralized system to track sick and vacation time. The Treasurer’s Office now tracks sick and vacation time in MUNIS and is planning on implementing one department at a time.

Continuing Recommendation

We continue to recommend that sick and vacation time be tracked in a centralized and automated fashion.

Management’s Response

Management concurs with this recommendation. The Town has been in union negotiations and has achieved their first contract with the language allowing the Town to convert leave time to an accrual basis. Transition for
that system begins July 1, 2014 and will be fully implemented for January 1, 2015. The Town is in negotiations with other unions to accomplish the same conversion process. Additionally, staff members within the Treasurer/Collector office are receiving training from MUNIS representatives’ on the new software. Management is hopeful to start implementing one department at a time within this system.

WATER AND SEWER RECEIVABLES RECONCILIATION

Prior Comment

We had previously noted that the Town did not have a reconciliation process in place for the water and sewer receivables. Formal reconciliation procedures between the Public Works Department and the Town Accountant’s office should be implemented in order to ensure proper valuation of the accounts. We recommended that the Town reconcile the activity in the water and sewer receivable accounts on a monthly basis to ensure that the activity is properly accounted for.

Current Status

The water and sewer receivables were reconciled between the Town Accountant’s Office and the Public Works Department during the year leaving no reconciled variances at fiscal year-end.

TRUST FUND RECONCILIATIONS

Prior Comment

We had previously noted that the Town’s trust fund balances recorded on the general ledger do not agree with the balance of the funds on deposit in the bank. These differences relate to either unrecorded activity in the bank accounts or on the general ledger. A lack of such reconciliation puts the Town at risk of basing financial decisions on inaccurate information, overspending trust fund balances, and improperly allocating interest income to the individual trust fund accounts. We recommended that the Treasurer implement procedures to reconcile the Trust fund bank balances to the general ledger balances on a monthly basis.

Current Status

No significant progress occurred during fiscal 2013. At fiscal year end, the trust fund bank balances were not reconciled to the general ledger.

Recommendation

We continue to recommend that the Treasurer implement procedures to reconcile the Trust fund bank balances to the activity reported on the general ledger on a monthly basis.

Management Response

Management concurs with this recommendation and the Treasurer/Collector office is in the process of reconciling the trust fund balances on a monthly basis.
INVESTMENT POLICY ADHERENCE

Prior Comment

We had previously noted that 37% of the Treasurer’s cash balances were within one institution. The Town’s investment policy states, “Investment in a single institution (other than MMDT) may not exceed 35% of the Treasurer’s cash balance at any time.”

Current Status

It was noted that the Treasurer’s cash balances did not exceed the 35% threshold at fiscal year-end.

CHAPTER 30B PROCUREMENT

Prior Comment

All procurement related documents, such as bids, quotes and contracts are being kept by individual departments instead of in a centralized location. This increases the risk that such documentation will not be available when needed for payment authorization and other Town purposes. It also increased the risk that an obligation may be incurred without the proper bids or quotes and not be detected by management.

Additionally, operating procedures do not require the use of purchase orders in all departments. Currently they are required only within the School and Department of Public Works. We believe that the use of purchase orders would benefit the Town by providing greater control over expenditures, through the requisition process, and would provide more accurate and useful financial information. Purchase orders can be reviewed to ensure allowability of costs, compliance with legal requirements, proper coding, and available funds in appropriations prior to authorization of a transaction.

Current Status

During the audit we tested the Town’s procurement procedures. As part of our testing we conducted a review of quotes and bids which were derived from a random sample of capital expenditures selected for the general ledger. As a result, we noted instances where departments lacked proper documentation of three oral or written quotes or did not have bid documentation or contracts readily available for review.

Continuing Recommendation

We continue to recommend that the Town complete a comprehensive evaluation of procurement process. Due to the size of the Town along with the ongoing construction projects throughout the Town, we believe that the Town should evaluate the benefits of hiring a full-time procurement officer who can develop procedures that will assist the Town streamline and fully integrate the procurement functions within the Town. These potential changes can provide additional assurance that all bills being paid have the necessary bids, quotes and contracts that comply with state and local procurement laws and regulations.

Management Response

Management continues to agree with this recommendation and has developed an organization plan that addresses the need for a procurement officer. That plan would create a full-time position for a procurement professional that will reside in the Town Administrator’s office. It is part of a reorganization of administrative functions with the retirement of the Assistant Town Administrator expected in June 2014. Aspects of the reorganization plan were implemented in January 2014 and the final recommendations to be presented for the
May 2014 Annual Town Meeting for July 1, 2014 implementation.

GENERAL LEDGER MAINTENANCE

Prior Comment

We noted during the prior audit that unsupported balances existed on the general ledger.

