

CITY OF NEWTON, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2023



CliftonLarsonAllen LLP
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To Management
City of Newton, Massachusetts

In planning and performing our audit of the financial statements of the City of Newton, Massachusetts (City) as of and for the year ended June 30, 2023, 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 City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated January 25, 2024, on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and we 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.

The City's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Audit Committee and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
January 25, 2024

CITY OF NEWTON, MASSACHUSETTS

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Newton Early Childhood Program (NECP)

Comment

We evaluated certain internal controls related to the Newton Early Childhood Program (NECP) and identified the following areas for improvement:

- The School Department maintains written policies and procedures related to general controls over significant financial transactions. However, the document does not contain any program-specific policies and procedures unique to the NECP program. Adding program-specific policies and procedures for unique aspects of the NECP program will improve controls, enhance consistency, and assist during times of staff turnover.
- The program provides various refunds and financial assistance. Some of the refunds and financial assistance payments to program participants were recorded to a revenue account in Munis, while others were recorded to an expense account in Munis. While immaterial to the financial statements, best practice is to record all refunds to revenue accounts to properly reflect actual revenues earned.
- We identified the following related to record retention:
 - Applicants for financial assistance provide various financial information (tax returns and forms, etc.) to assist with the process of determining how financial assistance is allocated. The financial information provided by the applicants is not retained.
 - For 2 of 20 applicants tested, a signed tuition agreement/contract could not be provided.
- The School Department utilizes a program called MySchoolBucks to account for tuition payments. The City also utilizes Munis to account for tuition payments. We identified that formal reconciliations of tuition payments in MySchoolBucks and Munis is not being performed and/or documented. In instances in which a department is utilizing a system separate from the centralized accounting system to account for financial transactions, it is best practice to formally reconcile the financial activities between the two systems.
- Payroll authorizations require two signatures. For 1 of 6 transactions tested, the payroll authorization documentation did not contain 1 of 2 required signatures.

Recommendation

We recommend:

- Add program-specific information related to NECP to financial policies and procedures
- Record all refunds and financial assistance to revenue accounts
- Enhance and reinforce policies and procedures related to record retention
- Periodically perform and document reconciliations of tuition revenue between MySchoolBucks and Munis
- Enhance and reinforce policies and procedures related to payroll authorizations

Newton Early Childhood Program (NECP) (Continued)

Management's Response

The Business, Finance, and Planning Office of the Newton Public Schools (NPS) has reviewed the Management Letter for the FY23 audit of the financial statements for the City of Newton, specific to the findings for the Newton Early Childhood Program (NECP) and offer the following responses.

- The NPS Business Office is working with NECP to develop program-specific policies and procedures that will clearly articulate all financial expectations. We are also creating checklists to reinforce these expectations. Anticipated completion by 2/16/24.
- When possible, NPS processes NECP tuition refunds through MySchoolBucks (MSB), which would reduce revenue. However, there are limitations to refunds within MSB, which then requires that NPS process refunds to the original payer with an invoice through the warrant process. As these refund invoices are not an expense, we process the invoices through the 5REFND account. The City Comptroller's Office makes an adjustment at month-end to reclass these 5REFND transactions as reductions to revenue.

In speaking with the City Comptroller's Office, it is their preference that these types of transactions are processed through the 5REFND account versus a direct reduction to revenue so that they maintain control over adjustments to revenue.

- In an effort to safeguard the private financial information provided by families, NECP shred the documents provided for financial assistance consideration. NECP was unaware of the Mass Record Retention requirements that all financial transactions be retained for seven years, which the NPS Business Office has reinforced. We will quantify these expectations in the program-specific policies and procedures that will enhance consistency and assist during times of staff transition, which includes retaining all signed contracts.
- NPS will develop a process to reconcile that the MSB deposits are correctly credited to the NECP revolving account in Munis. The City Comptroller's Office reconciles monthly such that all credits will be correctly applied in Munis; however, NPS will verify that the NECP receipts are correctly applied to the NECP revolving account.
- In response to this finding, the Newton Public Schools Payroll Office has implemented a new tracking procedure which will alert the office when a payroll authorization has not been received back in a timely manner. In this instance, the payroll signees will be contacted and requested to authorize the payroll as soon as possible. This new procedure will ensure that all payroll authorizations are completed within the acceptable time frame.

General Ledger Integration of Police Details

Comment

Our prior year management letter identified that subsequent to fiscal 2014 year end, the City's Information Technology Department developed a new billing and collection system for police details that is fully integrated with the police detail scheduling and payroll systems of the City. The remaining step was to integrate the system with the general ledger.

Given the multi-phase process of fully implementing Munis, the City has strategically targeted other aspects of the Munis General Billing module before going forward with the police details integration.

Recommendation

We recommend the City continue its progress with Munis General Billing and move forward with the integration of police details when deemed appropriate.

Management's Response

The City has successfully implemented Munis General Billing across several departments, integrating departmental receivables into the General Ledger, as well as streamlining payment processing functionalities for Treasury and the citizens of Newton.

The Police Department is currently working with Delphi, a local software company, in building out a 3rd party program to handle Police Details. They have been successful in other local communities that use Munis such as Walpole and Norwood. This program will be able to integrate with Munis to create upload files to get everything integrated into both the payroll system and the General billing system soon after. The Police Department expects this integration to happen within the next month or so, and to be fully-integrated well before the end of the Fiscal Year. This process will increase accuracies across the board, as well as building efficiencies throughout the Police Detail process.

Informational Comment – New Accounting and Financial Reporting Standard (GASB 101)

Comment

The Governmental Accounting Standards Board (GASB) has issued Statement Number 101 related to compensated absences (accrued sick and vacation time, etc.). The Statement will become effective for fiscal year 2025.

Compensated absences is already reported in the City's financial statements. However, Statement Number 101 adds some considerations in determining the liability by stating that the liability should be recognized for leave that is "more likely than not" to be used, paid, or otherwise settled. In accordance with the Statement, the City will need to re-evaluate the liability in the context of "more likely than not", considering factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

Recommendation

We recommend the City prepare for the implementation of GASB Statement Number 101 for fiscal year 2025.