

TOWN OF BERLIN, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2020



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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, 2020, 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 9, 2021, 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 9, 2021

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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 has reached out to the DOR on what would be the best way to adjust the cash differences between the Treasurer and Accountant. At this time only one of the items has been addressed and we are trying to follow-up when time allots.

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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

The Town continues to participate 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 initial implementation date was fiscal year 2020. However, to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB issued Statement No. 95, which postponed the Town's required implementation date to fiscal year 2021.

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 initial implementation date was fiscal year 2021. However, to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB issued Statement No. 95, which postponed the Town's required implementation date to fiscal year 2022.

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.

