

CITY OF WORCESTER, MASSACHUSETTS
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2019



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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, 2019, 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 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 several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated December 6, 2019, 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 of the City, and is not intended to be, and should not be, used by anyone other than management.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
July 28, 2020

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Police Overtime

Comment

We identified the following related to Police Department (“the Department”) overtime:

Policies and Procedures

Per our review of the Department’s policies and procedures, we identified two sections pertaining to overtime – *No. 345 Overtime Reports* (“*No. 345*”) and *No. 900 Governing Work Schedules* (“*No. 900*”). The following is a summary of our observations:

- *No. 345* states that Commanding Officers are requested to submit narratives describing the reasons needed for the utilization of personnel overtime. Based on inquiries of members of the Department and sample testing of overtime expenses, Overtime Reports as described in *No. 345* are not consistently being produced and included as supporting documentation for overtime expenses.
- Overtime and Court Overtime are two small sections within *No. 900*. To place more emphasis on overtime - given that it is a significant activity and expense - the Department should consider a separate Policy and Procedure section entirely devoted to all aspects of overtime.
- The overtime sections in *No. 900* do not completely address all policies and procedures related to overtime. The following are some examples:
 - There is a section on Court Overtime, however, there are many other different types of overtime (elections, grant overtime, Summer Impact program, etc.) that are not addressed. Per inquiries of members of the Department, different types of overtime have unique sets of policies and procedures that vary from standard rules and regulations. These need to be documented in policies and procedures.
 - Per inquiries of members of the Department, court overtime is paid at a 4-hour minimum. This is not stated in *No. 900*.
 - There are various forms and reports utilized in practice to document overtime (such as overtime requisition slips and overtime query reports) that are not documented in *No. 900*.

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Sample Expense Testing

We tested a sample of overtime expenses. The following is a summary of our observations:

- Each expense tested was for overtime in excess of 16 hours in a 24-hour period. According to *No. 900*, no employee of the Department may work more than 16 hours in any 24-hour period unless it is an emergency or serious crime investigation. *No. 900* further states that the division commander shall document the reasons for hours worked in excess of 16 hours in any 24-hour period. For the majority of the sample tested, the hours in excess of 16 in a 24-hour period did not fall into the categories described in *No. 900*, nor was there documentation as described in *No. 900*.
- Time cards or other forms signed by employees do not include “Assertions” indicating what is being attested to when the forms are signed.
- Time cards or other forms signed by employees do not always include printed names, which can make it difficult to ascertain names on the time cards/forms.
- Per inquiries of members of the Department, overtime requisition slips (“slips”) are utilized to document overtime, including supervisory approvals. We identified the following related to overtime requisition slips:
 - Slips were not provided as supporting documentation for all of the sample expenses. Through inquiries, it was stated that slips are not required for certain types of overtime, such as court overtime. However, as noted previously, slips are not documented in the Department’s Policies and Procedures. Therefore, there is no written policy to substantiate which types of overtime require slips and which types of overtime do not require slips.
 - For all expenses which included slips, they were all dated after the overtime was incurred. While there are many instances in which it is not possible to obtain supervisory approval prior to incurring overtime, there are instances in which it is feasible to obtain prior supervisory approval. Some of the examples in our sample were instances in which it was feasible to have obtained prior supervisory approval.
 - In one instance, the employee incurring the overtime also signed off as the supervisory approver.
 - In one instance, the employee incurring the overtime did not sign the slip.
- Per inquiries of members of the Department, overtime reports and/or overtime query reports are utilized to document overtime, including supervisory approvals. We identified that overtime reports and/or overtime query reports were not provided as supporting documentation for all of the sample expenses. In addition, for samples in which such reports were provided, they did not all contain supervisory approval signatures.

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- Several of the sample selections related to overtime for election days. The following is a summary of our observations related to overtime for elections:
 - The documentation included reports of employee names and their hours worked. At the bottom, the reports stated, "Verify Your Assignment With Your Initials". None of the election reports in the sample contained employee initials. In addition, none of the reports contained supervisory approval signatures.
 - In general, the reports of employee names and their hours worked were not easily readable and did not provide clear audit trails.
 - In many cases, employees worked more than 16 hours in a 24-hour period for elections. As identified previously, *No. 900* states that no employee may work more than 16 hours in any 24-hour period unless it is an emergency or serious crime investigation. Elections would not seem to meet this criteria.

