

*Giusti, Hingston and Company  
Certified Public Accountants  
36 Jackman Street, Unit 1  
Georgetown, MA 01833  
Tel: 978-352-7470 Fax: 978-352-8812  
Email: office@giustihingston.com*

June 29, 2021

Board of Selectmen  
Town of Pepperell  
1 Main Street  
Pepperell, MA 01463

In planning and performing our audit of the financial statements of the Town of Pepperell, Massachusetts as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Pepperell, Massachusetts' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pepperell, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Pepperell, Massachusetts' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We do not consider the following matters to be significant deficiencies or material weaknesses. However, they are matters we want to communicate to you.

### **Single Audit Act and Uniform Guidance**

We have written this general comment relating to the SAA (Single Audit Act), because the Town may receive \$750,000 in Federal Funds, during the fiscal year ended June 30, 2021 (or June 30, 2022) which will mean that the requirements relating to the Single Audit Act will be in effect. The Single Audit Act states that if an entity expends more than \$750,000 during a fiscal year, an audit needs to be performed in accordance with the Single Audit Act requirements.

Several years ago, the OMB published its comprehensive overhaul of federal grant administrative, cost accounting, and audit policies in the Federal Register. This final guidance, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), supersedes and combines the requirements of eight existing OMB Circulars (A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133). The Uniform Guidance significantly reformed federal grant making to focus resources on improving performance and outcomes with the intent to reduce administrative burdens for grant applicants and recipients and reduce the risk of waste, fraud, and abuse.

The Uniform Guidance is a substantial document that addresses (among many other topics) cost principles, internal controls, procurement requirements and audit requirements.

In regard to procurement, it should be noted that the Uniform Guidance and the State's requirements under MGL Chapter 30B, have some differences. For example, Chapter 30B does not require quotes until the \$10,000 threshold is met and Bids/Request for Proposal must be obtained for purchases of \$50,000 or more. The Uniform Guidance rules should be read to determine what the differences are. The Uniform Guidance requirements pertain only to purchases made with federal funds.

Another important area that the Uniform Guidance addresses, relates to the requirement that the internal control policies and procedures relating to federal funds must be documented and it must be in writing.

We recommend that the Town review the requirements relating to the Uniform Guidance to be sure to be in compliance with the rules.

### **Preparation of the Schedule of Expenditures of Federal Award Programs**

During a fiscal year when the Town expends more than \$750,000 in federal funds, it is subject to Single Audit requirements established by the Office of Management and Budget (OMB) and it must be in compliance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). As part of those requirements, the Town is required to prepare a Schedule of Expenditures of Federal Award Programs (SEFA). To meet this reporting requirement, the following information is necessary:

- Detailed information on all Federal Awards received. This includes Federal Awards received that have been passed through the State or other governing bodies.
- The Agency in which the funds were received from.
- The Catalog of Federal Domestic Assistance number (CFDA #) for each grant.
- The amount of funds expended in the fiscal year under audit.
- The pass-through entity identifying number and the grant year in which the federal expenditures relate, if the funds were passed through another governing body and not directly received from the Federal government.
- The amount passed through to any sub-recipients, if applicable.

It is important that the Town have procedures in place to compile this data so that an error or omission in the Schedule of Expenditures of Federal Awards does not occur.

### **Fixed Assets**

During our review of the Town's fixed assets that are recorded in the general ledger accounting system, in accordance with the GASB 34 (Governmental Accounting Standards Board) requirements, we found that a very good job was performed by the Town Accountant in properly identifying the fixed asset activity, for the fiscal year ended June 30, 2020.

The Town Accountant did prepare a detailed excel spreadsheet relating to new fixed asset purchases made during the current fiscal year. This information was provided to us so that we could update our fixed asset spreadsheet that includes the required fixed asset information, such as general ledger account numbers, description of asset purchases, vendor name, date of purchase, etc. With the detailed information that is provided to us, we update our fixed asset spreadsheet and calculate the fixed asset amounts that are required for the audited financial statements. Once this process is complete, we provide the Town Accountant with a copy of our current year fixed asset spreadsheet.

In accordance with the requirements of GASB 34, capital assets with a purchase price of \$5,000 or more are added to the fixed asset spreadsheet. These new capital assets are depreciated, using a half year convention, on the excel spreadsheet. A depreciation formula is used in the spreadsheet that calculates the proper depreciation amount. The general ledger accounting system is updated to include this information and is then reconciled with the fixed asset list.

### **Cash Reconciliation and Unclaimed Checks**

During our review of the Treasurer's cash reconciliation work, for the fiscal year ended June 30, 2020, we found that a good job was being performed by the Treasurer in reconciling from the Treasurer's cashbook to the actual bank statement balances, each month.

