

TOWN OF CARLISLE, MASSACHUSETTS

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF CARLISLE, MASSACHUSETTS

CONTENTS

Introductory Letter	1-2
----------------------------------	-----

Recommendations:

1. Improve Controls Over Vendor Disbursements.....	3
2. Improve Controls Over Departmental Receipts.....	3
3. Prepare for Governmental Accounting Standard Board (GASB) Statement Number 101	4
4. Other Recommendations.....	4-5

To the Select Board
Town of Carlisle, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Carlisle, Massachusetts (the Town) as of and for the year ended June 30, 2023, 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we also became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

The Town's written responses to our comments and suggestions have not been subjected to the auditing 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.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including those overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Marcum LLP

Andover, MA
February 7, 2024

TOWN OF CARLISLE, MASSACHUSETTS

RECOMMENDATIONS

1. Improve Controls Over Vendor Disbursements

During our evaluation of the Town's vendor disbursement process, we noted the following issues:

- A mileage reimbursement to the Town Administrator was not properly approved.
- The purchase of a public works ramp was not properly procured.
- One bid for road improvements and repairs was not properly maintained along with all other procurement supporting documentation.

We recommend the Town ensure all disbursements are properly approved, procured, and that support is maintained. This will improve controls and documented oversight over the vendor procurement and disbursement process.

Town's Response:

The Town acknowledges all of the above items and has implemented changes to resolve each of these in FY24.

2. Improve Controls Over Departmental Receipts

During our evaluation of the departmental receipts process, we noted the following issues:

- The building department did not maintain a detailed receipt log.
- Internal audits of departmental receipts were not performed in fiscal year 2023.
- Revenue reports are not provided to department heads on a monthly basis.

We recommend that all departments maintain a detailed receipt log that includes the date collected, amount, and the individual it was collected from. Additionally, we recommend the Finance Department perform 1 – 2 internal audits of departmental receipts on annual basis, rotating which departments are selected for testing each fiscal year. Lastly, we recommend revenue reports are provided to department heads on a monthly basis and that the department heads reconcile these reports to their internal records of receipts collected, and that the reconciliation is documented.

Town's Response:

The Town Accountant will work with departments monthly to ensure that revenue is reconciled to detailed receipt logs. We also now publish a quarterly report reviewed by the Select Board and Finance Committee for high-level review. The Finance Department will begin performing internal audits on a rotating basis beginning in FY24.

TOWN OF CARLISLE, MASSACHUSETTS

RECOMMENDATIONS (CONTINUED)

3. Prepare For Governmental Accounting Standards Board (GASB) Statement Number 101

The GASB has issued Statement No. 101, *Compensated Absences*. This statement establishes new accounting and financial reporting requirements for compensated absences and is effective for beginning with fiscal year 2025. The statement requires governments to review and update their accounting practices for recording and reporting compensated absences such as vacation and sick leave. It also provides guidance on how to measure and recognize liabilities related to compensated absences in the financial statements.

We recommend that Town management undertake the following steps:

- Familiarize themselves with the requirements of GASB Statement No. 101 by reviewing the standard and any available implementation guidance.
- Perform a gap analysis to determine the differences between current accounting practices and the requirements of the new standard.
- Assess the potential impact of the new standard on the Town's financial reporting and identify any changes needed in the recording and valuation of compensated absences.
- Update or establish internal controls and procedures to accurately measure and report compensated absences in accordance with the new standard.
- Provide training to finance staff and other relevant personnel on the new requirements.
- Consider engaging a consultant or subject matter expert if additional expertise is required for the implementation process.
- Begin the process well in advance of the effective date to allow for any challenges that may arise during the transition.

Taking proactive measures to prepare for GASB Statement No. 101 will help ensure that the Town remains in compliance with accounting principles generally accepted in the U.S. and that its financial statements accurately reflect the obligations related to compensated absences.

4. Other Recommendations

During the fiscal year 2023 audit, we identified the following areas where improvements could be made:

Finance:

- The Finance Department should research and close/reappropriate old capital project funds.

TOWN OF CARLISLE, MASSACHUSETTS

RECOMMENDATIONS (CONTINUED)

- The Town should send letters to local banks requesting a listing of all bank accounts under the Town's EIN. The letters should be sent by the Town Accountant (with authorization of the Treasurer), and responses should be reviewed by the Town Accountant.

Treasury:

- The Treasurer should void old outstanding checks in both the vendor and payroll bank accounts and request they be moved to a tailings account in the general ledger.

Other:

- The Town should establish a formal fraud policy and procedures for identifying and responding to instances of fraud.
- The Town should establish formal policies and procedures for identifying and monitoring related parties.
- The School Department should reduce the balance in the School Lunch Fund to ensure compliance with Title 2 U.S. Code of Federal Regulations (CFR), Section 201.14.
- Department heads' timesheets should be approved by the Town Administrator.

We recommend the Town implement these recommendations in order to improve controls, reduce risks, and streamline operations.

Town's Response:

The Town acknowledges all of the above items and has begun implementing changes to resolve each of them. The Finance Department has been researching old capital project fund balances to determine reappropriation. The Finance Department has sent letters to local banks as of 12/31/23 to verify accounts under the Town's EIN. The Treasurer's office is researching old outstanding payroll and vendor checks to clear up the list; this has been an active process over the last year. A Fraud Policy has been drafted and awaiting Select Board approval (anticipated March 2024).