Budgeting

During fiscal year 2019, a significant amount of supplemental budget transfers (from both Police Department salaries and other City Departments' budgets) were required to fund Police Department overtime expenses. This was also the case in previous fiscal years.

This is indicative of original budgets that are not accurately estimating annual costs and/or a need for improvement in managing overtime costs within budgetary constraints.

Recommendation

We recommend the Department update overtime policies and procedures, either by revising existing policies and procedures or drafting an entire new section devoted exclusively to overtime. The following should be considered when updating overtime policies and procedures:

- The Department needs to determine if the Overtime Reports currently described in *No. 345* should be required and enforced or replaced by a different type(s) of overtime report(s). When determining the type(s) of overtime report(s) to utilize, the Department must require at least one type of overtime report for each occurrence of overtime. Also, for each occurrence of overtime, at a minimum, a supervisor must sign the report/form.
- Overtime policies and procedures must be complete and address any and all aspects of overtime, including the types of overtime that are commonly incurred and all their unique considerations (court, elections, grants, Summer Impact program, etc.), all documentation that is required to substantiate the incurrence and approvals of overtime (requisition slips, overtime query reports, election summary sheets, etc.) and all processes involved with reporting and recording overtime payroll expenses in the City's accounting records. If certain documentation (for example, requisition slips) is not required for all types of overtime, it needs to be clearly defined in the policies and procedures.

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- Policies and procedures related to the 16 hour maximum in any 24-hour period need to be revisited, more clearly defined and more strictly enforced

We recommend that all of the Department's policies and procedures (including overtime) be reviewed and signed off annually by all employees (and during the initiation process for new employees).

We recommend the Department consider adding standard "Assertions" or "Attestation" language to its time cards and/or other timekeeping forms. Examples of such language could include assertions related to accuracy of hours worked and compliance with City Ordinance, Chapter 3, Section 26 prohibiting employees from working while they are in a paid leave status.

We recommend the Department consider adding printed names to its time cards and/or other timekeeping forms.

We recommend overtime requisition slips be completed and signed off prior to the incurrence of overtime when feasible. As part of updating overtime policies and procedures, the Department should define (and/or provide examples) when it is deemed feasible to obtain pre-approval for overtime.

We recommend the Department re-emphasize that as part of processing overtime payroll, overtime requisition slips (when required) must be signed by both the employee incurring the overtime and a supervisor - and the employee incurring the overtime cannot also sign off as the supervisor. This should also be clearly stated in the updated policies and procedures.

We recommend the Department re-emphasize that as part of processing overtime payroll, overtime reports and/or overtime query reports (when required) must be signed by a supervisor. This should also be clearly stated in the updated policies and procedures.

We recommend the Department create a new report to document overtime incurred for elections. At a minimum, the report should easily and clearly identify the employees' names, shift hours worked and number of hours worked. The report should also contain the initials or signatures of the employees and their supervisor(s).

We recommend that when revisiting the 16-hour maximum rule in any 24-hour period, the Department consider whether elections should be an allowable instance of exceeding 16 hours in any 24-hour period.

We recommend the Department perform some form of "internal audit" or "spot check" of overtime prior to processing each payroll to identify instances in which policies and procedures were not adhered to and take remedial actions deemed appropriate to strengthen the governance and enforcement of overtime policies and procedures.

We recommend the Department review its processes for budgeting overtime costs and monitoring costs against the budget throughout the fiscal year in an effort to both minimize the original overtime budget and minimize the need for supplemental budget transfers.

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Management's Response

The City concurs with the recommendations. In FY21, the Police Department adopted Policy & Procedure No. 910, a new section that outlines guiding principles and specific procedures related to overtime. This update addresses items raised including eligibility, reporting, and documentation. The Department will monitor the implementation of this policy and refine as necessary and appropriate.

