

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF WESTPORT, MASSACHUSETTS**

Management Letter

Year Ended June 30, 2021

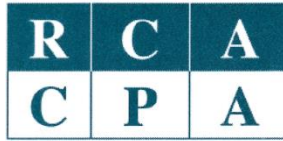


**TOWN OF WESTPORT, MASSACHUSETTS**

**MANAGEMENT LETTER  
YEAR ENDED JUNE 30, 2021**

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### TRANSMITTAL LETTER

Board of Selectmen  
Town of Westport  
Westport, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Westport, Massachusetts, (the "Town") as of and for the year ended June 30, 2021, 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control was for the limited purpose described in the first paragraph would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the 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.

*Roselli, Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
May 23, 2022

## **EVALUATION OF TOWN OPERATIONS**

The Town continued to respond well to the financial challenges presented by the COVID-19 pandemic that began during fiscal year 2020. Despite lockdowns, social distancing measures, mask mandates and the State not passing its budget until well into fiscal 2021, the Town was able to complete a positive year of operations and increase or maintain reserves at all levels.

The following are some key financial highlights:

1. Unassigned fund balance increased to \$3.3 million.
2. The OPEB fund increased to over \$3.7 million.
3. OPEB investments returned 24.1%
4. Pension funded ratio increased from 61.2% to 65.2%.
5. General stabilization funds increased to over \$1.3 million.
6. ARPA grant – almost \$4.8 million – must be obligated by 2024 and spent by 2026.

The continued strong financial strength has enabled the Town to maintain a strong bond rating of Aaa3 which will provide the Town with financial savings on future bond issuances.

The most significant challenge currently facing the Town is the transition process currently taking place related to multiple key financial and administrative positions having turned over. This has created some inherent inefficiencies that have led to some of the observations in this report.

The remainder of this letter addresses items of interest that we are communicating to the Town in the form of “Informational Items”; (these are not considered findings) and a section labeled “Findings and Recommendations”, which are our observations in areas that the Town is encouraged to devote attention to. Improvements in these areas are recommended in an effort to improve internal control and efficiency.

## **INFORMATIONAL ITEMS**

### **Statement on Auditing Standards No. 115 – Audit Communications**

The American Institute of Certified Public Accountants (“AICPA”) several years ago issued Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (“SAS 115”). SAS 115 establishes standards and provides guidance on communicating matters related to an entity’s internal control over financial reporting identified in an audit of financial statements. In particular, SAS 115 provides guidance on evaluating the severity of deficiencies in internal control identified in an audit of financial statements in the following order:

1. Control deficiency
2. Significant deficiency
3. Material weakness

Deficiencies identified as *significant deficiencies* or *material weaknesses* are required to be communicated to those charged with governance. We did not report any such findings in this report.

*Control deficiencies* are not required to be communicated; however, the Town has requested that we also report that type of deficiency in this report in order for the Town to strengthen its internal controls and operating efficiency and for full transparency. These are included under the caption general findings and recommendations.

### **Network Security**

We continue to remind our clients to remain vigilant in the fight against cybercrime. Municipal entities have and continue to be targets for cyber fraud, phishing schemes, ransomware, etc.

This has become very important as the recent pandemic has opened up opportunities to work remotely, and while this is efficient, the equipment used to facilitate these processes could also become targets if not protected adequately.

While the Town appears to have a strong and robust security system in place, we recommend that the Town continue to monitor the changing cybersecurity landscape and maintain its security systems and employee training accordingly.

### **Fraud Risk Mitigation**

Fraud prevention is an area that should be under ongoing evaluation. Evaluating cash processes of cash handling areas annually through effective risk assessment and proper safeguards is an effective control to protect the Town from threats associated with fraud. We will discuss this with management annually through our risk assessment procedures to assure that management is monitoring this critical aspect of government.

Through our discussions we have learned that management conducts many of its own internal processes to prevent and detect fraud. Periodically reevaluating departmental cash handling procedures to make sure they are adequate and effective is an ongoing recommendation.

The Town should be aware that our audit procedures are designed to provide reasonable assurance that the financial statements are fairly presented and free of material misstatement. Our audit includes considerations for fraud; however, no assurances can be given that we would detect fraud during the audit. Our audit cannot be relied upon to detect fraud or illegal acts that may exist.

### **New GASB pronouncements**

GASB 87 which requires the Town to revise the manner in which it accounts for its operating leases goes into effect in fiscal year 2022. Previously, governmental entities reported their leases similarly to how private entities reported leases under ASC 840. While finance leases would be capitalized on the balance sheet, operating leases would be reported in the footnotes. However, GASB 87 requires that all operating leases now be accounted for as finance leases. As a result, leases previously classified as operating leases will not only be capitalized on the statement of net position, but also be reported differently in the statement of activities.

### **Long-term obligations**

Recent accounting standards have brought to light more than ever those hidden liabilities that are true long-term obligations of the Town. More specifically, OPEB and Pension liabilities are now required under GASBs 67, 68, 74 and 75 to be recorded in the Town's financial statements.

With respect to OPEB, the Town has created a Trust and has been contributing significant amounts over the last five years. (Due to the pandemic, the Town skipped its 2021 contribution, but we understand this is a one-time event and not a trend.) In addition, during this time, the Trust has earned about \$0.8 million in investment income. This has allowed the plan assets to grow to almost \$3.8 million which represents over 14% of the OPEB liability. This places the Town above the average when compared to its peers in terms of funded ratio. The Town providing a dedicated and consistent funding source to OPEB is a great strategy and it is proving as such.

