

TOWN OF IPSWICH, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018



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To the Honorable Board of Selectmen
Town of Ipswich, Massachusetts

In planning and performing our audit of the financial statements of the Town of Ipswich, Massachusetts, as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Ipswich, Massachusetts' internal control over financial reporting (internal control) as a basis for designing our audit 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 several matters that represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

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

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 Ipswich, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan LLC

November 19, 2018

TOWN OF IPSWICH, MASSACHUSETTS

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Previous Year Comments

Develop Procedures for Recording the Disposal of Infrastructure Assets

Prior Comment

The Town does not have a process for estimating the useful life of infrastructure assets and for reporting deletions of infrastructure assets once they have been replaced or reached the end of their useful life. As a result, the Town has not reported the deletion of any infrastructure assets since the implementation of GASB Statement #34. In compliance with GASB Statement #34, the Town is required to report all material capital assets at historical cost and to depreciate them over their useful lives. To accurately report capital assets, the Town must annually account for all capital asset additions and deletions. Since infrastructure assets cannot be specifically identified, the Town must establish a reasonable and consistent method for reporting deletions of infrastructure assets. This can be accomplished by establishing useful lives for each group of infrastructure assets consistent with the Town's system for maintaining each class of infrastructure (i.e. roads, sidewalks, water pipes, etc.)

We recommended the Town establish a policy for estimating the useful lives of each class of infrastructure assets and for recording deletions of infrastructure assets as they reach the end of their useful lives.

Current Status – Resolved

The Town has implemented a policy regarding the disposal of infrastructure assets and was in compliance with the policy in the current year.

Holding Checks

Comment

The School Department receives annual distributions from the Feoffees of the Grammar School in the Town of Ipswich Trust (the Trust). The Trust transitioned from sending the annual distributions in July (at the beginning of the fiscal year) to June (at the end of the fiscal year). During the year of the transition, the School Department received 2 payments. The first was received and deposited in July 2016 (fiscal year 2017). The second was received by the School Department on June 16, 2017 (fiscal year 2017); and was not deposited by the school until July 5, 2017 (fiscal year 2018). This check totaled \$727,731 and was held by the School Department in a safe from the time it was received until it was deposited. The deposit was made on the first day in fiscal year 2018 that the School Department was working.

Holding receipts increases the risk of loss for the Town. Checks could be misplaced and the Town loses the investment earnings for that period of time.

Current Status – Resolved

We noted no similar issues in the current year.

Current Comment

Consider Establishing a Compensated Absences Stabilization Fund

Current Comment

Massachusetts General Law Chapter 40, Section 13D, provides a city, town, or school district who adopts this section of the law with the ability to establish a reserve fund for the future payment of accrued liabilities for compensated absences due any employee or fulltime officer upon termination of employment.

During 2018, the Town paid out approximately \$40,000 in sick and vacation accruals and the estimate of this governmental liability is \$1.2 million.

Recommendation

We recommend the Town consider accepting the provisions of this section of the law with the goal of incrementally funding the compensated absence liability.