

***CITY OF WOBURN, MASSACHUSETTS***

***MANAGEMENT LETTER***

***JUNE 30, 2020***



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To the Honorable Mayor  
City of Woburn, 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 City of Woburn, Massachusetts (City), as of and for the year ended June 30, 2020 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2019), in accordance with auditing standards generally accepted in the United States of America, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City 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 City of Woburn, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Powers &amp; Sullivan, LLC".

May 12, 2021

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***COMMENTS AND RECOMMENDATIONS***

## **PURCHASE ORDER DATES**

### Prior Year Comment

In the prior year, we noted a number of purchase orders that were dated after the corresponding invoice dates. Creating purchase orders after the invoice is received bypasses the City's purchasing policies and defeats the control that a purchase order system is intended to provide. Purchase orders play a primary role in the procurement process as they allow the City to ensure that budgetary funds are available and that the purchase has been properly approved before funds are expended.

### Current Status

In 2020, additional instances were noted where goods and services were procured by City departments prior to a purchase order being approved.

### Continuing Recommendation

We recommend that the City implement procedures to ensure that purchase orders are approved prior to the procurement of goods and services.

## **AMBULANCE RECEIVABLES**

### Prior Year Comment

The City utilizes a third party for billing and collection of ambulance receivables. The summary outstanding balance reported on the City's general ledger should be reconciled each month to the detailed receivable report maintained by the third-party vendor. Updating and reconciling the general ledger receivable balance to the subsidiary ledger is an important control that provides a check and balance on the activity posted to the subsidiary receivable ledger.

### Current Status

The City has not implemented procedures to record the ambulance receivable activity (amounts billed and collected) on the general ledger on a monthly basis and to reconcile the receivable balance to the third-party administrator's records. The current procedure is to record a year-end adjustment to agree with the third-party administrator's records.

### Continuing Recommendation

We continue to recommend that the City Auditor's Office record the ambulance receivable activity on the general ledger and reconcile the general ledger balance to the third-party administrator's balance on a monthly basis.

## **RESOLVE CREDIT REAL ESTATE RECEIVABLE BALANCES**

### Prior Year Comment

In the prior year, we indicated that there were several old real estate tax receivable accounts (fiscal 2001 - 2018) that had credit balances totaling \$381,000. We also noted several personal property receivable balances with credit balances (fiscal 2010 - 2015) totaling \$209,000.

The Treasurer/Collector has indicated that the underlying reason for the credit balances relates to the timeliness in which the City processes taxpayer refunds for over-payments. These transactions should be processed on a timelier basis to avoid a backlog of refunds that must be processed in the future.

### Current Status

While the credit balances in the personal property receivable accounts were substantially resolved in 2020, the credit balances in the real estate receivable accounts (fiscal 2002 - 2019) increased by \$18,000 and totaled \$399,000 at year-end.

### Continuing Recommendation

We continue to recommend that the City investigate and resolve the existing credit receivable balances and implement procedures to identify and resolve future credit receivable balances on a timelier basis.

## **COMPENSATED ABSENCES**

### Prior Year Comment

In the prior year, we indicated that the City's system for tracking and reporting the available sick and vacation balances is inefficient. The City does not maintain an automated perpetual balance of each employee's sick and vacation balance. Therefore, the calculation of this accrual at fiscal year-end (and at any time during the year) is done manually.

These balances are not only essential in the preparation of the City's basic financials statements, but they are essential in attendance control.

### Current Status

The City has purchased a software module to track employees sick and vacation balances. The City is planning to implement the software in 2021.

### Continuing Recommendation

We encourage the City to continue to pursue its goal of automating the accumulation and reporting of sick and vacation accruals.

## **POLICE DETAIL RECEIVABLES**

### Prior Year Comment

In prior years, we were unable to obtain support for the police detail receivable reported on the general ledger. We also noted that the general ledger balance had not been updated since 2008 and there were no formal reconciliation procedures between the Police Department and the City Auditor's Office. The summary outstanding balance reported on the general ledger should be reconciled each month to the detail maintained by the Police Department. Updating and reconciling the general ledger receivable balance to the subsidiary ledger is an important control that provides a check and balance on the activity posted to the subsidiary ledger.

### Current Status

In the current year, we noted that the general ledger receivable balance was updated to agree with the police department's receivable records. However, the receivable activity (amounts billed, collected, and adjustments) is not being recorded on the general ledger and therefore there is no check and balance on the departmental records.

### Continuing Recommendation

We continue to recommend that the City Auditor's Office record the police detail receivable activity on the general ledger each month. Once the activity is recorded, the general ledger receivable balance should be reconciled to the subsidiary receivable balance maintained by the police department. Any write-offs should be signed-off and approved at the proper levels of management.

## **INDIRECT COST ALLOCATION**

### Prior Year Comment

In the prior year, we indicated that the general fund provides services and pays for certain fringe benefits for its enterprise operations. It is sound business practice to complete a cost allocation plan to charge the enterprise funds for their share of these costs. If a properly approved and supported cost allocation plan is not used to calculate these charges, then the City is at risk that the enterprise funds are not being charged their fair share of expenses. The City allocates indirect costs based on percentages that have been utilized for several years. It is good business practice to periodically review indirect cost allocations to ensure that the rates being applied are still applicable to the current situation.

### Current Status

The City has hired a consultant to complete a cost allocation plan for costs associated with the enterprise operations. The City intends to adopt a formal cost allocation plan in fiscal year 2021.

### Continuing Recommendation

We continue to recommend that the City develop a cost allocation plan that identifies all fringe benefits and overhead departments that support each enterprise fund. The plan should include:

- Direct and indirect charges used to calculate the allocable cost of the overhead department.
- The appropriate base to allocate the specific cost.
- Identifying costs that can use actual direct charges for specific expenses.
- A required year-end reconciliation of the estimated budget allocation to the actual results of operations.

## **TIMELINESS OF ACTUARIAL INFORMATION FOR OPEB FINANCIAL REPORTING AND DISCLOSURE**

### Prior Year Comment

GASB pronouncements require information that is provided through independent actuaries in order to meet the financial reporting and disclosure requirements for Other Postemployment Benefits Other Than Pensions (OPEB). The actuaries base their reports on a significant amount of information provided by various Departments of the City. The actuarial valuations are required to be completed every two years for Trust reporting with updates required on each of the off years. The actuary also provides an annual report, which includes the employer required adjustments to the financial statements.

The City has established an annual closing process and an audit schedule that anticipates an audit fieldwork completion date of early-December, so that sufficient time is available to complete and review the audit reports prior to any deadlines. This process was delayed in 2019 due to the availability of the OPEB actuarial valuation report.

### Current Status

In 2020, the actuarial information for OPEB financial reporting and disclosures was not available during our audit fieldwork.

### Continuing Recommendation

We continue to recommend that the City establish and agree to delivery dates with the actuary that will help to ensure that information is available by the audit fieldwork date.