

**CITY OF NEWTON, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2022**



CliftonLarsonAllen LLP  
CLAcconnect.com

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, 2022, 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 several 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 December 29, 2022, 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 black ink that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
March 2, 2023

CITY OF NEWTON, MASSACHUSETTS

MANAGEMENT LETTER

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## **Prior Year Comments – Unresolved**

## **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 implemented the Munis General Billing module in order to expand the ability for departments to conduct their accounts receivable operations within Munis in such a way that integrates departmental receivables into the overall Munis system. This will provide full integration with the Munis G/L, as well as integrating the payments processing functionality with Treasury operations allowing cash transactions to take place either online or in the Treasury Department, which is better suited to handle these financial transactions.

The Police Department is also currently in the process of converting its Police Detail time and attendance tracking system to a new software solution, which we expect will provide import capabilities that can be used to import invoices from the time and attendance system into the Munis General Billing system. This will both automate the invoice generation function, as well as provide for police detail invoicing to be fully integrated within Munis.

This City is working toward implementation before calendar year-end 2023.

## **Current Year Comments**

## Information Technology

### Comment

We evaluated the City's computer processing environments and general controls over information technology (IT) related to business and financial systems. The evaluation was not intended to be a full scope network security review of the City's information technology infrastructure. The scope was limited to internal controls and security features related to the integrity of transactions and data that could impact financial reporting.

The following are the areas for improvement we identified:

- A formal IT Risk Assessment has not been performed since 2018. This presents the risk that vulnerabilities are not identified and remediated in a timely manner resulting in possible unauthorized or malicious activity performed on the organization's servers.

This area for improvement was also identified in the prior year Management Letter.

- During testing of terminated employees and user access, we identified six terminated employees that remained on the active user list of various IT systems and programs. This creates the risk of unauthorized access to financial systems, applications and data.

This area for improvement was also identified in the prior year Management Letter.

- Formal policies that have been established are currently not subject to annual review. Policies should be reviewed on an annual basis to ensure the information is still accurate and complete.
  - Some policies were last updated in 2004 (telecommunications) and 2010 (data security)
  - Other policies are not dated
  - The mobile device security policy is still labeled as being in draft form
  - There is no formal approval of the Disaster Recovery policy

This area for improvement was also identified in the prior year Management Letter.

- An external penetration test has not been performed since 2018. This presents the risk that vulnerabilities are not identified and remediated in a timely manner resulting in possible unauthorized or malicious activity performed on the organization's servers.

This area for improvement was also identified in the prior year Management Letter.

- There are a few inconsistencies between password configurations in practice compared to password configurations as documented in policy documents.

### Recommendation

We recommend the City implement the following recommendations:

- Perform an asset-based risk assessment modeled after an established framework, or contract a third party vendor to provide such services to adequately assess the risk environment, identify gaps in controls and identify level of compliance with required regulations.

## Recommendation (continued)

The risk assessment should include:

- A comprehensive list of IT assets (hardware, software, vendors, employees, etc.)
- Risks associated with each IT asset
- Likelihood and Impact ratings for each risk combined to form Inherent Risk Rating
- A documented Risk Assessment Methodology to standardize the calculation of risk to include probability, impact, and the inherent risk
- Current mitigating controls associated with each risk
- Residual risk rating
- Residual risk mitigation strategy

Additionally, the IT Risk Assessment should be updated on a regular basis in order to reflect changes to the IT environment as well as risk mitigation efforts.

- Perform periodic reviews over access to IT systems, applications and data to ensure no terminated employees have access
- Review formal policies on an annual basis to ensure the information is still accurate and complete
- Leverage an outside firm to conduct external penetration testing
- In regards to passwords:
  - Password History: The policy should define the number of previous passwords and the configuration should match this. Further, as a best practice, we recommend changing this from 5 to 12-24 previous passwords
  - Minimum Password Length: The policy indicates the setting to be 8 characters but the AD configuration is 10 characters. The policy should be updated to 10 characters to match the configuration.
  - Complexity Enabled: The policy indicates that passwords shall include numbers, letters and special characters, but the configuration has the complexity disabled. The configuration should be updated to have complexity enabled.

## Management's Response

### ***Risk Assessment***

The City is currently on the wait list to partner with the Cybersecurity and Infrastructure Security Agency, (CISA), who operates under the Department of Homeland Security. As with our Penetration / Vulnerability scans, we expect that these results will be reviewed each time we see significant changes to our environment. We have researched framework options and interviewed many vendors regarding proposals and costs. In spite of the wait, we believe working with CISA is our best course of action.

