

TOWN OF STOCKBRIDGE, MASSACHUSETTS

MANAGEMENT LETTER

June 30, 2019

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Adelson & Company PC

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To the Board of Selectmen
TOWN OF STOCKBRIDGE, MASSACHUSETTS

Dear Members of the Board of Selectmen:

In connection with our audit of the financial statements of the Town of Stockbridge, Massachusetts as of June 30, 2019, we have made a review of the Town's accounting procedures and internal control. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for the Town's consideration, suggestions for changes in procedures which in our opinion would strengthen internal control or contribute to the improvement of operating efficiency.

The comments and recommendations in this letter are based upon observations made in the course of such review. The review was not designed for the purposes of expressing an opinion on internal accounting control, and it would not necessarily disclose all weaknesses in the system. Items marked with an asterisk * have been repeated from the prior year.

Please indicate in the "Action Taken" space of the letter, what corrective measures the Town intends to implement with regard to each recommendation, which will be part of the final letter. After you have had an opportunity to consider our comments and recommendations, we shall be pleased to discuss them further with you.

We would like to express our thanks and appreciation to the Town and its personnel for the cooperation given us during the course of our examination.

Sincerely yours,

Adelson + Company PC

ADELSON & COMPANY PC

December 23, 2019

Comments and Recommendations

- *1. Currently, the Town's procurement policies are maintained in multiple documents.

Recommendation:

In an effort to help strengthen internal controls and ensure compliance with procurement under MGL Chapter 30B, these policies should be maintained in one central document and made available to all departments. This one central policy manual should be reviewed and updated annually to ensure it is up to date with the current requirements of MGL, Chapter 30B.

In addition, the Town should develop a master checklist to be used for all procurement files, to ensure that all documentation is obtained and on file.

Action Taken:

The Town is currently writing a comprehensive procurement policy which will be reviewed and updated annually. The Town will develop a procurement checklist to be included in each procurement file.

2. The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, which establishes new financial reporting requirements for governments. The implementation of this statement will require a lessee to recognize a lease liability and an intangible right-to-use lease asset or capital asset on its balance sheet, and will require a lessor to recognize a lease receivable and a deferred inflow of resources on its balance sheet. The Town's required implementation date of GASB Statement No. 87 is for the fiscal year ended June 30, 2021.

Recommendation:

Management of the Town should familiarize itself with GASB Statement No. 87 in order to prepare for its implementation and impact on the Town's financial reporting which begins on July 1, 2020 (fiscal year 2021). The Town should also begin the process of identifying and documenting all lease contracts, whether as lessee or lessor, and determine if any contracts meet the reporting requirements of GASB Statement No. 87.

Action Taken:

The Town will identify and document all leases and ensure that they are reported in accordance with GASB 87, effective for fiscal year 2021.

Comments and Recommendations

3. There is an increasing threat of cyber and ransomware attacks against organizations of all sizes and industries, including public government agencies. An attack on the Town's computer systems could cause significant disruption to the Town's operations, and result in the potential theft or loss of electronic files and data, including financial records, payroll information, and employee data.

Recommendation:

The Town should review its information technology policies and procedures to make sure the appropriate safeguards are in place to mitigate the risk of a cyber-attack, as well as minimize the theft or loss of data should an attack occur. This would include the following at a minimum:

- a. **Have proper backup procedures in place.** The Town's computer systems should be backed up routinely, and at a minimum on a daily basis. All backups should be stored on a separate device not connected to the main server to prevent access by a cyber-criminal.
- b. **Conduct routine training with employees.** A common way for a cyber-criminal to breach an organization's computer system is through email attachments and web links sent to employees. Hold routine trainings with employees on how to recognize suspicious emails and attachments, and how to report any suspected breach or attempted breach.
- c. **Have a response plan in place.** In the event of a cyber-attack, the Town should have a plan in place to respond to the attack, including seeking help from appropriate law enforcement officials, notifying impacted stakeholders, and having insurance policies which cover losses from cyber-attacks.

Action Taken:

The Town is in the process of adopting cyber security policies, which are in draft form currently. The Town does have cyber security insurance and backups are performed daily and stored offsite.

Status of Prior Year Recommendations

1. Modified and repeated as item 2.
2. As recommended, all requests for mileage reimbursement now require backup documentation to be submitted with the request.
3. As recommended, the Town has implemented a formal policy requiring each department to submit turnovers at a minimum of once per week, and a standard turnover sheet has been implemented for use by all departments.