

**TOWN OF BROOKFIELD, MASSACHUSETTS**  
**MANAGEMENT LETTER**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**TOWN OF BROOKFIELD, MASSACHUSETTS**

**Management Letter**

**Year Ended June 30, 2021**

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To the Honorable Select Board  
Town of Brookfield  
Brookfield, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Town of Brookfield 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 of Brookfield'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 governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with Town personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Select Board, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

August 24, 2022

## **CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters**

### **1. Capital Assets**

*Comment:*

The Town has not accounted for its capital assets and therefore is not in compliance with GASB statement No. 34. This is one of the factors that contributed to the adverse opinion on the Town's financial statements. We recommend that the Town review this situation to determine if it would be feasible to establish and account for its capital assets for future financial statements. We further recommend that the Town adopt a formal policy and a procedure with regard to capital assets. Having a policy and a procedure in place will ensure that all capital assets are being accounted for under the financial reporting model of GASB statement No. 34.

### **2. Financial Reporting for Post-employment Benefits Other Than Pension Plans (OPEB)**

*Comment:*

GASB Statement No. 75 (which is in effect for fiscal year 2019) requires the Town to calculate the amount of the annual post-employment benefit costs other than pensions, such as healthcare benefits and other types of post-employment benefits, such as life insurance. Once determined, the cost is then presented and recognized on the financial statements of the Town. The OPEB statements (GASB No. 45 and No. 75) have been effective beginning for the year ending June 30, 2010.

The Town currently offers post-employment benefits other than pensions (health and life insurances) which would require the Town to be subject to the provisions GASB statement No. 75 and account for OPEB costs on their financial statements.

As a result of the Town not recording OPEB expense in accordance with GASB statement No. 75, an adverse opinion on the financial statements was issued. We recommend that the governing body of the Town evaluate the cost/benefit of this issue to determine whether the Town will comply with GASB Statements for OPEB.

*Prospective information – Fiscal Year 2022:*

The Town hired an actuary during FY 2022 to perform an OPEB actuarial study. The results from the study will be included in the Town's financial statements as required by GASB statement No. 75.

### **3. Ambulance Receivable**

*Comment:*

During our audit we noted the accounts receivable for the ambulance charges activity for the year was not recorded on the Town's general ledger. We recommend that the ambulance accounts receivable activity be recorded on the Town's general ledger. The receivable should be periodically reconciled to source documents (i.e. ambulance billing reports).

#### **4. Other Areas**

- Future GASB's (Leases).
- Tax Foreclosure Detailed List.
- Reconciliation of Employee Withholding Accounts (Teachers Retirement and Health Insurance).
- Review Procurement Procedures to Ensure Compliance with MGL Chapter 30B. (Sole-source purchase).

## **PRIOR YEAR COMMENTS AND RECOMMENDATIONS – Other Matters**

### **1. Cash and Investment Reconciliation Procedures**

#### Prior Year Comment:

The Treasurer's and Accountant's offices are responsible to complete timely reconciliations of activity and balances of the cash and investments. Internal control procedures should be designed in a manner that ensures all activity is recorded in the cashbook prepared by the Treasurer as the transactions occur. At the same time as the activity is being posted to the cashbook a corresponding posting would be made to the general ledger maintained by the Accountant's office. The cashbook balance and the general ledger cash balance must match at all times. At the end of each month the Treasurer would complete a reconciliation between the cashbook and the individual bank statements. The Treasurer and Accountant would then reconcile the cashbook and the general ledger shortly thereafter.

During our audit we noted that individual bank statement reconciliations were not being performed timely and properly with reconciling items documented. Furthermore, a Treasurer's cashbook was not properly maintained. The lack of maintaining a cashbook and reconciling individual bank statements prohibited an effective and periodic reconciliation of the Treasurer's records to the Town Accountant's general ledger.

The absence of having timely and proper cash reconciliations significantly increases the risk that misstatement due to error or fraud may occur and not be detected, prohibits the safeguarding of assets and does not provide for accurate and timely financial reporting.

We cannot emphasize enough the importance of the timely cash reconciliations in order to have an effective system of internal controls. We strongly recommend management closely monitor this situation to ensure that cash is reconciled in a timely manner. We further recommend the Treasurer maintain a current cashbook and perform individual bank statement reconciliations with all reconciling items properly documented in a timely and accurate manner.

#### Status- Fiscal Year 2021 Audit:

The Town hired an outside firm to provide accounting services and a consultant to perform the duties of Treasurer during Fiscal Year 2021. The two departments researched past variances and implemented a process of cash reconciliations. In Fiscal Year 2021, cash reconciliations are now performed monthly between the Accountant and Treasurer's offices. Backup documentation for the payroll and payables account could not be located at the time of the audit.

#### Prospective information – Fiscal Year 2022:

The Town hired a new Treasurer during Fiscal Year 2022. The Treasurer has performed monthly cash reconciliations to the accounting department's records. The individual bank statement reconciliations include all necessary support documentation. The Treasurer and Accounting departments are in the process of adjusting the variance from prior years.

## **2. Water Department**

### Prior Year Comment:

During our audit we noted the following control deficiencies within the water department policies and procedures:

- The accounts receivable subsidiary records for water were not effectively reconciled to the general ledger.
- The water department clerk in charge of collecting payments was also the town treasurer. The same employee collected payments, prepared departmental turnovers and deposited into the town's bank account.

Effective internal controls require timely and proper reconciliation of the account receivable subsidiary records to the general ledger, retention of support documentation for payments received and segregation of duties between departmental functions. Failure to perform these tasks timely and properly increases the risk of misstatement due to error or fraud, prohibits the safeguarding of assets and does not provide for accurate and timely financial reporting.

We recommend that procedures be implemented to reconcile water accounts receivable on a monthly basis, retain support documentation from customer's payments and have segregation of duties between the water department and the town treasurer.

### Status- Fiscal Year 2021 Audit:

The same process continued through FY 2021. The Water department and the Accountant's Office began monthly reconciliations. These reconciliations do not agree to detailed customer outstanding lists reports per Water Department billing system.

## **3. Police Off-Duty Detail Account**

### Prior Year Comment:

The Town maintains an agency fund to account for the police off-duty details. These funds are allowed by law and are designed to act as an agent between businesses and Town public safety personnel where the businesses pay 100% of cost of detail worked plus a 10% administration fee. The Town activity for this account was approximately \$75,000 during fiscal year 2020. At June 30, 2020 the police detail account has a cash deficit of approximately \$13,513. The deficit should represent the business's outstanding bills and the police department should have a detail equaling to this deficit.

We noted that the police department maintains records for police detail activity. We further noted that there are no procedures to reconcile the police department records to the town accountant's general ledger. We recommend that the police department reconcile their police off-duty detail records with the general ledger on a periodic basis.

### Status- Fiscal Year 2021 Audit:

The accountant reconciled the police department records for off-duty detail activity to the general ledger during Fiscal Year 2021.