



## **COUNTY OF BARNSTABLE, MASSACHUSETTS**

Management Letter  
For the Year Ended June 30, 2020

## CONTENTS

	<u>Page</u>
<b>INTRODUCTORY LETTER</b>	1
 <b>CURRENT YEAR RECOMMENDATIONS:</b>	
1. Independently Approve General Fund Operating Budget and Adhere to the County's Budget Policy	3
2. Improve Septic Loan Program Reporting	3
3. Maintain All Registry of Deeds Activity in County Accounting Records	4
4. Maintain HOME Program Loan Receivables in County Accounting Records	5
5. Enhance Records for Individual Capital Projects	5
 <b>INFORMATIONAL RECOMMENDATIONS:</b>	
6. Prepare for GASB Statement No. 84	6
7. Prepare for GASB Statement No. 87	6



To the Honorable County Commissioners  
County of Barnstable, Massachusetts

In planning and performing our audit of the basic financial statements of the County of Barnstable, Massachusetts (the County) as of and for the year ended June 30, 2020, 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 County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 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.

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine



The County'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.

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.

*Melanson*

Andover, Massachusetts  
September 27, 2021



## **CURRENT YEAR RECOMMENDATIONS:**

### **1. Independently Approve General Fund Operating Budget and Adhere to the County's Budget Policy**

Annually, the County adopts an operating budget for the General Fund. During fiscal year 2020, we found the General Fund operating budget appropriation was comingled with additional funds and activities. Consequently, the operating budget of the General Fund was unable to be reconciled, independently, to the budget presented in the County's accounting records.

Further, we found the General Fund operating budget presented in the County's accounting records was not in balance (i.e., revenues and other financing sources did not equal expenditures and other financing uses), largely attributable to the use of fund balance in fiscal year 2020 that was subsequently appropriated to fund various activities.

We recommend the County adopt the General Fund operating budget independent of additional funds and activities. Further, we recommend the County adhere to its budget policy by ensuring the accounting records 1) reflect a balanced budget as voted, 2) reconcile with the original and subsequent appropriations, and 3) maintain a clear reconciliation between the original operating budget and final operating budget. Implementation of these recommendations will assist in the efficiency of year-end budgetary reconciliation procedures and ensure that complete and accurate data is provided to decision makers.

#### ***County's Response:***

I could not agree more. As the new Finance Director coming on board in June 2019, the FY2020 budget was already drafted and voted. The first thing I noted was the inclusion of non-General Fund accounts mixed with General Fund accounts.

In crafting the FY2021 budget, the co-mingled accounts were eliminated and only General Fund accounts were presented for a vote and adopting of the Annual Budget. This will be the practice of all subsequent budgets.

### **2. Improve Septic Loan Program Reporting**

The County provides loans to residents for the upgrade of failed, or non-complaint, septic systems. Loans are repaid over a maximum term of twenty years with a minimum payment due either monthly or quarterly. Outstanding loan balances are maintained in a Septic Loan Management Program (the SLM program) and maintained by the County.

We found that the County's SLM program was unable to produce an aging schedule outlining when payments were due for each outstanding loan. This function is necessary for

the County to project current and future cash flow requirements of the Septic Loan Program as well document the timing of balances due to the County.

We recommend reporting capabilities of the County's SLM program be enhanced to provide, at a minimum, an aging schedule documenting when future payments are due for each outstanding loan. Implementation of this recommendation will provide the information necessary for decision makers to project current and future cash flow requirements of the Septic Loan Program.

***County's Response:***

The County Accountant recognized this deficiency several years ago and brought this to my attention when I joined the County in June of 2019. We started the process of searching for new Loan software that will provide us with comprehensive reporting and tracking as well as online loan application and bill payment.

The onset of COVID put this on the back burner as we need the Health Departments involvement to move this forward. We have renewed the process for identifying new software and will be converting during FY2022.

**3. Maintain All Registry of Deeds Activity in County Accounting Records**

The Registry of Deeds handles all property records for the County. Monies are collected for excises and additional fees related to each property. Of the monies collected by the County, a portion is remitted to the Commonwealth of Massachusetts (the Commonwealth) and a portion to the County.

