January 15, 2020

The Honorable Suzanne M. Bump
Auditor of the Commonwealth
State House, Room 230
Boston, MA 02133

Dear Auditor Bump:

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws and a unanimous vote taken by the Norfolk County Commissioners on this date, we write today to seek your assistance to “make an audit of the accounts, programs, activities and other public functions” of the County of Norfolk.

We have long valued the role of the Office of the State Auditor as a partner with municipalities, school districts and counties across the Commonwealth. We also look at your recent efforts with the County of Barnstable as an example to better-ensure best-practices in county operations. To that end, the Commissioners unanimously approved a motion to request a Performance Audit from OSA given repeated issues that have been identified—but not resolved—in recent independent County Audit Management Letters, including issues relating to the interpretation of various state laws regarding county funding and the fiduciary responsibilities of County departments.

For your convenience, we have enclosed as attachments to this request independent County Audit Management Letters from Fiscal Years 2016, 2017 and 2018. We would welcome the opportunity to meet with you and/or your staff to discuss this request and potential audit objectives in greater detail.

Thank you in advance for your time and consideration of this important request. We encourage you to contact our County Director, Michael Mullen, Jr., by phone at (781) 234-3435 or by email at mmullen@norfolkcounty.org to arrange a meeting to discuss these issues.

Sincerely,

Francis W. O’Brien, County Commissioner, of Dedham, Chair

Peter H. Collins, County Commissioner, of Milton

Joseph P. Shea, County Commissioner, of Quincy

James E. Timilty, County Treasurer, of Walpole

Enclosures
To the Honorable Board of Commissioners
County of Norfolk, Massachusetts

In planning and performing our audit of the financial statements, we considered the County of Norfolk, Massachusetts’ 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 over compliance 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 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency as described in the internal control over financial reporting 2018-001 to be a significant deficiency.

We are also submitting for your consideration comments and recommendations which are not considered to be significant deficiencies but are intended to improve operations and internal control. The comments and recommendations presented herein are intended to improve the system of internal control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with management to obtain their concurrence before the development of our recommendations for improvement. Matters commented on represent conditions found during the audit and have not been reviewed subsequent to the date of this report.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on positive attributes of the County’s financial management systems. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex governmental accounting environment and we recognize that practical considerations are an important factor in changing administrative practices and internal controls. The County should weigh the advantages and disadvantages of the suggested changes over the present practice and procedure. We would like to acknowledge the courtesy and assistance extended to us by County personnel during our audit.

This letter is intended solely for the information and use of management, the County Commissioners, others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Scappini & Pina, P.C.
Norwell, Massachusetts
December 19, 2019
STATUS OF PRIOR YEAR COMMENTS

As part of our audit of the County’s financial statements for the year ended June 30, 2017, we issued a report relating to our fiscal year 2017 work. The County has considered those comments and the status of those comments is presented below.

Registry of Deeds Decentralized Cash Accounts

During our prior year audit, we noted the Registry of Deeds is maintaining certain decentralized cash accounts (postage, online). These accounts are not currently in the custody of the County Treasurer nor are they reported within the general ledger for the County. The bank accounts are in the County’s federal identification number and as such are required to be in the custody of the County Treasurer in accordance with Massachusetts General Laws, Chapter 35, Section 27A. Furthermore, the activity within these accounts relates directly to the operations of the County. We continue to recommend the custody of these accounts should be turned over to the County Treasurer. All cash receipts for these accounts should be turned over to the County Treasurer’s office and reported in the general ledger. Any disbursements from these accounts would then go through the normal warrant process for the County as provided by MGL, Chapter 35, Section 10.

Implementation of documented financial policies and procedures

Auditing standards require us to review and comment on our client’s documentation of internal financial controls and risk assessments. Currently the County does not have formally documented internal control policies as intended under the standards. As these standards are implemented nationwide, information on the implementation and adoption of these policies and procedures will become more readily available. We continue to recommend the County begin developing a strategy to implement internal control policies and procedures internally.