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Police Detail Payroll

Comment

We identified the following related to Police detail (i.e., “off-duty assignments”) payroll:

- We tested 13 police detail transactions and identified the below. It should be noted that all variances identified were small in nature.
 - The Police Department (“the department”) maintains “Daily Reports” as a record of officer assignments and hours worked. For 2 of 13 transactions tested, the hours reported on the Daily Report did not reconcile to the hours the officer was paid for.
 - The department also utilizes “Off Duty Assignment Slips” (“slips”) as a record of off-duty assignments, which includes the vendor name, officer names, hours worked and approval signatures. For 1 of 13 transactions tested, the hours reported on the slip did not reconcile to the hours the officer was paid for.
 - For 1 of 13 transactions tested, the hours reported on the Daily Report did not reconcile to the hours reported on the slips.
 - For 4 of 13 transactions tested, the slips did not include the printed name of the supervisor (vendor and/or supervising officer) approving the slip, which can make it difficult to ascertain who approved the slip.
 - For 1 of 13 transactions tested, the amount billed to the vendor did not reconcile to the amount the officer was paid.
- A 10% administrative fee is charged to vendors unless they are exempt. Exemptions include City departments and work performed on State projects. Per our review of exempted vendor lists, there appear to be some vendors excluded from the 10% administrative fee that would not fall into an exempt category. This can occur, for example, when a vendor is exempted from the fee as a sub-contractor on a State project, but not removed from the exempt list after the project is completed.

Recommendation

We recommend the department strengthen/reinforce procedures to ensure that Daily Reports and slips reconcile to amounts paid to officers.

We recommend the department strengthen/reinforce procedures to have supervisors print their names on slips in addition to signing them.

We recommend the department strengthen/reinforce procedures to ensure that amounts billed to vendors reconciles to amounts paid to officers.

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We recommend the department periodically (at least monthly) review the exempt vendors list to ensure the accuracy of administrative fee exemptions.

Management's Response

- As is common practice, when a detail is requested, this information is entered into the Daily Report prospectively with the preliminary location, hours, and number of officers requested. Often, when detail hours are changed by a vendor due to circumstances at the job site, this is indicated on an officer's slip and the daily report is adjusted accordingly. However, when multiple officers are assigned to a detail, it is common depending on vendor need that some officers sign out earlier than others. Therefore, a Daily Report may not reconcile exactly with a signed slip. A signed slip, however, will always reconcile to the amounts paid to the officers.
- Procedures will be reinforced through periodic reminders via the Detail Assignment program's Message Board (required to be viewed each time an officer signs on) as well as ongoing monitoring by Detail Office staff, civilian and sworn, as slips are processed for payment. We will also remind all personnel assigned to off-duty details that, in the case where there does not exist an agent or representative of the vendor to sign the slip, this must be clearly stated on the slip ("Not Available – N/A").
- No cases were noted where the amount billed to vendors differed from the amount paid to officers. Billing amounts are generated solely from the hours indicated on an officer's slip. While there exists some discrepancies of officers being paid slightly less or more than the four hours indicated, this relates specifically to the "Supervising Sergeant of Liquor Establishments" detail which may require billing to multiple vendors and over multiple pay periods for a single detail instance. We are working with Technical Services to address this issue.
- Department staff will review the exempt vendors list periodically to ensure the accuracy of administrative fee exemptions.

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Parking Garages and Other Parking Matters

Comment

We identified the following related to parking garages and other parking matters:

- We reviewed the “Parking Services Revenue Manual” maintained by the Department of Public Works & Parks (“DPWP”) and identified the following:
 - The manual is in “Draft” format.
 - The manual includes references to LAZ Parking, a service company that is no longer used by the City.
 - The manual references appendices, but the appendices are not included in the manual.
 - The manual contains various “step-by-step” procedures for various types of processes related to parking operations. The manual references “step numbers”, however, the step-by-step procedures are in bullet format, which makes it difficult to follow the references to step numbers.
 - The manual does not include policies and procedures related to old outstanding accounts receivable.
- According to the “Parking Services Revenue Manual”, monthly rates for parking lots have not changed since June of 2015.
- The City maintains various automated pay stations to collect parking fees. According to the “Parking Services Revenue Manual”, amounts received by certain pay stations are only collected bi-weekly.
- According to the “Parking Services Revenue Manual”, the City has approximately 1,300 parking meters, some of which only accept coins.
- Certain users of parking lots pay on a monthly basis. According to the “Parking Services Revenue Manual”:
 - The City uses Excel to account for billings and collections of monthly lot payers.
 - Payments are primarily made with checks.

