



**Powers &  
Sullivan, LLC**  
CPAs AND ADVISORS

***TOWN OF GROVELAND, MASSACHUSETTS***

***MANAGEMENT LETTER***

***JUNE 30, 2023***



**Powers & Sullivan, LLC**  
CPAs AND ADVISORS

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To the Honorable Board of Selectmen  
Town of Groveland, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts as of and for the year ended June 30, 2023, (except for the Groveland Municipal Light Department which is as of and for the year ending December 31, 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 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 other 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 those 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 Groveland, Massachusetts, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Powers & Sullivan, LLC*

January 11, 2024

TOWN OF GROVELAND, MASSACHUSETTS

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## ***COMMENTS AND RECCOMENDATIONS***

## **BANK RECONCILIATIONS**

### Comment

One of the most effective internal controls to detect and correct errors in a timely manner is a timely process of reconciling bank balances to the cash book in the Treasurer's office and then comparing those reconciled Treasurer's cash book balances to the Town's general ledger. Performing these monthly reconciliations helps to ensure that errors are detected and corrected timely and that records are complete and accurate.

The Town maintains approximately 50 bank accounts, most of which are reconciled to the Town Treasurer's cash book on a timely basis. However, we have previously noted for a number of years, that two of the Town's accounts had unreconciled differences between the bank balance and the book balance maintained by the Treasurer.

These unreconciled variances were the result of significant turnover in key financial positions, and the current members of the Town's financial team had been working to reconcile the accounts to a consistent unidentified variance.

### Current Status

*Resolved* – In 2023, the Town established consistent reconciliation procedures and the previous year's variances were isolated and ultimately adjusted off the Town's ledger balances.

## **FRAUD RISK ASSESSMENT**

### Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets.

When conducting the self-assessment, questions such as the following can be considered:

- What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicated potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.

- What assets of the Town are susceptible to misappropriation?
- Are there any know internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.
- How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

#### Current Status

*Unresolved* - The Town has not yet developed or implemented a formal fraud risk assessment.

#### Continuing Recommendation

We continue to recommend that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation. Department heads should provide information detailing any activities within their departments that may lend themselves to potential fraud, i.e., identification of idle cash or collections that don't get turned over daily or instances where internal controls over Town assets are not in place or are not functioning as intended.

### **DOCUMENTATION OF INTERNAL CONTROLS**

#### Comment

In December 2013, the U.S. Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in an effort to (1) streamline guidance for federal awards while easing the administrative burden and (2) to strengthen oversight over the expenditure of federal funds and to reduce the risks of waste, fraud and abuse.

The Uniform Guidance supersedes and streamlines requirements from eight different federal grant circulars (including OMB Circular A-133) into one set of guidance. Local governments were required to implement the new administrative requirements and cost principles for all new federal awards and to additional funding to existing awards made after December 26, 2014 (fiscal year 2016).

In conformance with Uniform Guidance, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States (the Green Book) and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management is responsible for internal controls and to see that the entity is doing what needs to be done to meet its objectives. Governments have limited resources and constraints on how much can be spent on designing, implementing, and conducting systems of internal control. The COSO Framework can help management consider alternative approaches and decide what action it needs to take to meet its objectives. Depending on circumstances, these approaches and decisions can contribute to efficiencies in the design, implementation, and conduct of internal control. With the COSO Framework, management can more successfully diagnose issues and assert effectiveness regarding their internal controls, and, for external financial reporting, help avoid material weaknesses or significant deficiencies.

The COSO internal control framework must incorporate the 5 major components of internal control, while addressing the 17 principles of internal control that support the COSO framework. Refer to [www.coso.org](http://www.coso.org) for articles describing the 5 components and their 17 principles in detail.

Management should evaluate and assess the government's internal control system to determine whether: each of the five essential elements of a comprehensive framework of internal control is present throughout the organization; whether each element addresses all of the associated principles; and whether all five elements effectively function together.

#### Current Status

*Partially Unresolved* – The Town is in the process of drafting an internal control document using the COSO Internal Control Framework. The Town plans to finalize this document in 2024.

#### Continuing Recommendation

We recommend management follow the best practice for establishing and documenting their internal control system using the COSO Internal Control Framework.