Compensated Absences

As part of our fiscal year 2017 audit procedures we reviewed the records maintained to report and track the compensated absences balances at year-end. We found that the schedules are being maintained manually for each department. We recommended the County incorporate compensated absence tracking and reporting into the computerized accounting system to allow for systematic reporting of the year-end liability. Additionally, we recommended that the County considering implementing additional internal controls over the reporting and tracking of compensated absences. We continue these recommendations as of our current year audit.

Agricultural High School Student Activity Accounts

Last year, we noted the student activity accounts for the Agricultural High School were not included in the County’s accounting records. These accounts were added to the financial records of the County as of our current year audit and we consider this issue resolved.

Grant Activity

The County records all grant activity within the general fund and requires adjusting journal entries to properly reclassify the activity into special revenues funds at year-end. While the County’s intent of maintaining formalized approval and monitoring processes are sound, we believe that to properly record this activity in accordance with generally accepted accounting principles, all grant funds should be accounted for separately within the accounting records. Accounting for cost reimbursement grants with the current practices increases
the potential for errors and misstatements. We continue to recommend the County review the practice of budgeting and accounting for expenditures to be reimbursed by grants within the general fund to ensure adherence to generally accepted accounting principles.

**Encumbrances**

During our prior year review of the County’s encumbrances, we noted instances where funds were encumbered without evidence of an outstanding and enforceable contractual claim against an appropriation. In order to encumber funds, a liability must have been incurred during the fiscal year by a purchase order, contract, or salary commitment that is chargeable to the appropriation made for that year’s expenses. In a case where services will be performed entirely in the following fiscal year, a department’s current year appropriation cannot be encumbered.

We continue to recommend the County officials carefully review each encumbrance request to ensure a contractual commitment exists and avoid encumbering funds based on the receipt of a quote or estimate for goods or services without evidence of acceptance or contractual obligation.

**OPEB Trust Fund**

Previously, we recommended the County implement procedures to adjust the OPEB investment account on a quarterly basis, at a minimum, to properly report the balance throughout the fiscal year and at year-end. As of June 30, 2018 the County’s general ledgers reported the correct balance in the OPEB investment account and we consider this issue resolved.

**Authorized and Unissued Debt**

We reviewed the most recent bond offering statements, board meeting minutes and prior audited financial statements to determine the County’s debt authorizations that remain unissued. We found discrepancies between the amounts reported in the prior audited financial statements when compared to the amounts noted within the bond offering statements issued in 2012 and 2016. Inquiries were made, but the variances remained unresolved at the conclusion of our audit work. We continue to recommend the County review their records and prepare a schedule of their authorized and unissued debt and regularly update, as necessary, based on new authorizations, borrowings or rescissions for inclusion in the audited financial statements.

**Cash Receipts**

During our audit work we noted that there is a lack of segregation of duties regarding cash receipt processing. One individual is responsible for the collection of funds, the deposit of funds, and the subsequent posting of these funds to the general ledger. Financial recording and reporting duties should be segregated to allow proper internal controls over financial reporting. We continue to recommend the County review the practices and consider implementing additional or alternative procedures that will provide for a better segregation of duties and strengthen internal controls in the area of cash receipts.

**Payroll Records**

As part of our prior year audit work we reviewed a sample of payroll transactions for propriety. For each transaction reviewed we look to verify each of the payroll deductions withheld for the employee. We were unable to verify the propriety of the health, dental and life insurance withholdings for the employees selected as they enrollment forms were not available for our review. We continue to recommend the County review the practices in place regarding the recordkeeping for employee payroll deductions to ensure the records are complete.
CURRENT YEAR COMMENTS AND SUGGESTIONS

Financial Reporting System (Significant Deficiency 2018-001)

The County does not fully utilize its computerized financial reporting system and relies on a decentralized reporting system to maintain its accounting records. This has been reported as a significant deficiency in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. The decentralized financial reporting system relies upon activity being posted a spreadsheet from the monthly activity generated by the computerized system. This appears to be a duplication of efforts and also increased the potential for misstatements and errors to not be prevented, detected or corrected on a timely basis in the normal course of operations. We recommend the County work towards eliminating the use of its decentralized reporting practices and solely utilize the computerized accounting software for all financial reporting.

