

***TOWN OF PLYMOUTH, MASSACHUSETTS***

***MANAGEMENT LETTER***

***JUNE 30, 2015***

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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, 2015 (except for the Plymouth Contributory Retirement System which is as of and for the year ended December 31, 2014) and have issued our report thereon dated March 18, 2016. 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, 2015 (except for the Plymouth Contributory Retirement System and the Plymouth Growth & Development Corporation which are as of and for the year ended December 31, 2014), 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 18, 2016

TOWN OF PLYMOUTH, MASSACHUSETTS

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***PRIOR YEAR COMMENTS - RESOLVED***

The following comments were resolved during the current year. Please see the June 30, 2014 Management Letter for the complete comment.

**SCHOOL CUSTODIAL DETAILS**

**RECONCILIATION OF TAX FORECLOSURES RECEIVABLE**

**PAYROLL WITHHOLDING ACCOUNTS**

***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.

### 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.

Current Status – *Partially Resolved*. The School Department has implemented reconciliation procedures for all monthly activity and is currently working on procedures to reconcile the savings accounts with MUNIS for the middle and high schools.

## **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 lienied, 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.

### 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.

Current Status – *Unresolved*. The Town has not reviewed or written off any of the old outstanding motor vehicle excise tax receivables.

## **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.

### 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 Status – *Partially Resolved*. The Town has implemented the procedures to identify and record current reconciling adjustments and is in the process of determining the best way to clear up old reconciling items.

# ***CURRENT YEAR COMMENTS***

## **NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION REIMBURSEMENT REQUESTS**

### Current Comment

At June 30, 2015, the Town had a deficit in the National Oceanic and Atmospheric Administration (NOAA) grant fund of approximately \$1.1 million. The Town started incurring these expenditures in October 2014 and went through June, 2015. Due to some logistical issues with the online process of submitting reimbursement requests, the Town had not submitted for reimbursement of these expenditures until October 14, 2015.

The process of not requesting grant reimbursements in a timely fashion is an internal control weakness. First, the Town experiences decreased cash flows and lost investment earnings while awaiting reimbursement. Second, a deficit balance has a negative impact on the Town's certified free cash, leaving fewer funds available for appropriation and immediate use for other Town purposes.

### Recommendation

We recommend that the Town review its policies and procedures for requesting grant reimbursements and implement procedures to request funds on a quarterly basis at a minimum.

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

### Current Comment

The GASB has issued new pronouncements that will significantly affect the accounting and reporting requirements for Other Postemployment Benefits (OPEB). These new standards will start to phase in during 2017 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 #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in 2018.

See below for a brief summary these new standards:

- GASB #74 and #75 will substantially change the reporting for other postemployment benefit liabilities and expenses. Changes in other postemployment benefit liability will be immediately recognized as other postemployment benefit 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. Employers will report in their financial statements a *net other postemployment benefit liability (asset)* determined annually as of the measurement date. *Net other postemployment benefit liability (asset)* equals the total other postemployment benefit liability for the plan net of the plan net position. The other postemployment liability is the actuarial present value of projected benefits attributed to past service. The plan net position is the accumulated plan assets net of any financial statement liabilities of the plan.

The Town should expect to record significant OPEB liabilities in the future. While these GASB's do not go into effect until 2017 and 2018, we wanted to make the Town aware of the impact that these new standards will have on financial statement reporting and disclosures.