In our prior year management letter, we had noted that there were some old outstanding checks that had been carried on the outstanding check list that should be added to tailings or other steps should be followed relating to these outstanding checks. We had mentioned that the number of old outstanding checks was not large, but that there are standard procedures that should be followed by the Treasurer to get these checks off the outstanding check list. During the current fiscal year, we found that progress has been made in regard to the old outstanding checks, however there are still some old outstanding checks that should be reviewed and taken care of.

We have repeated below the prior year management letter comment relating to the procedures that should be followed in regard to old outstanding checks. Under the State's abandoned property law (Massachusetts General Laws Chapter 200A Section 9A), there are certain procedures that should be followed relating to old outstanding checks.

The normal procedures that must be followed by the Treasurer include reviewing the current checks that are included on the outstanding check lists. The next step is to determine whether the outstanding checks represent an amount still due to the employee/vendor or if they have been replaced by other checks. If the check has been replaced already, the outstanding check should be voided. If the employee/vendor still has a valid claim, the outstanding check should be voided and replaced. When the employee/vendor cannot be located, the procedures outlined in Massachusetts General Laws Chapter 200A Section 9A should be followed. Amendments to the law have changed the period of time that a check must be outstanding (one year provided the face of the check bears the statement "void if not cashed within 1 year from date of issue") before the abandoned property process may begin. The amended law also changed the required method for notifying the payees that checks remain unclaimed. A summary of the procedures is noted below.

1. All Town checks should include the verbiage "void if not cashed within 1 year from date of issue" on their face.
2. After a check has been outstanding for one year the abandoned property process should begin.
3. Annually, the Treasurer should prepare a list of checks that have been outstanding for one year (date of check, check number, payee and amount). The bank should be notified to stop payment on the checks and the checks should be removed from the outstanding check list. The Treasurer's cash book should be increased by the total of the list. In addition, the Treasurer should provide the Town Accountant with a copy of the list.
4. The Town Accountant should make a journal entry in the general ledger to increase the cash account and the unclaimed checks liability account.

5. The Treasurer should begin the “notification” process in accordance with M.G.L. Chapter 200A, Section 9A which states:

The Treasurer of the City, Town or District may post such notice using either of the following methods: (1) by mailing the notice by first class mail, postage prepaid, to the last known address of the beneficiary or person entitled thereto; or (2) if the city, district or town maintains an official website, by posting the notice conspicuously on the website for not less than 60 days. If the apparent owner fails to respond within 60 days after the mailing or posting of the notice, the treasurer shall cause a notice of the check to be published in a newspaper of general circulation, printed in English, in the county in which the city, town or district is located.

In the event that funds appearing to be owed to a corporation, organization, beneficiary or person is \$100 or more and the deadline as provided in the notice has passed and no claim for the funds has been made, the treasurer shall cause an additional notice to be published in a newspaper of general circulation in the county in which the city, district or town is located; provided, however, that the notice shall provide an extended deadline beyond which funds shall not be claimed and such deadline shall be at least 1 year from the date of publication of the notice.

After the notice/publication/waiting period requirements have been met, any checks that remain unclaimed may be closed to the general fund’s unreserved fund balance account.

### **Implementation of New GASB Pronouncements**

During fiscal year 2020, the Town was not required to implement any new GASB pronouncements. The Town early implemented GASB Statement No. 84 in fiscal year 2019.

The following GASB pronouncements will be implemented in future fiscal years:

- Statement No. 87, Leases which is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period which is effective for reporting periods beginning after December 15, 2020.
- Statement No. 90 Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61 which is effective for reporting periods beginning after December 15, 2019.
- Statement No. 91, Conduit Debt Obligations which is effective for reporting periods beginning after December 15, 2021.
- Statement No. 92 Omnibus 2020, paragraphs 6 and 7 - fiscal years beginning after June 15, 2021; paragraphs 8, 9, and 12 - reporting periods beginning after June 15, 2021 and paragraph 10 - government acquisitions occurring in reporting periods beginning after June 15, 2021.
- Statement No. 93 Replacement of Interbank Offered Rates the requirements, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- Statement No. 96 Subscription-Based Information Technology Arrangements which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

\* \* \* \* \*

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

After you have had an opportunity to consider our comments and recommendations, we shall be pleased to discuss them further with you. We would like to thank you for the cooperation and courtesy extended to us during the course of the engagement.

Very Truly Yours,

*Giusti, Hingston and Company*

Giusti, Hingston & Company  
Certified Public Accountant