

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF OAKHAM, MASSACHUSETTS

Management Letter

Year Ended June 30, 2022



TOWN OF OAKHAM, MASSACHUSETTS

**MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2022 and 2021**

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ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073

www.roselliclark.com

Board of Selectmen
Town of Oakham
Oakham, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Oakham, Massachusetts (the “Town”) as of and for the year ended June 30, 2022, 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 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.

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.

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.

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

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts

June 2, 2023

INFORMATIONAL ITEMS

Other Postemployment Benefits

Other postemployment benefits, or OPEB, represent benefits given to retired Town employees such as medical, dental and life insurance and is exclusive of pension benefits. OPEB continues to be a significant talking point throughout the United States and represents one of the largest unfunded liabilities affecting the federal government as well as nearly every state and local government.

The Town does not currently offer any benefits to retirees and/or former employees beyond pension benefits; therefore, the recently implemented accounting standards relative to OPEB do not affect the Town at this time.

We understand that the Town is contemplating the initiation of an OPEB plan. The motivating factor is to attract and retain more qualified individuals to their workforce. The current labor market is very competitive, and this would be a manner in which to set a more level playing field with other communities.

In evaluating this endeavor, the Town should assess the cost vs benefit of the following:

1. Set up OPEB Trust.
2. Create a plan document.
3. Contribute annually to fund the unfunded liability.
4. Complete an actuarial study annually.
5. Pay the premiums for retired employees.

Since the Town already offers insurance to all eligible employees, the additional costs are not the most significant as it evaluates this policy decision.

FINDINGS AND RECOMMENDATIONS

Update to 2018 management letter

The last Town audit was for the fiscal year 2018. During that audit we made numerous observations regarding various breakdowns in internal controls amongst other items. Many of these findings have been resolved and the following serves as an update regarding those findings:

Unauthorized loan –

The practice described in the prior management letter in which the Treasurer paid off Town debt with her own funds and reimbursed herself has been abolished and this loan has since fully matured. Thus, this finding was satisfactorily resolved.

Policies and Procedures –

Official Financial Policies and Procedures have not been documented. This has been difficult for a Town with limited resources such as Oakham.

However certain policies have been put in place and are updated below.

- *Departmental receipts* are now supported by turnover forms prepared in multiple copies; one for the department head acknowledging receipt of the funds and one for the Town Accountant for recording purposes and also to balance back to the department head when completing internal audits.
- *Tax Title* is now generally completed annually however the tax titles are still allowed to accumulate, and properties are not taken. This needs to be cleaned up prior to the current Treasurer retiring in several months.
- *Reconciliations* for cash and receivables are now prepared monthly, both internally in the Treasurer/Collector Office and with the Town Accountant.
- *Expenditure and Warrant authorization* – with the engagement of the consulting accounting firm, processes are in place for proper authorization of expenditures and payroll.

Departmental Turnover Observations –

- A formal departmental receipts process has been adopted, but it is inconsistently followed by certain department heads. Most department heads turn-over funds timely, but others turn-over funds up to two or three months in arrears. This needs to be addressed.
- Receipts are now provided to department heads acknowledging amounts turned over and corrections if there are discrepancies in the counting. However, backup submitted with the turn-over is shredded. This does not provide a means to check the information during an audit or to investigate a user inquiry.
- The deposit box for payments to Treasurer/Collector is still located on the outside of the Treasurer's Office, however a check-only policy has been put in place to avoid leaving funds in an insecure location.
- We continue to see the lack of deposits from the Library and the Dog Officer. This should be investigated to determine how these departments handle their fees.

- For cash received for taxes and excise, the Treasurer goes to the local post office, which is down the street, procures a money order and then deposits the money order, as opposed to depositing the money in her personal bank and writing a check out of her bank.

Deputy Collector -

Reconciliations are completed at least once per year.

Technology Items -

The Town currently outsources IT. The items listed in the prior management letter have been resolved through this company.

Ambulance Receivables –

The Town no longer operates an ambulance service and outsources this to a nearby Town. The old receivables that existed in prior years were abated as part of this process. The Town still carries over \$80,000 in outstanding receivables on its general ledger. If these are in fact not collectible, then an entry should be made to remove these from the general ledger.

Physical Layout of Treasurer’s Office –

- Residents are no longer allowed to enter the Treasurer’s Office when completing a transaction. A window was added to the door and all transactions are completed through the window.
- A safe was purchased for the security of funds prior to deposit.
- The backdoor to the Treasurer’s Office is now secured with a dead bolt.

Maximizing Investment Returns –

The Treasurer has transferred its funds to accounts managed by Bartholomew Investment Advisors. Taking advantage of stronger interest rates in the current investment climate has become a priority.

Old Outstanding Checks –

The Treasurer has yet to advertise and transfer old outstanding checks to tailings. This should be completed prior to the current Treasurer retiring.

In addition, an amount of about \$8,000 which was placed in tailings over 5 years ago still remains. Since this was advertised long ago, it should be closed to miscellaneous income.

Excessive Allowance for Abatements

The allowance for abatements, which is commonly referred to as overlay, exceeds property taxes receivable. Additionally, the Assessor’s office indicated to us that there are no pending property tax cases in appeal at the Appellate Tax Board.

With over \$60,000 in overlay balance at June 30, 2022 it appears to be significantly overstated at this point and an analysis should be performed to determine how much of the overlay needs to be released. The release of unnecessary overlay amounts may lessen the property tax burden on tax payers in a future period or provide a source of funding for a necessary capital project.

In addition, the municipal modernization act allows all overlay years to be combined into one. The Town currently maintains eleven years.

Driveway Permit Bonds

Driveway permit bonds recorded in the Town's agency fund totaled \$36,600 at June 30, 2022. A ten-year review of this agency fund indicates that there is very minimal activity in the account, and it generally sits between \$34,000 and \$37,000. There is no detail that supports this amount, especially as it relates to the older years.

We recommend that the Highway Superintendent and Town Accountant work with each other to determine the composition of the balance as well as whether residents were paid in prior periods from general fund monies (if at all). Recorded deposits for which the general fund was charged for repayment to the property owners should be transferred to the general fund.

If after researching this amounts appear to have been abandoned, the Town could also complete a tailings process under Massachusetts General Laws Chapter 200A Section 9A. Under this statute, amounts that remain unclaimed may be credited as miscellaneous revenue to the general fund once all steps have been completed.

Withholding Balances

Currently the General Ledger includes two balances that are in deficit for withholding accounts. These are the retirement withholding and child levy withholding which both sit at around \$2,000 in deficit.

These balances should be investigated to determine why they are in deficit and adjusted accordingly.

Inspectors Payroll

Inspectors are typically not paid until a permit is submitted to the Treasurer's Office. They are then paid for that particular inspection. We observed that at times, the permit may be held for 2 or 3 months before being submitted to the Treasurer's Office. This holds up the payroll for that particular inspector. In order for the Town to remain in compliance with MGL and Federal payroll requirements we suggest that more enforcement in this area is needed.