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**Appendix D**  
*Management Letter*  
*Year Ended June 30, 2003*

*TOWN OF WESTPORT  
WESTPORT, MASSACHUSETTS*

**MANAGEMENT LETTER**

**YEAR ENDED JUNE 30, 2003**

(complete text, format condensed from original 9 pages)

December 12, 2003

To the Honorable Board of Selectmen  
Town of Westport  
Westport, Massachusetts

We are presenting, for your consideration, our comments and recommendations regarding internal control and other matters. The purpose and extent of our study and evaluation of the Town's system of internal control is described in our separate report issued under the date of December 12, 2003, in conjunction with the Single Audit Act Amendments of 1996.

The comments and recommendations presented are intended to improve the system of internal accounting control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with management so as to obtain their concurrence prior to the development of our recommendations for improvement. Matters commented on represent findings during the audit and have not been reviewed subsequent to December 12, 2003.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on the many positive attributes of the Town's financial management systems. It is also important to understand that it is generally not practical nor cost effective to achieve ideal control in the complex governmental accounting environment.

We hope that these comments and suggestions will prove useful in meeting the Town's management goals. We would be happy to provide such further information and assistance in pursuing these recommendations as the Town may wish.

Additionally, we would like to acknowledge the courtesy and assistance provided to us by Town personnel during the course of our audit.

Very truly yours,

Tucci & Roselli  
Certified Public Accountants

## Evaluation of Town Operations

### Introduction

The Town of Westport "the town" appears to finally be making some financial progress after three consecutive years of struggle. Undesignated fund balance on a GAAP basis reached \$642,225 as compared to \$180 in the prior year. This will probably result in a positive free cash of around \$200,000. Most notable in the improvement was the town's ability to better manage its appropriations and more funding from the Commonwealth in the form of local aid than what was originally anticipated. A virtual collapse in the entire region's economy had been predominantly responsible for the significant financial constraints that had shackled the town. Free cash which once stood at over \$1,000,000 had been completely exhausted to supplement the three previous years' budgets and local aid receipts only 12 months ago were in serious jeopardy of being heavily cut as well as a proposition 2 ½% over-ride not being able to pass. It appears the town has survived the latest financial ordeal and has regained some measure of financial stability. The town should continue to maintain and replenish reserves such as free cash and should continue to focus in the following areas in accomplishing such:

- Review all departmental fees and miscellaneous receipts. Consideration should be given to a possible 20 to 30% increase in fees and charges.
- Continue to review all receivable balances, specifically departmental and tax title. Allocate the necessary resources to assure that these are administered as efficiently as possible. (Please note that significant improvements have been made in the ambulance collection area.)
- Assure that the Town is taking optimum advantage of all available State and Federal reimbursement programs. (See further discussion regarding grants administrator).

The Town maintains the following strategic reserves that may be used for various purposes, but their use should be strictly monitored, as these are the only reserves the Town presently has.

- **Stabilization** - available amount \$993,110 - I suggest that the use of this fund should be for extreme emergencies and for one time capital expenditures.
- **Pension Reserve** - available amount \$1,130,181 -To supplement the Pension assessment appropriation only.
- **Free cash** -estimated at about \$200,000. It is important that the town begin to replenish this critical component of its reserves.
- **Overlay** - available amount approximately \$263,815- approximately half should be restricted for abatements, the other half only for one-time budget items.

## **Financial Statement Reporting**

The town is happy to report that it has successfully implemented the major reporting requirements of GASB 34. Although a very challenging endeavor, the town was able to allocate the necessary resources to accomplish this mission. As a result, the financial statements now track Community Preservation, Stabilization and Pension Reserve in separate reporting components and the Harbormaster and Waterways is presented as an Enterprise Fund. In addition, the town now has an inventory of all fixed assets greater than \$5,000 and is now able to monitor capital activity in a manner it was never able to before. We applaud the town's efforts in satisfying this very daunting task.

## **Building Department Receipts**

We noted that receipts remitted by the building department are not remitted in accordance with the town policy for turnovers that requires departments to turnover funds on a weekly basis. More specifically, a turnover was made on 11/19/02 for \$2,104 and the next one was not made until 12/22/02 for \$5,338 and later followed on 12/31/02 for \$4,739. It is important that all town departments follow proper cash receipt policies in order to safeguard cash and provide for the most accurate and efficient record-keeping of funds.

Management action/discussion :

## **Veteran's Receivables (repeated from previous years)**

Presently, no outstanding list or any form of backup exists to support the outstanding Veteran's receivable amount exceeding \$50,000 on the balance sheet. Essentially, it is impractical at the present time to determine if this is in fact the accurate balance in this account. We suggest that this amount is investigated and an appropriate determination is made with respect to its accuracy

Management action/discussion:

## **Single Audit Act**

### **SPED**

Of 40 SPED students sampled from the 12/1/01 count submitted to the Department of Education, 3 were not receiving services on 12/1/01 and should not have been included in the report.

Management action/discussion:

## **Single Audit Act (continued)**

### ***Title 1***

Title 1 funds were not drawn down in a consistent, quarterly amount as anticipated based upon DOE guidelines. In particular, the last draw-down of Title I funds was requested at the end of February 28, 2003. The DOE allows only a 60-day advance request on grant funds; these funds were received on March 26, 2003, more than 60 days before the end of the school year. Since this grant is primarily for salary and personnel expenditures, it is believed that a majority of the grant funds would be expended on salary equitably until the end of the school year. Therefore it would appear that the funds have been drawn down about 30 days early.

#### **Management action/discussion:**

#### **Grant's Administrator (repeated from prior years)**

The Town in recent years, terminated the position of Grant's Administrator. This is an essential position to any Town government. This person assures that the Town is receiving all the State and Federal Grant and reimbursement money it is entitled to receive. Quite often, the "found" money more than pays for the position. Under Chapter 645, the State reimburses from 60 to 90% of all School Building construction costs. The fact that the Town has gone through two multi-million dollar School construction projects in the last twelve years without receiving any reimbursement under Chapter 645 is an unacceptable oversight and exemplifies more than ever the need for such assistance. Consideration may be given to combining a grant's administrator for both Town and School, as quite often it is not a full-time job.