

TOWN OF CARLISLE, MASSACHUSETTS
MANAGEMENT LETTER
JUNE 30, 2022



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Management
Town of Carlisle, Massachusetts

In planning and performing our audit of the financial statements of the Town of Carlisle, Massachusetts (Town) as of and for the year ended June 30, 2022, 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 audit procedures that are appropriate in the circumstances 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. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. This letter does not affect our report dated March 3, 2023.

We will review the status of these comments during our next audit engagement. We have already discussed them with various Town personnel, and we will be pleased to discuss in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The Town's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
March 3, 2023

TOWN OF CARLISLE, MASSACHUSETTS

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Comments and Recommendations

Information Technology Controls

Comment

During the past several years of audits, we have performed an Information Technology (IT) Financial Audit Support Review. The scope of the reviews are specifically focused on areas relating to integrity of transactions and data, with potential direct impact to financial reporting.

The following summarizes the current areas for improvement:

1. The Town has had internal and external vulnerability scans performed. However, the Town does not perform regular (i.e., annual) external penetration testing. This type of testing is intended to identify unknown vulnerabilities by simulating an attack with the intention of gaining unauthorized access to systems and data.
2. The Town has not performed a comprehensive risk assessment related to IT.
3. The Town has not established a formal Information Security Program and other key policies.
4. The Town performs user access reviews periodically. However, sometimes the documentation of these reviews is not maintained on file.
5. The Town does not technically restrict USB/CD access.

Recommendation

We recommend the Town analyze the costs/benefits of the improvements identified above and implement the improvements accordingly.

Financial Policies and Procedures Manual

Comment

Preparation of a formal policy and procedures manual would improve and standardize the Town's financial policies and procedures. Without formalized written policies and procedures, the Town is inherently subject to everyday inconsistencies in its operations. It is also difficult to measure performance and efficiencies without a baseline. In addition, formalized written policies and procedures can greatly assist the transition process during times of employee turnover.

Such a manual should include policies and procedures relative to all financial functions and processes, including, but not limited to, the following:

- Cash receipts
- Revenues and receivables
- Purchasing
- Accounts payable
- Cash disbursements
 - Payroll
 - Vendor
- Personnel (i.e., hiring, payroll and related changes, etc.)
- Month-end and year-end closing procedures
- Departmental activities

The manual should also clearly define the objectives, responsibilities and authorizations for all employees/job positions.

Recommendation

The Town has made progress in this area. This is a difficult, time-consuming endeavor. We recommend the Town continue striving towards a complete formal financial policies and procedures manual as time and resources allow.

Management's Response

As of February 28, 2023, a policy for OPEB has been adopted and policies for Debt and Financial Reserves are in final stages of review. The Town is working toward completing the formal policies and procedures by the end of FY24.