

**CITY OF WORCESTER, MASSACHUSETTS**

**MANAGEMENT LETTER**

**JUNE 30, 2016**



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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To Management  
City of Worcester, Massachusetts

In planning and performing our audit of the financial statements of the City of Worcester, Massachusetts (City) as of and for the year ended June 30, 2016 (except for the Worcester Retirement System, which is as of and for the year ended December 31, 2015), 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 audit procedures that are appropriate in the circumstances 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 matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized in the memorandum that accompanies this letter. This letter does not affect our report dated December 12, 2016, on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed many of 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 Mayor, the City Council and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, MA  
June 7, 2017

CITY OF WORCESTER, MASSACHUSETTS

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## Comments and Recommendations

### 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 deficiencies we identified:

- There was no external risk assessment performed during the period. This presents the risk that an independent perspective on the risk universe for IT or enterprise-wide scope will be absent which precludes the possibility of corroboration with internal results and the opportunity to benchmark against leading practice and peers.
- There were no documented policies and procedures on information security during the period. This presents the risk that information security functions are largely tactical in nature.
- Both the Pentamation and Vision Appraisal systems do not have periodic access reviews conducted to verify that privileges assigned to active users are in accordance with need to know, least privilege and separation of duties. This presents the risk of active, orphaned accounts/dead objects being present in application layer user listings subsequent to network layer access removal resulting in an additional risk of potentially unauthorized access to financially significant systems and data.
- The application administrator for Vision Appraisal systems is the City Assessor. This represents a weakness in segregation of duties. This presents the risk of unauthorized modifications to financially significant systems and data.
- For in-house applications, the technical support staff have access to migrate changes through the entire process. Specifically, while a testing step and request via a Help Desk ticket are required for major updates or upgrades to in-house applications, technical support staff may be able to push unauthorized changes to production and bypass the process altogether based on access rights granted to them. This presents the risk of unauthorized modifications to financially significant systems and data.
- Formal user security awareness training is not offered, provided or tracked. This presents the risk that network, application or constituent data could be compromised.

#### Recommendation

We recommend the City analyze the cost/benefit of resolving the deficiencies identified in our IT evaluation.

## Management's Response

The administration has continued with a wholesale review of computer security review during the course of fiscal year 2016. Updated policies and procedures had been reviewed, updated and rewritten, inclusive of privileges (administrative and user) granted to the individual financial applications. In addition to the user access being reviewed annually by the respective component (module) leaders, procedures have been put into place to capture and address changes to employee statuses: employee separation/ departmental transfer etc. and adjust user privileges concurrent with the change in employment status. Internal procedures to include tracking software modifications are also being amended to ensure unauthorized changes are not placed into the City's production environment.

External risk assessments, penetration testing, commenced during the course of fiscal year 2016 and were reported during the course of fiscal year 2017.

Finally, the administration is currently reviewing management and mid- level manager computer security awareness training similar to the financial management training which occurred during fiscal year 2014.

## **Record Retention**

### Comment

During testing procedures, we identified an instance in which supporting documentation could not be provided because it had been disposed of due to lack of storage space. Massachusetts record retention regulations contain various requirements based on different types of financial records. Generally speaking, regardless of the type of financial record, all pertinent financial documents must be maintained on file until at least the conclusion of the annual external audit, at a minimum.

### Recommendation

The City has made excellent strides in the area of electronic record keeping and storage. We recommend the City continue to investigate processes that may require electronic record keeping and storage.

### Management's Response

As noted the administration has made excellent strides in the area of electronic record keeping and storage. These strides have been undertaken on a department by department level and shall continue into fiscal year 2017 and beyond.

## **Off-Street Parking**

### Comment

In the prior year Management Letter, we identified various recommendations related to the City's off-street parking operations. The following is a summary of our follow-up procedures related to those recommendations:

- Some features of the City's pay stations (such as "pay by cell" and foreign languages) have yet to be implemented. Implementation of these features could potentially enhance the value provided by the pay stations.
- The City employee responsible for collecting funds from the pay stations (pay station collector) is not bonded. Employee bonding insurance protects the City against theft and reduces risk of loss.

### Recommendation

We recommend the following:

- Evaluate the cost/benefit of implementing additional features of the pay stations
- Obtain and maintain employee bonding insurance for the pay station collector(s)

### Management's Response

The administration is currently undertaking a cost benefit analysis of implementing additional features provided by the pay stations in addition to contracting with a third party contractor in the collection of pay station receipts.

## Trust Funds

### Comment

In the prior year Management Letter, we identified various recommendations related to the City's trust funds. The following is a summary of our follow-up procedures related to those recommendations:

- In one (1) instance of four (4) transactions tested, the lag time from a trust fund appropriation approval to the recording in the general ledger was approximately nine months. Significant lag times from approval to recording in the general ledger can increase the risk of accounting and/or reconciliation issues.
- As of June 30, 2015, there was approximately \$34,000 of unspent trust fund appropriations that had been unspent for at least one (1) year. While a majority of these unspent balances were addressed by the City, there are some unspent balances greater than one year old as of June 30, 2016.

### Recommendation

We recommend the following:

- Strengthen procedures to reduce the lag times between the initiation of appropriation requests, the approvals and the recording in the general ledger
- Periodically review unspent appropriations to determine if they are no longer needed and if so, transfer such funds back to the respective investment accounts

### Management's Response

The time lag observed with one approved appropriation request was an extraordinary exception to internal procedures involving the timing of the liquidation of a specific fund. This exception is not the norm involving the use of trust funds to advance the purposes for which funds have been bequeathed to the City.

Additionally, annually, the administration shall review appropriation accounts as part of its annual year end procedures to ensure all unencumbered funds are returned to the investment accounts on a timely basis.

## **Withholding Liabilities**

### Comment

As also reported in the prior year Management Letter, as of year-end, there were accumulated variances in payroll withholdings dating back several years. While the variances are not material to the City's audited financial statements, they should be reconciled and adjusted accordingly in the general ledger.

### Recommendation

We recommend the City reconcile the historical variances in payroll withholdings and adjust the general ledger accordingly. Once the historical variances are reconciled and adjusted, we recommend the City implement procedures to reconcile and adjust payroll withholding variances on a monthly basis.

### Management's Response

The administration implemented procedures to reconcile withholding liabilities on a quarterly basis. Any reconciling items identified will be adjusted accordingly.