

TOWN OF LEE, MASSACHUSETTS

MANAGEMENT LETTER

June 30, 2019

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Adelson & Company PC

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To the Board of Selectmen of
TOWN OF LEE, MASSACHUSETTS

Dear Members of the Board of Selectmen:

In connection with our audit of the financial statements of the Town of Lee, Massachusetts as of June 30, 2019, we have made a review of the Town's accounting procedures and internal control. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for the Town's consideration, suggestions for changes in procedures, which in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments and recommendations in this letter are based upon observations made in the course of such review. The review was not designed for the purposes of expressing an opinion on internal accounting control, and it would not necessarily disclose all weaknesses in the system.

Please indicate in the "Action Taken" space of the letter, what corrective measures the Town intends to implement with regard to each recommendation, which will be part of the final letter. After you have had an opportunity to consider our comments and recommendations, we shall be pleased to discuss them further with you.

We would like to express our thanks and appreciation to the Town and its personnel for the cooperation given us during the course of our audit.

Sincerely yours,

Adelson + Company PC

ADELSON & COMPANY PC

January 22, 2020

Comments and Recommendations

1. Additional procedures should be implemented with respect to the daily reconciliation of cash receipts in the Collector's office.

Recommendation:

The Town should strengthen its controls in the Collector's office over the daily cash collection and reconciliation process by adopting a standardized cash collection and reconciliation form. A standardized form will allow the Collector's Office to document, all in one place, its current process for collecting funds, including the date received, who collected the funds, who independently verified the funds, and the subsequent turnover to the Treasurer. This standardized form would follow the cash through the entire accounting process, from the initial collection to the turnover to the Treasurer.

Action Taken:

The Collector's office is now using preprinted Daily Cash Report Envelopes to track daily cash collections showing date, type of receipt (water/sewer or Tax), amount, signature of person collecting funds and signature of person who verifies daily amount. Envelope, computer printout along with receipts, bank deposit slip and copy of treasurer turnover are all attached and filed in Collector's office.

2. During our testing of cash turnovers at the School department, it was noted that for certain activities, such as athletic games and events, there is no supporting documentation or reconciliation process to accompany the funds being collected at the events, to what is submitted to the School Business office for deposit and eventually the Treasurer's office.

Recommendation:

The School should implement a reconciliation process and use pre-numbered tickets, attendance logs, or a standard form to reconcile the funds collected and turned over to the Business Office and eventually the Treasurer's office.

Action Taken:

The School is in the process of drafting a policy for collecting and accounting for funds received at games and events. The policy will include the use of pre-numbered tickets. The policy will also address, at a minimum, the person(s) in charge of the game or event, who is responsible for collecting the cash, counting the cash, confirming the count, reconciling the cash collected with the number of tickets sold, deposit, and turnover to the Business Office, and the Treasurer's office.

Comments and Recommendations

3. The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, which establishes new financial reporting requirements for governments. The implementation of this statement will require a lessee to recognize a lease liability and an intangible right-to-use lease asset or capital asset on its balance sheet, and will require a lessor to recognize a lease receivable and a deferred inflow of resources on its balance sheet. The Town's required implementation date of GASB Statement No. 87 is for the fiscal year ended June 30, 2021.

Recommendation:

Management of the Town should familiarize itself with GASB Statement No. 87 in order to prepare for its implementation and impact on the Town's financial reporting which begins on July 1, 2020 (fiscal year 2021). The Town should also begin the process of identifying and documenting all lease contracts, whether as lessee or lessor, and determine if any contracts meet the reporting requirements of GASB Statement No. 87.

Action Taken:

The Town Accountant will familiarize themselves with GASB No. 87 and begin to identify and document lease agreements to ensure they are ready for implementation in fiscal year 2021.

4. There is an increasing threat of cyber and ransomware attacks against organizations of all sizes and industries, including public government agencies. An attack on the Town's computer systems could cause significant disruption to the Town's operations, and result in the potential theft or loss of electronic files and data, including financial records, payroll information, and employee data.

Recommendation:

The Town should review its information technology policies and procedures to make sure the appropriate safeguards are in place to mitigate the risk of a cyber-attack, as well as minimize the theft or loss of data should an attack occur. This would include the following at a minimum:

- a. **Have proper backup procedures in place.** The Town's computer systems should be backed up routinely, and at a minimum on a daily basis. All backups should be stored on a separate device not connected to the main server to prevent access by a cyber-criminal.
- b. **Conduct routine training with employees.** A common way for a cyber-criminal to breach an organization's computer system is through email attachments and web links sent to employees. Hold routine trainings with employees on how to recognize suspicious emails and attachments, and how to report any suspected breach or attempted breach.
- c. **Have a response plan in place.** In the event of a cyber-attack, the Town should have a plan in place to respond to the attack, including seeking help from appropriate law enforcement officials, notifying impacted stakeholders, and having insurance policies which cover losses from cyber-attacks.

Action Taken:

The Town has insurance which cover losses from cyber-attacks. The Town has held mandatory training for its employees on cyber security awareness and will continue this schedule at regular intervals. The training held to date focused specifically on fraudulent email communications. The Town does have computer and server backup systems in place which is also overseen and monitored by its information technology consultant.

Status of Prior Year Recommendations

There were no comments and recommendations for the fiscal year ended June 30, 2018.