

***TOWN OF PLYMOUTH, MASSACHUSETTS***

***MANAGEMENT LETTER***

***JUNE 30, 2014***



To the Honorable Board of Selectmen  
Town of Plymouth, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Plymouth, Massachusetts (Town), for the year ended June 30, 2014 (except for the Plymouth Contributory Retirement System which is as of and for the year ended December 31, 2013) and have issued our report thereon dated March 20, 2015. Our opinions on the financial statements and this report, insofar as they relate to the Plymouth Growth & Development Corporation, are based solely on the report of other auditors. In planning and performing our audit of the basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Plymouth, Massachusetts, as of and for the year ended June 30, 2014 (except for the Plymouth Contributory Retirement System and the Plymouth Growth & Development Corporation which are as of and for the year ended December 31, 2013), in accordance with auditing standards generally accepted in the United States of America, 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 several matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning other matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Town personnel, and 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 of the Town of Plymouth, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

*Powers + Sullivan, LLC*

March 20, 2015

TOWN OF PLYMOUTH, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2014

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***PRIOR YEAR COMMENTS - RESOLVED***

The following comment was resolved during the current year. Please see the June 30, 2013 Management Letter for the complete comment.

**TITLE V SEPTIC LOAN PROGRAM**

**PAYROLL ACCOUNT RECONCILIATION**

***PRIOR YEAR COMMENTS - UNRESOLVED***

## **STUDENT ACTIVITY FUNDS**

### Prior Comment

Reconciliation procedures are a primary internal control in relation to safeguarding an entity's assets. With this in mind, we noted that there were no formal reconciliation procedures of the School's student activity summary/detail ledger to the bank accounts maintained by the Principals' and the Town Treasurer. The sum total of the checking account balance plus the agency account on the Town's general ledger should equal the detail balances maintained by the School Department.

Current Status – *Partially Resolved*. The School Department has implemented reconciliation procedures for all elementary schools and is currently working on procedures to reconcile the savings accounts with MUNIS for the middle and high schools. The School Department expects this comment will be resolved during 2015.

### Recommendation

We continue to recommend that procedures be implemented to reconcile, on a monthly basis, the balances reported for each activity from the school's ledgers to the principal's checking accounts, the student activity savings accounts, and to the Town's general ledger.

## **SCHOOL CUSTODIAL DETAILS**

### Prior Comment

The School Department rents out available school facilities, such as gymnasiums, to various groups. The School Department requires that a custodian be present for these activities. A standard fee is charged for this service which is based on the pay rate of the highest paid custodians. The fee is collected in advance of the event and the custodians are paid after services have been provided. The collection of fees and the payment to custodians are accounted for in an agency fund on the Town's general ledger.

As of June 30, 2014, the fund had an accumulated fund balance of \$19,000. The balance is the result of a discrepancy between the standard fee for custodial details and amounts paid to the custodians. Collections are based on the highest standard rate, but payments to custodians are based on their respective pay rates. This results in collections exceeding payments whenever custodians at lower pay rates are utilized.

Agency funds are used to account for funds that the government is holding for another entity in a custodial capacity and therefore should not have an accumulated fund balance.

Current Status – *Partially Resolved*. Town Meeting approved an article at the spring 2014 town meeting to establish a 53 E ½ revolving account for custodial detail funds. However, the funds were not transferred to the revolving fund during 2014. The Town plans to transfer the funds during 2015 to resolve this comment.

### Recommendation

We continue to recommend that the School Department transfer the balance of the school custodial details and record the activity in the newly created revolving fund.

## **OLD OUTSTANDING MOTOR VEHICLE EXCISE TAX RECEIVABLES**

### Prior Comment

Through review of the Town's general ledger we noted that the Collector's Office is carrying motor vehicle and boat excise tax receivables that date back to 1994 and 1999, respectively. For receivables that cannot be liened, the likelihood of collection at this time has significantly diminished. This amount has been fully reserved for financial statement purposes.

Although there is still a chance to collect on accounts that have been flagged with the registry of motor vehicles, cleaning up the old balances will help to streamline the reconciliation process.

Current Status – *Unresolved*. The Town has not implemented the necessary procedures to resolve this comment.