We found that Registry of Deeds activity related to the Commonwealth was not appropriately accounted for in the County's accounting records and were only maintained in separate program records.

We recommend that all Registry of Deeds activity be maintained in the County's accounting records, including those that are received and remitted directly to the Commonwealth. Implementation of this recommendation will establish appropriate accounting for the inflows and outflows associated with Registry of Deeds activities and ensure the County's accounting records are complete and accurate.

***County's Response:***

The County will work with the Registry to rectify this for FY2022.

#### **4. Maintain HOME Program Loan Receivables in County Accounting Records**

Since 1994, the County has issued loans to qualifying individuals under the HOME Investment Partnerships Program (HOME program). HOME program loans issued are maintained by the County and consist of two classifications 1) forgivable loans and 2) unforgivable loans. The classification between forgivable and unforgivable loans is dependent upon the nature and timing of each HOME program loan.

We found that HOME program receivables outstanding were not maintained in the County's accounting records and were only maintained in separate program records.

We recommend that HOME Program receivables be maintained in the County's accounting records and be reconciled, by classification, to the separately maintained program records. Implementation of this recommendation will establish appropriate accounting records for the receivables of the HOME program.

***County's Response:***

The County Accountant will work with the HOME Program administrator in Human Services to reconcile the loans and then subsequently get them added to the accounting system and maintain receivables to be reconciled annually to ensure they balance with the records from the HOME program.

#### **5. Enhance Records for Individual Capital Projects**

The County has various capital projects ongoing throughout the fiscal year. Generally, each individual capital project has their own dedicated resources and anticipated costs. While the County maintains summary records for all ongoing capital projects, we found the records did not isolate individual capital projects.

We recommend capital project records be enhanced by isolating individual capital projects and documenting beginning balances, inflows, outflows, and ending balances of each project. Implementation of this recommendation will allow decision makers to assess the cash flow requirements of individual capital projects and identify whether ongoing projects are operating within budget expectations.

***County's Response:***

The Capital Projects were previously accounted for under one fund. When we reconciled and made all of the appropriate corrections to fund the deficit in that fund, we created new Capital Funds by year. Within these annual Capital Funds, each voted appropriation has its own unique org and object.

As I do understand what Melanson is asking of us with Capital Projects each having their own Fund, would this not defeat the purpose of reducing our large number of funds. There are years where we have over a dozen projects.

For FY2022 we will separate out the Dredge Enterprise Capital Projects for past, current, and future appropriations. We will also review alternative ways within MUNIS to capture the other Capital Projects to manage the balances, inflows, and outflows in a more transparent method.

## **INFORMATIONAL RECOMMENDATIONS:**

### **6. Prepare for GASB Statement No. 84**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, that will apply to the County in fiscal year 2021. Statement 84 changes the way certain Agency Funds are to be accounted for. Currently, Agency Funds have no measurement focus and are simply assets offset by corresponding liabilities. The changes establish a measurement focus on these activities and may require changing how the County accounts and reports these activities. Specifically, revenue and expenditure accounts may need to be added to the County's general ledger in order to maintain the newly required measurement focus.

We recommend the County prepare to implement Statement 84. An Implementation Guide has been published to provide guidance for application of this Statement including possible revisions to the County's chart of accounts.

#### ***County's Response:***

The County's Accountant and Finance Director will review GASB 84 and make any necessary adjustments to any Agency Funds that is not managed in accordance with GASB 84.

### **7. Prepare for GASB Statement No. 87**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, that will apply to the County in fiscal year 2022. Statement 87 changes the way certain leases are to be accounted for. The changes establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under Statement 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset to enhance the relevance and consistency of information about the County's leasing activities.

We recommend the County prepare to implement Statement 87. An implementation Guide has been published to provide guidance for application of this Statement.



***County's Response:***

The County's Accountant and Finance Director will review GASB 87 and make any necessary accounting reporting changes in accordance with the guidelines.