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COUNTY OF NORFOLK, MASSACHUSETTS
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2017
To the Honorable Board of Commissioners
County of Norfolk, Massachusetts

In planning and performing our audit of the financial statements, we considered the County of Norfolk, Massachusetts' 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 over compliance 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 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency as described in the internal control over financial reporting 2017-001 to be a significant deficiency.

We are also submitting for your consideration comments and recommendations which are not considered to be significant deficiencies but are intended to improve operations and internal control. The comments and recommendations presented herein are intended to improve the system of internal control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with management to obtain their concurrence before the development of our recommendations for improvement. Matters commented on represent conditions found during the audit and have not been reviewed subsequent to the date of this report.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on positive attributes of the County's financial management systems. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex governmental accounting environment and we recognize that practical considerations are an important factor in changing administrative practices and internal controls. The County should weigh the advantages and disadvantages of the suggested changes over the present practice and procedure. We would like to acknowledge the courtesy and assistance extended to us by County personnel during our audit.

This letter is intended solely for the information and use of management, the County Commissioners, others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Scappini & Pina, P.C.
Norwell, Massachusetts
October 8, 2019
STATUS OF PRIOR YEAR COMMENTS

As part of our audit of the County’s financial statements for the year ended June 30, 2016, we issued a report relating to our fiscal year 2016 work. The County has considered those comments and the status of those comments is presented below.

Capital Asset Inventory [Material Weakness 2016-001]

As part of our prior year audit, we reviewed the capital asset inventory maintained by the County and found that these records contained material inaccuracies. This finding was reported as a material weakness in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. We recommended the County implement procedures to maintain fixed asset records on an ongoing basis and to provide for periodic reporting.

We reviewed the County’s capital assets inventory as part of our fiscal year 2017 audit without finding. We consider this issue resolved.

Registry of Deeds Decentralized Cash Accounts

During our prior year audit, we noted the Registry of Deeds is maintaining certain decentralized cash accounts (postage, online). These accounts are not currently in the custody of the County Treasurer nor are they reported within the general ledger for the County. The bank accounts are in the County’s federal identification number and as such are required to be in the custody of the County Treasurer in accordance with Massachusetts General Laws, Chapter 35, Section 27A. Furthermore, the activity within these accounts relates directly to the operations of the County. We continue to recommend the custody of these accounts should be turned over to the County Treasurer. All cash receipts for these accounts should be turned over to the County Treasurer’s office and reported in the general ledger. Any disbursements from these accounts would then go through the normal warrant process for the County as provided by MGL, Chapter 35, Section 10.

Implementation of documented financial policies and procedures

Auditing standards require us to review and comment on our client’s documentation of internal financial controls and risk assessments. Currently the County does not have formally documented internal control policies as intended under the standards. As these standards are implemented nationwide, information on the implementation and adoption of these policies and procedures will become more readily available. We continue to recommend the County begin developing a strategy to implement internal control policies and procedures internally.

Compensated Absences

As part of our fiscal year 2016 audit procedures we reviewed the records maintained to report and track the compensated absences balances at year-end. We found that the schedules are being maintained manually for each department. We recommended the County incorporate compensated absence tracking and reporting into the computerized accounting system to allow for systematic reporting of the year-end liability. Additionally, we recommended that the County considering implementing additional internal controls over the reporting and tracking of compensated absences. We continue these recommendations as of our current year audit.
Agricultural High School Student Activity Accounts

Last year, we noted the student activity accounts for the Agricultural High School were not included in the County’s accounting records. We continue to recommend management of the County and the Agricultural High School review the guidance issued by the Massachusetts Department of Elementary and Secondary Education regarding the maintenance of and agreed-upon procedures to be performed on these accounts.

Grant Activity

The County records all grant activity within the general fund and requires adjusting journal entries to properly reclassify the activity into special revenues funds at year-end. While the County’s intent of maintaining formalized approval and monitoring processes are sound, we believe that to properly record this activity in accordance with generally accepted accounting principles, all grant funds should be accounted for separately within the accounting records. Accounting for cost reimbursement grants with the current practices increases the potential for errors and misstatements. We continue to recommend the County review the practice of budgeting and accounting for expenditures to be reimbursed by grants within the general fund to ensure adherence to generally accepted accounting principles.

