

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

**TOWN OF WESTPORT, MASSACHUSETTS**

Management Letter

Year Ended June 30, 2022

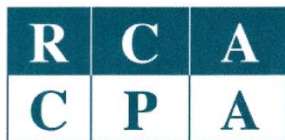


**TOWN OF WESTPORT, MASSACHUSETTS**

**MANAGEMENT LETTER  
YEAR ENDED JUNE 30, 2022**

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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, 2022, 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  
March 15, 2023

## **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.

### **Current Challenges**

With inflation peaking near 40-year highs, and an aggressive Federal Policy Committee increasing rates at a historic pace, the Town can expect challenges in other areas that it has not faced in many decades:

1. Wage inflation – the ability to maintain quality employees at reasonable wages.
2. Interest rates – the ability to finance capital projects at reasonable financing costs.
3. Construction inflation – the ability to complete capital projects at budgeted costs.
4. Energy inflation – the rising costs of oil, gas and electricity.
5. Goods and services – the supply chain disruptions impacting efficiency and cost of delivery of services.

We urge the Town to monitor these situations very closely and plan accordingly as it sets forth in its fiscal 2024 budget process and capital planning.

### **Network Security (annual reminder)**

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 (annual reminder)**

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.

**Long-term obligations (current year update)**

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 contributed almost \$2.5 million in aggregate towards the unfunded liability in the last five years. Unfortunately, in the current year, the Trust suffered investment losses of about \$600,000 but despite this still has an overall positive investment yield over 5 years. The current unfunded liability is about 87% and the unfunded liability sits at \$22.5 million. This is not unusual as multiple communities across the commonwealth continue to trail in this area and will ultimately need to adopt more aggressive contribution policies in future years when the pension becomes fully funded. Providing a dedicated and consistent funding source to OPEB which the Town has implemented is a good strategy.

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 71.6% funding ratio, it is finally beginning to have a respectable position in that regard and is consistent with the State average of 70%. 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 rapidly despite the 71% funding.

**Investment Income (annual update)**

At year-end, the Town carried substantial cash balances but based on the investment environment only yielded about \$20,000 in investment income in the General Fund given the low interest rate environment in 2022.

Recent actions by the Federal Oversight Monetary Committee to raise the rate on borrowings significantly have begun to have a similar impact on investment yields. These began to gain momentum subsequent to year-end and continue through the date of this report as many short-term instruments are currently approaching 5% yields and are liquid and legal borrowings in Massachusetts.

This comment serves as an alert to the Town that investment strategies not available to the Town in at least 20 years are beginning to present themselves and could be financially beneficial. Each \$1 million invested could return over \$40,000, using an effective safe and liquid strategy. The Town should discuss these options with a financial asset manager.

## **CURRENT FINDINGS AND RECOMMENDATIONS**

### **Treasurer/Collector's Office (update)**

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 great success; all material weaknesses, significant deficiencies and findings have been resolved. The remaining item we have discussed in the past which is related more to a best policy is the tax foreclosure process. The balance in tax liens is increasing, however foreclosure activity has been the same for at least 11 years. The Treasurer should evaluate a possible sale of these accounts or begin to evaluate possible foreclosure.

### **General Ledger Close (update)**

The closing process is still a process that is evolving. The current Town Accountant took over the seat in September 2021 and is still transitioning into a role that had the prior Town Accountant of 16 years and a consultant involved with. The inefficiency has caused some delays in the submission of reports to the DOR, but we are encouraged that given the 2022 close was the first independent close for the current Town Accountant, that progress is being made.

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

### **Water Invoices (update)**

The Town is in possession of water use invoices that it is disputing 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.

During 2022 and into 2023, the Town engaged a consultant to review all billings from Fall River and payments to Fall River dating back to 2014. The consultant concluded that the amounts are significantly overstated. The analysis has been sent to Fall River and is currently pending review.

### **Health insurance withholding reconciliation (update)**

There has been an ongoing issue with the Town unable to reconcile its withholding accounts, the largest being the health insurance withholding.

Despite attempts by the Town to reconcile the payroll withholding accounts, it appears that differences still exist, as the health insurance balance is greater than 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 thirty two special revenue balances (approximately \$117,000) 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.