

CITY OF LAWRENCE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2020



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To the Honorable Mayor and City Council
City of Lawrence, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lawrence as of and for the year ended June 30, 2020, (except for the Lawrence Contributory Retirement System which is as of and for the year ended December 31, 2019) in accordance with auditing standards generally accepted in the United States of America, 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 other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

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 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 City of Lawrence, Massachusetts and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

March 25, 2021

CITY OF LAWRENCE, MASSACHUSETTS

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JUNE 30, 2020

TABLE OF CONTENTS

	PAGE
COMMENTS	1
Abandoned Property - Tailings	2
Capital Asset Accounting	2
School Lunch Operations	3

COMMENTS

ABANDONED PROPERTY - TAILINGS

Comment

The Treasurer's Office does not currently maintain a comprehensive and up to date listing of all items considered to be tailings. We also noted that formal procedures to reconcile the balance of tailings reported in the general ledger to the outstanding balance per the Treasurer did not exist.

Current Status:

The Treasurer's office has begun compiling a listing of tailings and will work toward reconciling the tailings balance to the general ledger.

Continuing Recommendation:

We recommend that the Treasurer analyze the items that are being carried as part of the tailings balance and reconcile the tailings balance to the general ledger. We further recommend that the Treasurer follow the Massachusetts Abandoned Property Laws, as applicable to municipalities, to determine the most appropriate course of action to arrive at a final disposition tailings liability.

CAPITAL ASSET ACCOUNTING

Comment

With the implementation of GASB # 34 came the responsibility of capital assets for financial reporting purposes, and the City subsequently conducted an initial capital asset inventory. Since that time the City has relied on the year-end audit to account for and classify capital asset additions, deletions, and transfers.

The City should have policies and procedures to in place to accurately and timely account for capital asset additions, deletions, and transfers. In order to maintain a complete capital asset listing the City should develop procedures to facilitate accurate capital asset reporting for financial reporting purposes.

Current Status:

No significant progress has been made towards resolving this comment.

Continuing Recommendation

We continue to recommend that the City work to develop and implement policies and procedures to ensure the proper accounting for all capital assets and that they also work towards maintaining a complete and accurate capital asset listing by both function and location. In addition the City should consider replacing the excel spreadsheet currently used to track capital assets with an automated capital asset accounting module. As the City has a significant number of capital assets, utilizing manual excel spreadsheets can become cumbersome and prone to error.

SCHOOL LUNCH OPERATIONS

Comment

We performed a review of financial operations at the School Lunch department and noted that internal controls can be enhanced through the implementation of additional procedures, specifically with regard to how funds are collected at the school cafeterias.

Currently, the employees responsible for closing out the cash drawer at the end of each day views the total daily collections per a system generated report prior to the drawer close-out. In order to achieve a true check and balance the staff member responsible for the end-of-day cash count should not have the ability to view system cash totals. Procedures should be implemented where a separate staff member will print the system generated daily cash totals report, then the two staff members will meet to compare daily totals and resolve any differences.

The point-of-sale (POS) system utilized by the school cafeterias has the ability to void a transaction after being processed. Currently, an employee operating the system can void a transaction without outside approval or oversight. Voiding a transaction without oversight or approval increases the risk of misappropriation or theft. The School should implement procedures so that either a voids report is reviewed at the end of each day by the cafeteria manager, or a void cannot be processed without approval of the cafeteria manager.

Current Status

The School Department has implemented procedures so that the person responsible for closing out the cafeteria cash drawer at the end of each day does not view the system generated collection totals report. Instead, a secondary employee now reviews and reconciles the system generated collection total reports to the cash drawer count.

The School Department is currently reviewing the point-of-sale (POS) system's ability to void transactions and is working towards developing procedures to either remove this function or add a secondary approval process to enhance the overall internal control environment.

The School Department has worked with the POS system to generate a Daily Void Report that managers have access to, and are working to include this on the manager's end of day report.

Continuing Recommendation

The School Lunch department has developed and implemented procedures to strengthen internal controls over the ability of cashiers to void cash collection transactions. This comment is consider resolved.