Encumbrances

During our prior year review of the County’s encumbrances, we noted instances where funds were encumbered without evidence of an outstanding and enforceable contractual claim against an appropriation. In order to encumber funds, a liability must have been incurred during the fiscal year by a purchase order, contract, or salary commitment that is chargeable to the appropriation made for that year’s expenses. In a case where services will be performed entirely in the following fiscal year, a department’s current year appropriation cannot be encumbered.

We continue to recommend the County officials carefully review each encumbrance request to ensure a contractual commitment exists and avoid encumbering funds based on the receipt of a quote or estimate for goods or services without evidence of acceptance or contractual obligation.

Online Registry Payments

During our FY2016 review of the cash accounts reported by the County we noted a variance of approximately $33,000 in the depository account between the reconciled bank balance and the balance reported in the general ledger. These payments were related to online registry payments that were recorded in the general ledger, however the cash was not actually received. We recommended the County review the procedures and practices in place regarding the online registry payments to ensure the amounts reported in the general ledger reflect the activity that has taken place.

As part of our fiscal year 2017 review of the County’s cash accounts, we did not note any variances and we consider this issue resolved.

OPEB Trust Fund

The County has established an OPEB trust fund that has been funded annually. The total contributions to the trust fund as of June 30, 2017 total $700,000. The funds have been invested in accordance with the Trust Agreement. The investment account has not been adjusted to report the balance at fair market value in the accounting records of the County. An audit adjustment in the amount of $47,164 was made to properly reflect this investment at fair market value at year-end. We continue to recommend the County implement
procedures to adjust the OPEB investment account on quarterly basis, at a minimum, to properly report the balance throughout the fiscal year and at year-end.

**Authorized and Unissued Debt**

We reviewed the most recent bond offering statements, board meeting minutes and prior audited financial statements to determine the County’s debt authorizations that remain unissued. We found discrepancies between the amounts reported in the prior audited financial statements when compared to the amounts noted within the bond offering statements issued in 2012 and 2016. Inquiries were made, but the variances remained unresolved at the conclusion of our audit work. We continue to recommend the County review their records and prepare a schedule of their authorized and unissued debt and regularly update, as necessary, based on new authorizations, borrowings or rescissions for inclusion in the audited financial statements.

**Independent Contractors**

As part of our prior year audit work we reviewed a sample of vendors to determine if the County had properly issued 1099s in accordance with Internal Revenue Service requirements. We found four instances from our sample where the County had not issued 1099s to vendors that should have received them. We recommended the County review the procedures in place regarding the setup and tracking of vendors that are 1099 eligible to ensure compliance with Internal Revenue Service regulations.

As part of our current year work, we again reviewed the County’s forms 1099-MISC and all appeared to have been issued in accordance with IRS regulations. We consider this issue resolved.

**Cash Receipts**

During our audit work we noted that there is a lack of segregation of duties regarding cash receipt processing. One individual is responsible for the collection of funds, the deposit of funds, and the subsequent posting of these funds to the general ledger. Financial recording and reporting duties should be segregated to allow proper internal controls over financial reporting. We continue to recommend the County review the practices and consider implementing additional or alternative procedures that will provide for a better segregation of duties and strengthen internal controls in the area of cash receipts.

**Payroll Records**

As part of our prior year audit work we reviewed a sample of payroll transactions for propriety. For each transaction reviewed we look to verify each of the payroll deductions withheld for the employee. We were unable to verify the propriety of the health, dental and life insurance withholdings for the employees selected as they enrollment forms were not available for our review. We continue to recommend the County review the practices in place regarding the recordkeeping for employee payroll deductions to ensure the records are complete.
CURRENT YEAR COMMENTS AND SUGGESTIONS

Financial Reporting System (Significant Deficiency 2017-001)

The County does not fully utilize its computerized financial reporting system and relies on a decentralized reporting system to maintain its accounting records. This has been reported as a significant deficiency in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. The decentralized financial reporting system relies upon activity being posted a spreadsheet from the monthly activity generated by the computerized system. This appears to be a duplication of efforts and also increased the potential for misstatements and errors to not be prevented, detected or corrected on a timely basis in the normal course of operations. We recommend the County work towards eliminating the use of its decentralized reporting practices and solely utilize the computerized accounting software for all financial reporting.