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- We tested 17 revenue transactions and identified the following:
 - Transmittal forms are utilized to summarize revenues recorded to the City's general ledger. The forms include spaces for a supervisory reviewer to sign off and date the forms to indicate approval. For 3 of 17 transactions tested, the reviewer did not date the sign-offs and for 5 of 17, there were no reviewer sign-offs.
 - For 3 of 17 transactions tested, the supporting documentation did not include details (i.e., copies of checks, list of checks, etc.) for Monthly/Events/Validations revenue.
- The City utilizes ABM Parking Services ("ABM") to help manage and operate the City's parking garages. ABM maintains monthly accounts receivable ledgers for each parking garage. As of June 30, 2019, the receivable balances per ABM ledgers did not reconcile to the receivable balances reported in the City's general ledger. Part of the cause is that DPWP does not have a formal process in place to maintain their own accounting of accounts receivable which is then reconciled to ABM's reports.

Recommendation

We recommend updates and improvements to the "Parking Services Revenue Manual" based on the comments identified previously. Once the manual is fully updated and complete, it should be reviewed and approved by appropriate members of the DPWP and finalized accordingly.

We recommend the City consider more frequent updates to parking rates.

We recommend the DPWP consider the cost/benefit of more frequent pay station collections for the pay stations that are currently collected bi-weekly.

We recommend the DPWP consider the cost/benefit of a long-term strategy to replace parking meters with pay stations and/or replace all coin-only meters with pay stations or meters that collect other forms of payment.

We recommend the DPWP consider the cost/benefit of utilizing an accounting software (e.g. Quickbooks) for monthly lot payers. In analyzing this option, consideration should be given to the software's ability to allow for online bill payment, as opposed to customers paying by checks sent in the mail.

We recommend the DPWP strengthen/reinforce procedures for supervisors to review, sign and date all transmittal forms.

We recommend the DPWP strengthen/reinforce procedures to include details (i.e., copies of checks, lists of checks) for Monthly/Events/Validations revenue.

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We recommend the DPWP maintain an accounting of monthly accounts receivable and reconcile their accounts receivable reports to ABM reports on a monthly basis. The monthly reconciliations and ABM reports should be forwarded to the City Auditor's Office for recording in the general ledger. The ABM reports forwarded to the City Auditor's Office should contain details of amounts billed and received by vendor.

We recommend the DPWP consider the cost/benefit of having ABM manage and account for all vendors that pay for parking on a monthly basis, including parking lots. DPWP would still need to reconcile accounts receivable to ABM's reports and forward information to the City Auditor's Office for recording in the general ledger.

Management's Response

The City concurs with the recommendations. The Parking Services Revenue Manual will be reviewed and updated and submitted to the Off Street Parking Board (OSPB) for approval. Parking rates are currently being reviewed, with new garage parking rate recommendations being developed by ABM Parking and new surface and meter rates being developed by DPWP. As appropriate, these rates will also be submitted to the OSPB. The current contract with ABM Parking, signed in October 2019, requires weekly collection at all pay stations and meters, however, due to decreased revenues as a result of COVID-19 that collection has changed to bi-weekly. Returning to weekly collections will begin again as soon as revenue trends and occupancy rates start to increase. The City is moving forward with an RFP for a parking management firm to plan, organize, and coordinate with City-contracted parking vendors, City parking staff, and customers to ensure a successful product integration, implementation, roll-out, and operation of planned parking improvements such as "pay by plate," mobile payment apps, a downtown merchant validation program, and the replacement of meters with multi-space kiosks.

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Inspectional Services

Comment

We identified the following related to the Inspectional Services Department (“the department”):

- The department accepts both paper and online electronic applications for permits. For various reasons (efficiency, reduce paper, etc.), the department should consider eliminating paper applications.
- The department accepts cash payments for permit fees. For various reasons (primarily safeguarding of assets and reduced risk of theft), the department should consider eliminating cash transactions.
- We tested 6 building permits and identified the following:
 - 4 of 6 tested had no information in various required fields in the permit application
 - 2 of 6 tested did not contain certain required signatures in the permit application
 - 1 of 6 tested did not contain documentation of estimated project costs
- We tested 4 electrical permits and all 4 had “Work Start Dates” that were prior to the date the permit was issued/approved.
- We tested 11 permit revenues and identified the following:
 - The department maintains a financial policy and procedure manual documenting its procedures related to revenues. The policy and procedure manual states that daily cash reconciliation reports are to be initialed by the preparer. For all 11 revenues tested, preparer initials were not included in the daily cash reconciliation reports.
 - The policy and procedure manual refers to supervisor reviews of daily cash reconciliations. However, the manual does not state that supervisory reviews should be signed and dated by the supervisor. For all 11 revenues tested, there were no sign-offs indicating supervisory review of daily cash reconciliation reports.
 - The policy and procedure manual states that a check mark is to be placed next to revenues by type (building, electrical, etc.) on a particular report to verify the accuracy of revenues by type. For 1 of 11 revenues tested, check marks were not placed next to each revenue type in accordance with the manual.