### Recommendation

We continue to recommend that the Collector's Office work with the necessary officials to determine which receivable balances are deemed uncollectible and, accordingly should be written off. The Collector should continue to review and write off uncollectible receivables on an annual basis.

## **PAYROLL WITHHOLDING ACCOUNTS**

### Prior Comment

We noted that the payroll liability accounts are not formally reconciled on a monthly or quarterly basis. The balance in each withholding liability account should represent amounts withheld from employees but not yet paid out. This is usually one week to one month worth of withholding, depending on the type of withholding. These accounts should be reconciled on a regular basis to ensure all withholdings are being properly paid out and charged to the withholding account.

Once these accounts are fully reconciled and if it is determined that there are balances deemed to be erroneous, the closeout of these accounts could ultimately increase the Town's free cash.

Current Status – *Partially Resolved*. The Town has reviewed the balances for 2014 and is implementing procedures to reconcile balances on a monthly basis.

### Recommendation

We continue to recommend that the Town implement procedures to reconcile the liability account balances on, at a minimum, a quarterly basis.

## **GENERAL LEDGER TO TREASURER CASH RECONCILIATION**

### Prior Comment

The Town has reconciled cash between the general ledger and Treasurer's account balances as of year-end. The reconciliation includes numerous reconciling items dating back as far as 2010. The Town has identified the reconciling items and the corresponding adjustments, however, these adjustments have not been recorded. Subsequent to adjustment, the reconciliation process will be more efficient and any outstanding reconciling items will relate to current issues that should normally clear during the subsequent month.

Current Status – *Unresolved*. The Town has not implemented the necessary procedures to resolve this comment.

### Recommendation

We continue to recommend that the Town record the necessary adjustments to the general ledger and/or Treasurer's records for the existing identified reconciling items. We also recommend implementing procedures to identify and record future reconciling adjustments in a timely manner.

# ***CURRENT YEAR COMMENTS***

## RECONCILIATION OF TAX FORECLOSURES RECEIVABLE

### Current Comment

The Town did not have procedures in place to reconcile the general ledger balance for tax foreclosures to the Collector's foreclosure records. Reconciling both the activity and the ending balance of tax foreclosures is an integral internal control procedure over an important revenue source of the Town.

### Recommendation

We recommended that foreclosure accounts be fully reconciled to the detailed listings and that, at a minimum, implement procedures to reconcile the accounts quarterly.

## FUTURE GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS FOR PENSIONS AND OPEB

### Current Comment

The GASB has issued new pronouncements that will significantly affect the accounting and reporting requirements for Pensions and Other Postemployment Benefits (OPEB). These new standards will start to phase in during 2015 and will substantially impact your financial statements and will also affect the requirements for accumulating the necessary data to meet the reporting requirements.

The new standards that have been issued and their effective dates are as follows:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in 2015.

The GASB has also issued two exposure drafts which will similarly affect accounting and financial reporting for OPEB Plans. The GASB is encouraging earlier application of these standards.

To briefly summarize these new standards –

- GASB #67 and #68 will substantially change the reporting for pension liabilities and expenses. Changes in pension liability will be immediately recognized as pension expense or reported as deferred outflows/inflows of resources depending on the nature of the changes. Substantial changes to methods and assumptions used to determine actuarial information for GAAP reporting purposes will be required. Current actuarial methods may continue to be used to determine funding amounts. Employers will report in their financial statements a *net pension liability (asset)* determined annually as of year-end. *Net pension liability (asset)* equals the total pension liability for the plan net of the plan net position. Pension liability is the actuarial present value of projected benefits attributed to past service, and plan net position is the accumulated plan assets net of any financial statement liabilities of the plan.
- Similar standards will be issued related to unfunded OPEB liabilities.

As a result of the new standards, the Town should expect to record significant pension and OPEB liabilities in the future and should begin planning to be prepared to implement the new standards.

## Recommendation

We recommend that management begin to study and evaluate these changes for financial statement reporting and disclosure purposes, and to formulate plans to meet with your actuaries and financial advisers as more information becomes available. You may want to consider how and when this information should be communicated to your constituents and other financial statement users.