



COUNTY OF BARNSTABLE, MASSACHUSETTS

Management Letter
For the Year Ended June 30, 2021

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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, 2021, 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.

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

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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.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
September 26, 2022



STATUS OF PRIOR YEAR RECOMMENDATIONS:

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

Prior Year Issue:

In the prior year, we recommended the County adopt the General Fund operating budget independent of additional funds and activities. Further, we recommended the County ensure 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 and final operating budget.

Current Year Status:

In fiscal year 2021, the County appropriately adopted the General Fund operating budget independent of additional funds and activities. However, the County's accounting records 1) did not reflect a balanced budget as voted, 2) did not reconcile with the original and subsequent appropriations, and 3) did not maintain a clear reconciliation between the original and final operating budget.

Further Action Needed:

We continue to recommend the County implement this recommendation to help reduce the likelihood that errors or irregularities could occur and go undetected, as well as ensure that financial data being used by decision makers is complete and accurate.

County's Response:

The County has adopted procedures to ensure the operating budget, as recorded in the financial accounting system, reflects authorized appropriations, whereas the total expenditures mirror budgeted revenue and provides a clear crosswalk to the ordinance(s) authorized by the County Commissioners and the Assembly of Delegates.

2. Improve Septic Loan Program Reporting

Prior Year Issue:

In the prior year, we recommended the County enhance the Septic Loan Management (SLM) Program reporting capabilities to provide, at a minimum, an aging schedule documenting when future payments are due for each outstanding loan.

Current Year Status:

In fiscal year 2021, the County was able to provide additional documentation to assist in our analysis of the Septic Loan Program however, this data should be enhanced to provide additional information necessary to assess future cash flow implications and related maturity dates by individual outstanding loan.

Further Action Needed:

We continue to recommend the County enhance the SLM Program reporting capabilities to provide an aging schedule documenting when future payments are due for each outstanding loan in order to provide decision makers with complete and accurate financial data.

County's Response:

Barnstable County has recently selected a vendor and software program to track and report septic loan schedules and advanced reporting, maintain all septic loan data as well as an API for seamless integration to the County's ERP system. Installation and implementation are scheduled to begin in the fall of 2022.

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

Prior Year Issue:

In the prior year, we recommended that all Registry of Deeds activity be maintained in the County's accounting records.

Current Year Status:

In fiscal year 2021, it does not appear that all Registry of Deeds activity was maintained in the County's accounting records. The County should record gross activity (inflows and outflows) of the Registry of Deeds in a custodial fund to ensure accounting records are maintained in accordance with Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

Further Action Needed:

We continue to recommend that all Registry of Deeds activity be maintained in the County's accounting records to ensure the County's accounting records are complete, accurate, and maintained in accordance with GASB Statement No. 84.

County's Response:

The County is working closely with the Registry of Deeds to record, in summary, the financial transactions of the Registry monthly. The estimated completion date is June 30, 2022.

4. Maintain HOME Program Loan Receivables in County Accounting Records

Prior Year Issue:

In the prior year, we recommended that HOME Investment Partnerships Program (HOME Program) receivables be maintained in the County's accounting records.

Current Year Status:

While the County maintained independent program records related to HOME program receivables outstanding, these receivables were not maintained in the County's accounting records in fiscal year 2021.

Further Action Needed:

We continue to recommend that HOME program receivables be maintained in the County's accounting records.

County's Response:

The County has recorded HOME program receivables appropriately within the balance sheet as of June 30, 2022. Barnstable County has recently selected a vendor and software program to track and report both septic loans and the HOME Program with advanced reporting, maintaining all septic loan and home loan data as well as an API for seamless integration to the County's ERP system. Installation and implementation are scheduled to begin in the fall of 2022.

5. Enhance Records for Individual Capital Projects

Prior Year Issue:

In the prior year, we recommended that capital project records be enhanced by isolating individual capital projects and documenting beginning balances, inflows, outflows, and ending balances for each project.

Current Year Status:

In fiscal year 2021, the County continued to maintain summary records for all ongoing capital projects however, these records did not document capital project activity by individual project.

Further Action Needed:

We continue to recommend the County enhance individual capital project records to 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:

Beginning in fiscal year 2023, the County has instituted project-based reporting and tracking for individual capital projects.

INFORMATIONAL RECOMMENDATIONS:

6. 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 No. 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 No. 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 No. 87. An implementation Guide has been published to provide guidance for application of this Statement.

County's Response:

The County anticipates full compliance with GASB Statement No. 87 as of June 30, 2022.