

TOWN OF MASHPEE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2014

To Management
Town of Mashpee, Massachusetts

In planning and performing our audit of the financial statements of the Town of Mashpee, Massachusetts (Town) as of and for the year ended June 30, 2014, 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 Town'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 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 deficiencies in internal control (other than significant deficiencies and material weaknesses) that are opportunities to strengthen your internal control and improve the efficiency of your operations. We also want to make you aware of a recently issued accounting standard that will significantly impact your financial statements in future years. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated June 25, 2015, on the financial statements of the Town.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with Town 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 Town'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 and is not intended to be, and should not be, used by anyone other than this specified party.



CliftonLarsonAllen LLP

Burlington, Massachusetts
June 25, 2015

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Comments and Recommendations

Escrow Accounts

Comment

The Town maintains various escrow bank accounts (i.e., performance bonds, etc.) totaling approximately \$887,000 as of June 30, 2014. Similar to the prior year, we identified the following deficiencies related to escrow accounts:

- There are no formal policies and procedures in place to periodically review the status of the escrow accounts to determine if conditions have been met to return deposits to their rightful owner
- There are no formal policies and procedures in place to reconcile escrow balances between the bank accounts, the general ledger and the detailed records maintained by the various departments from which the escrow accounts were initiated. This increases the risk of irregularities and/or errors occurring and going undetected.

Recommendation

We recommend the Town implement policies and procedures to:

- Periodically (quarterly at a minimum) review the status of escrow accounts to determine if conditions have been met to return deposits to their rightful owner
- Reconcile (monthly) escrow balances between the bank accounts, the general ledger and the detailed records maintained by the various departments from which the escrow accounts were initiated

Management's Response

The Town has begun to implement the recommendations as noted by the auditors. The Treasurer will continue to work with the various departments involved to ensure proper procedures are followed when returning deposits to rightful owner. The Treasurer has begun performing monthly reconciliation of escrow accounts.

Bank Accounts Using the Town's Tax Identification Number

Comment

We identified a bank account using Town's tax identification number which is not authorized or maintained by the Treasurer. This account represents an employees' sunshine fund. However, since this account is maintained under the Town's tax identification number, the Town is at risk if fraudulent activities were to occur in this account. Additionally, all accounts maintained under Town's tax identification number should be recorded on the general ledger.

Recommendation

We recommend the Treasurer close the account referred to above.

Management Response

The Treasurer is addressing the recommendation of the auditors. Upon discussion with the new Town Manager, accounts not authorized to use the Town's tax ID number, will be closed.

Information Technology Controls

Comment

During the fiscal year 2014 audit, we performed an Information Technology Financial Audit Support Review. The objective of our review was to evaluate the computer processing environments and general controls that help ensure the reliability of the business and financial systems that support business objectives during the current and future reporting periods.

Our review was performed using a high level risk based approach and is not intended to be a full scope network security review of the Town's information technology structure. The scope was specifically focused to identifying internal controls and security features implemented by management, which protect the integrity of the transaction data, with potential direct impact to financial reporting.

We noted the following that we want to bring to your attention for consideration:

- The Town does not perform a documented review of permissions and security roles assigned to users in systems and applications to validate employees and approved business partners continue to have appropriate success based on job responsibilities.
- An IT General Controls Review, External Penetration Test, or Internal Vulnerability Assessment has never been performed by independent third party.
- Laptop computers issued by the Town of Mashpee to employees are not encrypted. The Town does not regularly perform a review of network and application user accounts to ensure only current employees and approved business partners have active user accounts.
- The Town does not have documented policies in place that govern the IT department.
- The Town does not have a formal method of communication for tracking incidents, service requests, maintenance, or significant changes to software and hardware infrastructure.
- Data backups are not periodically tested for recoverability and readability.

Recommendation

We recommend the following related to the Town's information technology:

- The Town periodically (i.e. annually) review all permissions and user roles in all systems and applications to ensure permissions are consistent with job responsibilities and user roles are assigned appropriately to employees and approved business partners. The review should be documented, including any changes made as a result of the review. The Town should begin with the Munis application.
- The Town have an External Penetration Test and an Internal Vulnerability Assessment performed by an independent third party to identify potential areas of technical weaknesses to the IT environment. In addition, the Town should have a full scope IT General Controls Review performed to evaluate the effectiveness of the internal control structure of the IT environment.

- CliftonLarsonAllen recommends the organization encrypt laptop hard drives to prevent a breach of confidential information if a laptop is lost or stolen.
- The Town document policies to govern the IT department including, but not limited to, the following areas:
 - *Vendor management*
 - *Physical access*
 - *Logical access*
 - *Password requirements*
 - *Change management*
 - *Data backup & storage*
 - *Information security incident response*
 - *Applications*
 - *Servers*
 - *Workstations*
 - *Network*

The policies should be documented to reflect current practices, reviewed and updated by management on an annual basis, and communicated to appropriate employees.

- The Town develops a formal system to track software and hardware infrastructure changes.
- That all backup media be tested on a semi-annual basis for recoverability and readability. The Town should begin with Munis data as a priority.

Management Response

Documented Review of Permissions/Security Roles: The Town currently reviews permissions on an ongoing and as-needed basis, but will devise a form to be used to document these reviews. They will implement a procedure in which both I.T. and the various departments involved acknowledge, in writing, that proper procedures have been followed and appropriate actions have been taken regarding any changes and/or updates made to permissions.

I.T General Controls Review/External Penetration Tests/Internal Vulnerability Assessment: The I.T. Director had researched and received pricing quotes of various components of an I.T. Vulnerability Assessment and plans to seek funding for this in FY 2016. He will work with the new Town Manager to assist in securing the funding necessary.

Laptop Computers Issued To Employees Not Encrypted: I.T. Department agrees encryption is needed and will purchase the necessary software to encrypt laptops and tablets that are town owned assets and allocated for business purposes.

Perform Reviews of Network and Application User Accounts: I.T. will work with Human Resources to devise a formal document to be used for any changes to employee user accounts for hiring/changing/termination and will review these user accounts with that department periodically. I.T. currently does review user accounts on a monthly basis, but will now document this and make changes as requested through documentation received from H.R.

Documented Policies That Govern I.T. Department: The I.T. Department will work on a formal, written Policies & Procedures document for the department.

Formal Method of Communication to Track Incidents/Service Requests, Maint./etc: The I.T. Director will discuss this with the new Town Manager and together they will work out a long-term plan to address the issue. Options and costs will be researched and presented so a decision can be made to implement a formal process.

Data Backups: I.T. Director believes there was some miscommunication between the auditors and I.T. staff because they do test recoverability and readability. They would like to request that this comment be removed.