With respect to its pension funding, the Town is a member of the Bristol County Contributory Retirement System (BCCRS) along with numerous other towns and districts. With a 65.2% funding ratio, it is right at the State average of 65.6%.

In light of Massachusetts General Laws to fully fund this liability no later than 2040 and with a current funding schedule of 2035 the Town can expect to see its pension assessment rise, but at a more manageable clip than communities outside Bristol County.

### **American Rescue Plan Act**

Recently, the Town was awarded \$4.8 million under the American Rescue Plan Act, (ARPA). Approximately \$1.7 million is designated as flexible and may be used for almost any municipal purpose.

We are observing few communities using a portion of these funds to balance their budgets as opposed to one-time items such as emergency snow overruns and capital expenditures. Very similar to prudent uses of free cash, we are suggesting that communities use caution when evaluating the use of these funds. Avoiding structural budget deficits by not using non-recurring revenue in its budget process should be strongly considered.

### **Investment Income**

Although interest rates on bank balances are near all-time lows, recent action and near-term future intentions by the Federal Monetary Oversight Committee to raise the rate on borrowing significantly over the next several months also signals that a similar impact on interest income yields is coming. It is important that the Town begin to aggressively monitor market activity relative to investment income and begin to manage yields efficiently once any positive trends are observed.

## **CURRENT FINDINGS AND RECOMMENDATIONS**

### **Treasurer/Collector's Office**

At the end of fiscal 2020, the Town chose to combine the Treasurer/Collector functions and appoint the seated Collector the additional seat of Treasurer. This was part of the long-term plan to bring the two offices together under one department head.

Overall, the transition has been met with moderate success, however there are some inefficiencies that the current Treasurer/Collector should strive to improve:

1. Effective 2010, the DOR requires that all investments are reported at market value, in a manner similar to GASB 31. This entry was not made by the Treasurer/Collector and resulted in a \$1 million adjustment to the cash and investment records.
2. The Affordable Housing Trust Fund bank account has not been adjusted for vendor payments since June 2020. The balance at the end of fiscal 2021 was overstated by approximately \$46,000.
3. There are certain banks identified as Collector's bank accounts that aren't recorded on the cash books or accountant's ledger. At year-end there was over \$70K in receipts related to 2021 that had yet to be turned over but were deposits in these accounts. The Town Accountant reflected these receipts via a journal entry however we suggest these accounts are included in the Treasurer's cash book.
4. Tax foreclosures haven't increased since 2011, meanwhile tax liens have been increasing annually. The Treasurer should evaluate a possible sale of these accounts or begin to evaluate possible foreclosure.
5. The tailings account remains at \$14,566 which is unchanged from prior years. The Treasurer should evaluate the outstanding checklists and determine the items that should be processed as tailings under prior policies.

### **General Ledger Close**

In prior years, we have made comments regarding our observations relative to the general ledger close and the need to improve the efficiency of the process.

Subsequent to the end of the fiscal year, the Selectmen appointed the Assistant Town Accountant to the position of Town Accountant to fill the open seat. The new Town Accountant, working with records that were not up to date or closed, encountered many challenges in closing the books that she was not familiar with. Combined with the transition in the Treasurer's Office, it caused delays in the closing of the records for the fiscal year. This has been a learning process for both individuals.



One way to improve upon this process is to develop a checklist with timelines and a plan. Now that the individuals have gone through a close it is important to learn from the experience and create the checklist for use in the future.

### **Firearm Permits**

The Town maintains a \$26,064 agency liability at June 30, 2021 (\$29,295 at June 30, 2020) for firearm permits. However, in reviewing subsequent year disbursements, we determined that the Town paid the Commonwealth \$5,775 in August 2021 (i.e., fiscal year 2022) for the fourth fiscal quarter of 2021's permit applications and again \$5,775 in November 2021 with the balance at December 31, 2021 being \$26,813.75. Accordingly, this agency liability appears to be overstated at June 30, 2021.

### **Indirect Costs**

The Town annually votes indirect costs from its Harbor, Beach and Water enterprise funds. However, the amounts actually transferred do not agree to the amounts voted. While the amounts are minor, the Town should still make best efforts to make sure the transfer amounts equal the amounts voted.

### **Water Invoices**

The Town is in possession of water use invoices from the City of Fall River who is the Town's third-party supplier for water to the neighborhoods in Town that are on the water system.

The invoices are approaching \$1.5 million. We understand that the previous Town Administrator was handling these billings and the current staff is working with the City of Fall River to reconcile the account.

### **Police Details (repeated from prior year)**

Currently there is no process in place to reconcile outside police details per the police ledgers with the Town's general ledger. At year-end, a deficit of over \$92,000 was reported. It is important that a process is established to reconcile this account as this has been a finding for a few years.

### **Health insurance withholding reconciliation (repeated from prior year)**

Despite attempts by the Town to reconcile the payroll withholding accounts, it appears that differences still exist, as the health insurance balance is still about the same amount it was in the prior year.

The Town should expand on the steps it has taken to reconcile this activity and determine what other steps need to be taken to balance the accounts.

**Stagnant Special Revenue and Capital Project Balances (repeated from prior year)**

The Town still carries a handful of special revenue balances (approximately \$52,000) that it should research and determine if they remain due to coding errors or have legitimately not been spent. If they are legitimate balances then the Town needs to determine if the department head can spend these or in the case of grant revenues, should they be returned to the State.

In addition, the Town carries a PCB capital project balance of over \$93,000. The Town should either repurpose this to another similar project or paydown debt up to \$50,000 per year as is permissible under the Municipal Modernization Act.