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To the Honorable Board of Commissioners  
County of Norfolk, Massachusetts

In planning and performing our audit of the financial statements, we considered the County of Norfolk, Massachusetts' 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 over compliance 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 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency as described in the internal control over financial reporting 2016-001 to be a material weakness and 2016-002 to be a significant deficiency.

We are also submitting for your consideration comments and recommendations which are not considered to be significant deficiencies but are intended to improve operations and internal control. The comments and recommendations presented herein are intended to improve the system of internal control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with management to obtain their concurrence before the development of our recommendations for improvement. Matters commented on represent conditions found during the audit and have not been reviewed subsequent to the date of this report.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on positive attributes of the County's financial management systems. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex governmental accounting environment and we recognize that practical considerations are an important factor in changing administrative practices and internal controls. The County should weigh the advantages and disadvantages of the suggested changes over the present practice and procedure. We would like to acknowledge the courtesy and assistance extended to us by County personnel during our audit.

This letter is intended solely for the information and use of management, the County Commissioners, others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Scappini & Pina, P.C.  
Norwell, Massachusetts  
April 9, 2018
CURRENT YEAR COMMENTS AND SUGGESTIONS

Capital Asset Inventory [Material Weakness 2016-001]

As part of our current year audit, we reviewed the capital asset inventory maintained by the County and found that these records contained material inaccuracies. This finding has been reported as a material weakness in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. The County maintains their capital asset inventory in-house using an excel workbook. While the County provided a listing of capital asset additions, disposals and depreciation, there were certain corrections to the excel workbook that were needed to prepare the information for inclusion in the financial statements. Corrections were needed for an overstatement of $737,400 related to the registry roof project and an understatement of $163,375 related to the school roof replacement. We recommend the County implement procedures to maintain fixed asset records on an ongoing basis and to provide for periodic reporting. The procedures should include methodology for identifying construction in progress, communicating and recording capital asset disposals, identifying cost of disposed assets, calculating annual depreciation, verification of departmental equipment and infrastructure, and reporting on the change in capital assets and accumulated depreciation on a functional and departmental basis each year.

Financial Reporting System (Significant Deficiency 2016-002)

The County does not fully utilize its computerized financial reporting system and relies on a decentralized reporting system to maintain its accounting records. This has been reported as a significant deficiency in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. The decentralized financial reporting system relies upon activity being posted a spreadsheet from the monthly activity generated by the computerized system. This appears to be a duplication of efforts and also increased the potential for misstatements and errors to not be prevented, detected or corrected on a timely basis in the normal course of operations. We recommend the County work towards eliminating the use of its decentralized reporting practices and solely utilize the computerized accounting software for all financial reporting.

Registry of Deeds Decentralized Cash Accounts

During our audit we noted the Registry of Deeds is maintaining certain decentralized cash accounts (postage, online). These accounts are not currently in the custody of the County Treasurer nor are they reported within the general ledger for the County. The bank accounts are in the County's federal identification number and as such are required to be in the custody of the County Treasurer in accordance with Massachusetts General Laws, Chapter 35, Section 27A. Furthermore, the activity within these accounts relates directly to the operations of the County. We recommend the custody of these accounts should be turned over to the County Treasurer. All cash receipts for these accounts should be turned over to the County Treasurer's office and reported in the general ledger. Any disbursements from these accounts would then go through the normal warrant process for the County as provided by MGL, Chapter 35, Section 10.
Implementation of documented financial policies and procedures

Auditing standards require us to review and comment on our client’s documentation of internal financial controls and risk assessments. Currently the County does not have formally documented internal control policies as intended under the standards. As these standards are implemented nationwide, information on the implementation and adoption of these policies and procedures will become more readily available. We recommend the County begin developing a strategy to implement internal control policies and procedures internally.

Compensated Absences

As part of our audit procedures for the current year we reviewed the records maintained to report and track the compensated absences balances at year-end. We found that the schedules are being maintained manually for each department. We recommend the County incorporate compensated absence tracking and reporting into the computerized accounting system to allow for systematic reporting of the year-end liability. Additionally, we recommend that the County considering implementing additional internal controls over the reporting and tracking of compensated absences.