The statement that we were last pen-tested in 2018 is not correct. CISA has been performing regular penetration testing for the past year. Cover pages samples were provided in the audit request.

### ***Access to IT Systems***

We believe there is a misconception of the City's review of access to IT systems. The IT Department performs reviews of access regularly. Licensing management, network rights and system access is monitored constantly.



Management's Response (continued)

***IT Related Policies***

We have begun overhauling and updating all our IT-related policies in conjunction with the City Law Department. Once complete, we will review and revise every year.

***Passwords***

The IT Department assigns passwords and far exceeds the minimum requirements set forth in various systems. We will update our documentation to reflect consistency in detailing the specifications.

## **Housing and Utility Relief Program**

### Comment

We performed various audit procedures on a housing and utility relief program (the program) operated by the City during fiscal year 2022 and identified the following:

- In order to be eligible for assistance, applicants had to meet low income criteria. During fiscal year 2022, applicants were only required to “self-certify” that they met the low income criteria. There were no requirements to provide documentation (W-2’s, pay stubs, etc.) to support the low income criteria was met. It is our understanding that such documentation requirements were in place previously, but were discontinued due to the volume of applicants.
- Twenty (20) assistance payments/applications were tested. One of the tests was to recalculate the assistance payments against the program’s criteria. For one (1) of the 20 tested, the recalculation of the assistance payment was \$28 higher than the actual payment (\$3,920 paid; should have been \$3,948).
  - For frame of reference, \$28 represents 0.08% of the total sample tested
- Assistance payments were recorded in Munis as “lump sum” payments to a third party administrator (Metro West) who then distributed checks to recipients. The City did not perform and/or document procedures to trace the check registers to cashed checks per bank statements. This procedure provides for monitoring of the third party administrator and additional assurance over assistance payments.

### Recommendation

We recommend the following:

- If the program remains in operation (and/or for other and future similar programs), consideration should be given to requiring income eligibility documentation as part of the application process. Such documentation would be reviewed by a third party or City official as part of the application review and approval process.
- Perform historic (and current, if the program is still operating) procedures to trace the checks listed on Metro West’s check registers/ledgers to cashed checks, including reviews to ensure the payees and amounts reconcile.

### Management’s Response

#### ***Self-Certification of Annual Income***

In the fall of 2021, the City of Newton launched the COVID-19 Emergency Housing & Utility Relief Program. This program was administered by Metro West Collaborative Development on behalf of the City. Metro West had successfully managed and administered the first iteration of the City’s emergency housing assistance program, which was funded by Newton CPA and CDBG-CV funds. Metro West referred to this first program as Newton I and the latter program as Newton II.

Newton II served 231 total households – 141 of these households (61%) had been served by Newton I and 91 households were new to the program. During Newton I, Metro West collected extensive income documentation from applicants to determine income eligibility. For both Newton I and Newton II, eligible applicants had to self-certify that they had experienced a negative economic impact because of COVID-19 (with the ability to demonstrate this financial hardship).

Economic conditions for Newton's low-to-moderate income population did not improve substantially between Program I and Program II. City and Metro West staff were confident that many of the recipients of Program I were still in dire need of assistance at the time of the launch of Program II. The City's Social Services Department, in particular, continued to see high levels of need for financial assistance throughout Newton, as many households who had gone through their savings in the first year of the pandemic were now in a position of seeking help from public agencies to pay for rent and utilities.

Given the emergency nature of the program, and the incredible demand for low-barrier cash assistance, staff determined a self-certification of income was the most effective and timely way to qualify applicants for the Newton II program from an income eligibility perspective. Not only were we confident that a large percentage of applicants would be households from Program I (whose income information was collected and verified the prior year), but City staff were comfortable working with self-certifications through its CDBG-funded Human Service Program. HUD allows grantees to use self-certifications to document the annual income of beneficiaries for the CDBG program.<sup>1</sup>

The City's Emergency Housing & Utility Relief programs are no longer in operation. The auditor's management letter recommends consideration for requiring income eligibility documentation as part of the application process for future similar programs. Staff will take this recommendation into consideration, however, we found that the low-barrier nature of Program II was a more appropriate and timely way to administer a cash assistance program for low-income households during a time of emergency and crisis. The stressors experienced by this population throughout the past three years are incomparable and the City's assistance programs were a lifeline for hundreds of Newton residents who feared eviction and utility shut-offs on an all too often basis.

***Reconciliation of Metro West Checks***

If obligated to do so, City staff will develop a plan of action to reconcile Metro West's registers/ledgers against cashed checks to ensure that payees and amounts match.

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<sup>1</sup> <https://www.hudexchange.info/resource/4786/cdbg-selfcertification-of-annual-income-form/>