

**TOWN OF BERLIN, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2019**



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CONSULTING





CliftonLarsonAllen LLP  
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Management  
Town of Berlin, Massachusetts

In planning and performing our audit of the financial statements of the Town of Berlin, Massachusetts (Town) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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.

However, during our audit we became aware of deficiencies in internal control (other than significant deficiencies and material weaknesses) that are opportunities to strengthen your internal control and improve the efficiency of your operations. We also wanted to make you aware of recently issued accounting standards that may significantly impact your financial statements in future years. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 18, 2020, on the financial statements of the Town.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with Town personnel, and we 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 and is not intended to be, and should not be, used by anyone other than this specified party.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
March 18, 2020

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**Ambulance Accounts Receivable**

Comment

Best practices of internal control over financial reporting require that systems and responsibilities of maintaining ambulance accounts receivable be properly documented. As reported in the prior year Management Letter, the Town's documented policy currently considers very few elements critical to sound management of the accounts receivable.

A documented policy related to ambulance accounts receivable should include the following considerations:

- The purpose and applicability (scope) of the policy
- Methods for contracting ambulance billing services
- Procedures for collection of outstanding balances (including timing and communication when pursuing delinquent balances)
- Write-off procedures (including descriptive situations and methods of write-off)
- Periodic reporting and verification requirements
- Defined responsibilities of everyone involved in the control system

Recommendation

We recommend the Town revisit and update its documented policy for maintaining ambulance accounts receivable to ensure these key elements are properly considered.

Management's Response

The Town Administrator, new Fire Chief and Town Accountant are reviewing, updating and implementing new policies and procedures on how the ambulance receivables are being handled.

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**Cash Reconciliations**

Comment

The Town's fiscal year-end reconciliation of cash included over twenty (20) separately identified reconciling differences between the Treasurer and Town Accountant. Many of the differences related to previous months; including multiple items even dating back to previous fiscal years. A similar comment was reported in the prior year Management Letter.

The reconciling differences were not material to the financial statements individually or in the aggregate. However, such discrepancies should be resolved and corrected when identified during the month-end reconciliation of cash.

Recommendation

We recommend the Treasurer and Town Accountant investigate and resolve these identified reconciling items. We also recommend procedures be implemented to ensure similar reconciling items are not carried forward to subsequent month-end reconciliations.

Management's Response

The Accountant is working with the Town Collector/Treasurer and Town Administrator to look at the old items and work on a solution. The Town will also look to see if there is a way for us to improve the way the items are handled to improve on the correction time.

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**Information Technology**

Comment

*Documented Policies*

As reported in the prior year Management Letter, the Town does not annually require its employees to read and acknowledge, in writing, that they have read and agree to the documented information technology policy. The acknowledgement is done only when a new employee is hired. This presents the risk that employees may perform practices that do not consider any changes in the information technology policy or that put the financial systems and data at risk.

*External Vulnerability Assessment*

As reported in the prior year Management Letter, there have been no Internal or External Vulnerability Assessment or Penetration Tests performed, which presents the risk of unauthorized access to the Town's network, systems, and data.

Recommendation

We recommend all employees be required to read and complete a written acknowledgement of the Town's information technology policy on an annual basis.

We recommend the Town consider contracting a third party to perform an internal and external vulnerability assessment and penetration test to gain an outside perspective on the effectiveness of security surrounding the IT environment.

Management's Response

During 2019 the Town has taken steps to reduce the risk of unauthorized access to the Town's IT network. A third party contractor was hired to perform a vulnerability and risk assessment of the Town network. As a result of the assessment the Town's IT vendor implements changes to reduce the Town's risk. The Town is also participating in the Massachusetts cyber awareness grant program. The program is on-going and will help to improve the Town's cyber security through end-user training, evaluation, and threat simulation. The Town has yet to implement a new town wide IT policy.

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**Fiduciary Activities (Informational Only)**

Comment

In January of 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities of state and local governments. The criteria generally focuses on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom the fiduciary relationship exists.

Activities meeting the criteria will be required to report (1) a statement of fiduciary net position and (2) a statement of changes in fiduciary net position in one of the following four fiduciary fund types in the basic financial statements:

1. Pension (and other employee benefit) trust funds
2. Investment trust funds
3. Private-purpose trust funds
4. Custodial funds

Furthermore, agency funds will no longer be reported and activities that do not meet the new fiduciary fund criteria will be reported as resources of the government.

Any changes in activities adopted to conform to the provisions of GASB Statement No. 84 will require a restatement of beginning net position/fund balance.

The Town's required implementation date is fiscal year 2020.

Recommendation

We recommend management familiarize itself with the requirements of GASB Statement No. 84 and prepare for its implementation.

Management's Response

The Town will familiarize ourselves with the requirements of this Statement and prepare for its implementation.



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**Lease Accounting and Financial Reporting (Informational Only)**

Comment

In June of 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which establish new financial reporting requirements for governments that enter into lease contracts.

The implementation of this Statement will represent a significant change in the accounting and financial reporting of leased assets, as well as lease liabilities. The implementation of this statement requires:

- Leases previously classified as operating leases to be recognized as lease assets or lease liabilities.
- Lessees to recognize a lease liability and an intangible right-to-use lease asset.
- Lessors to recognize a lease receivable and a deferred inflow of resources.
- Expanded note disclosures.

The Town's required implementation date is fiscal year 2021.

Recommendation

We recommend management familiarize itself with the requirements of GASB Statement No. 87 and prepare for its implementation.

Management's Response

The Town will familiarize ourselves with the requirements of this Statement and prepare for its implementation.