Agricultural High School Student Activity Accounts

We noted the student activity accounts for the Agricultural High School were not included in the County’s accounting records. We recommend management of the County and the Agricultural High School review the guidance issued by the Massachusetts Department of Elementary and Secondary Education regarding the maintenance of and agreed-upon procedures to be performed on these accounts.

Grant Activity

The County records all grant activity within the general fund and requires adjusting journal entries to properly reclassify the activity into special revenues funds at year-end. While the County’s intent of maintaining formalized approval and monitoring processes are sound, we believe that to properly record this activity in accordance with generally accepted accounting principles, all grant funds should be accounted for separately within the accounting records. Accounting for cost reimbursement grants with the current practices increases the potential for errors and misstatements. We recommend the County review the practice of budgeting and accounting for expenditures to be reimbursed by grants within the general fund to ensure adherence to generally accepted accounting principles.

Encumbrances

During our review of the County’s fiscal year 2016 encumbrances, we noted instances where funds were encumbered without evidence of an outstanding and enforceable contractual claim against an appropriation. In order to encumber funds, a liability must have been incurred during the fiscal year by a purchase order, contract, or salary commitment that is chargeable to the appropriation made for that year’s expenses. In a case where services will be performed entirely in the following fiscal year, a department’s current year appropriation cannot be encumbered.

We recommend the County officials carefully review each encumbrance request to ensure a contractual commitment exists and avoid encumbering funds based on the receipt of a quote or estimate for goods or services without evidence of acceptance or contractual obligation.
Online Registry Payments

During our review of the cash accounts reported by the County we noted a variance of approximately $33,000 in the depository account between the reconciled bank balance and the balance reported in the general ledger. These payments were related to online registry payments that were recorded in the general ledger, however the cash was not actually received. We recommend the County review the procedures and practices in place regarding the online registry payments to ensure the amounts reported in the general ledger reflect the activity that has taken place.

OPEB Trust Fund

The County has established an OPEB trust fund that has been funded annually. The total contributions to the trust fund as of June 30, 2016 total $475,000. The funds have been invested in accordance with the Trust Agreement. The investment account has not been adjusted to report the balance at fair market value in the accounting records of the County. An audit adjustment in the amount of $9,207 was made to properly reflect this investment at fair market value at year-end. We recommend the County implement procedures to adjust the OPEB investment account on quarterly basis, at a minimum, to properly report the balance throughout the fiscal year and at year-end.

Authorized and Unissued Debt

We reviewed the most recent bond offering statements, board meeting minutes and prior audited financial statements to determine the County’s debt authorizations that remain unissued. We found discrepancies between the amounts reported in the prior audited financial statements when compared to the amounts noted within the bond offering statements issued in 2012 and 2016. Inquiries were made, but the variances remained unresolved at the conclusion of our audit work. We recommend the County review their records and prepare a schedule of their authorized and unissued debt and regularly update, as necessary, based on new authorizations, borrowings or rescissions for inclusion in the audited financial statements.

Independent Contractors

As part of our audit work we reviewed a sample of vendors to determine if the County had properly issued 1099s in accordance with Internal Revenue Service requirements. We found four instances from our sample where the County had not issued 1099s to vendors that should have received them. We recommend the County review the procedures in place regarding the setup and tracking of vendors that are 1099 eligible to ensure compliance with Internal Revenue Service regulations.

Cash Receipts

During our audit work we noted that there is a lack of segregation of duties regarding cash receipt processing. One individual is responsible for the collection of funds, the deposit of funds, and the subsequent posting of these funds to the general ledger. Financial recording and reporting duties should be segregated to allow proper internal controls over financial reporting. We recommend the County review the practices and consider implementing additional or alternative procedures that will provide for a better segregation of duties and strengthen internal controls in the area of cash receipts.
Payroll Records

As part of our audit work we reviewed a sample of payroll transactions for propriety. For each transaction reviewed we look to verify each of the payroll deductions withheld for the employee. We were unable to verify the propriety of the health, dental and life insurance withholdings for the employees selected as they enrollment forms were not available for our review. We recommend the County review the practices in place regarding the recordkeeping for employee payroll deductions to ensure the records are complete.

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