Current Status

The Town has made significant progress in researching, correcting and writing off old balances within MUNIS. During the current year, old balances reported on the ledger were researched and written off in accordance with Town policy. Withholding accounts reconciled to zero throughout the fiscal year with the exception of Disability Insurance account and the Delta Dental account and the Town began turning over firearms funds to the State.

Management Response

The Accounting Office will continue to monitor old balances in the MUNIS accounting system and when appropriate, propose journal entries to close out old balances in accordance with the Auditor’s recommendation.

BOARD OF SELECTMEN MINUTES

Prior Comment

During the prior year we noted that the Town only had meeting minutes of the Board of Selectman available through May 2012. The minutes for all meetings are an important part of the Town’s records and should be prepared in a timely manner and kept in a safe place where they can be readily available and retained permanently. We recommended that all minutes be prepared in a timely manner and be kept on file for permanent retention

Current Status

During the fiscal year the Town engaged the services of a new recording clerk and Board of Selectmen minutes are now maintained timely.
CURRENT YEAR COMMENTS
PAYROLL ACCOUNT RECONCILIATION

Comment

The Treasurer’s Office has not been performing bank to book balance reconciliations for the Town’s payroll account on a monthly basis. At fiscal year-end there were a significant number of unidentified reconciling items. In theory, this account is assumed to operate at a zero balance, as payroll disbursements are covered by a transfer into the account. The transfer should be the exact amount of the warrant making the only reconciling item to be outstanding checks and interest.

Recommendation

We recommend that the payroll account be reconciled on a monthly basis and reconciliations be reviewed and approved by the Treasurer each month.

Management Response:

Management concurs with this recommendation and the Treasurer/Collector office is in the process of reconciling the payroll account on a monthly basis.

RECREATION DEPARTMENT

Comment

We performed a review of the Recreation Department. Currently the Department does not have a Director and the Assistant Director is responsible for implementing policies and procedures, overseeing all of the various programs as well as the operations within the Department. During our review we noted that several policy changes within the Department had recently occurred, mostly involving cash collections, cash security, petty cash record keeping and other various administrative changes.

The policy changes are as follows:

- If the Recreation Department collects $100 or more in cash on any given day, the cash will be taken to the Treasurer’s Office to be held in the Treasurer’s safe until a bank deposit is made. This change was implemented in September 2013. The cash is counted by a staff member in the Recreation Department and will fill out a deposit slip and sign it. Cash is recounted by a staff member in the Treasurer’s Office who also signs off on the slip. The Treasurer’s Office and the Recreation Department both keep copies of the signed slips. If the Recreation Department doesn't collect more than $100, they will bring the collections over to the Treasurer’s Office on a weekly basis.

- The Recreation department has a safe that only three employees have the combination. The safe is now locked at all times during the day when previously it had not been.

- The Recreation Department has $3,000 in petty cash which is now locked in the safe at all times. The Department has recently implemented a three part withdrawal slip system for when a Director of a program requests funds. Currently, when funds are requested by a Director, they will document (in the petty cash book) how much they need, the date they were given the funds, and provide a signature. Three slips will be issued, one to the Director, one to the Assistant Director of the Recreation Department, and one is kept in the petty cash book. The slips state the Director’s name, date the transaction occurred, and the amount. The program Director will have two weeks to return a receipt of how the funds...
were used as well as any unspent funds.

- The Department implemented a cash, check and credit card handling policy for all staff members to follow.

During our review of the Department we noted additional areas of improvement, they are as follows:

- When individuals register and pay for programs at the Recreation Department, they can pay with cash, check and/or credit card. The department has a two part receipt system, a receipt is given to the individual and one is kept with the Department. The staff member responsible for collections will enter the individual’s information into the Department’s software system. Once the transaction has occurred the receipt will be attached to the cash/check and put in a basket located on a staff member’s desk. This basket is unsecured and it could lead to potential theft as everyone in the office has access to it. We further noted that a cash register is on-site however it is solely used for making change and not recording transactions.

- The safe located in the Recreation Department has had the same combination for a long-time; not changing the combination periodically or when an employee leaves can lead to potential security issues.

**Recommendation**

We recommend that the Department utilize the on-site cash register for recording collections during the day, as opposed to the basket. At the end of the day the register tape should be run and reconciled to the cash draw. The Department should evaluate whether $3,000 in cash is required at all times to be on-hand. We recommend that the combination for the safe be changed periodically as this would strengthen internal controls within the Department.

**Management Response:**

The Department has purchased a locked box for daily receipt collections that is kept under the counter. At the end of the business day a cash journal is generated from the RecTrac software and reconciled to daily in-house collections. The Department has also implemented a policy to change the combination of the safe on an annual basis.