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Recommendation

We recommend the department consider the cost/benefit of eliminating paper applications for permits.

We recommend the department consider the cost/benefit of eliminating cash payments for permit fees.

We recommend the department strengthen/reinforce procedures to ensure all required fields and signatures are included in all permit applications. If not done already, online electronic applications could be structured to automatically block submission if required fields and/or signatures are not completed.

We recommend the department strengthen/reinforce procedures to maintain supporting documentation of estimated project costs for all permit applications.

We recommend the department strengthen/reinforce policies and procedures to prevent projects from starting prior to obtaining approved permits.

We recommend the department strengthen/reinforce policies related to daily cash reconciliations as follows:

- Preparers initial/sign and date documentation
- Reviewers initial/sign and date documentation
- Reviewers check-off revenues by type on the applicable report(s)

Management's Response

- The City concurs with many of the recommendations. In certain cases, such as a requirement for paper applications or the ability of contractors to begin certain work prior to obtaining permits (e.g., electrical), State code sometimes preempts municipal flexibility. That said, as the City migrates from View Permit to View Point cloud software (Open.Gov), all permit communication will happen electronically from the initial application, payment, approval, and inspections. Cash is accepted for customer convenience, however exact payment is required and a receipt is provided.
- The Department's financial policy and procedure manual states that daily cash reconciliation reports are to be initialed by the preparer. The guidelines set by the Treasurer's office requires the Department preparer to initial and date the adding machine tape that is used to secure the deposit slip and the cash/checks. This is done in-house by the Department's preparer of the deposit on every reconciliation. The preparer then hands off the package to a second supervisor who balances the Department cash report for the day with the lockbox reconciliation that is sent each day electronically at 4:15pm. The Department sends the packet over to Treasury the next day and Treasury validates that the cash and checks are correct and match the amounts listed on the tape. Inspectional Services does not get this tape back or scanned to us to include in our electronic version of the reconciliation. Going forward the Department can take a photocopy of the deposit slip package to show that each deposit was initialed by the preparer.

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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. Other than the last deficiency documented below, each of the deficiencies were also reported in the prior year Management Letter:

- 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.
- 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.
- The current Data Confidentiality policy does not explicitly state the different types of public data that may be handled. Additionally, instructions for securing the different types of data specified (confidential vs. sensitive) is not clear. This represents the risk that data is not classified and secured properly.

Recommendation

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

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- During the audit period, Technical Services was in the process of replacing key equipment, including network firewalls, network equipment, and system servers. The infrastructure and configurations were to be replaced and it did not make sense to schedule and fund risk assessments on equipment and infrastructure that was being replaced. Risk assessments and external pen tests will be scheduled in January 2021.
- The administrator role for the Vision Appraisal system is no longer held by the Assessor. The Technical Services Department staff now serve as the administrator.
- Programming staff are required to review changes with their manager prior to moving to production. The current ERP system lacks an effective change management process; the City is looking to replace this system with a modern ERP system with inherent change management processes.
- The City's Data Confidentiality Policy continues to be modified and the recommendations contained in the Management Letter will be incorporated into the Policy.

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Refund Bank Account

Comment

In the prior year Management Letter, we identified various areas for improvement and recommendations related to the Refund Bank Account. The recommendation below remains in effect for the City's consideration.

Recommendation

In the prior year, we recommended the City perform a cost/benefit analysis to determine if the current practice of using pre-printed check stock for refunds should be replaced with an automated check writing/printing system. At this time, the City is exploring this option. We recommend the City continue this endeavor.

Management's Response

The City agrees that there are opportunities for cost savings, improvements to internal controls, and process efficiencies related to replacing the manual, pre-printed check process with an automated check writing/printing system. Our evaluation of providers continues with the objective of implementing a solution in FY21.

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Veterans' Services

Comment

In the prior year Management Letter, we identified various areas for improvement and recommendations related to the Veterans' Services department ("the department"). The recommendations below remain in effect for the City's consideration.

Recommendation

In the prior year, we recommended the department implement and utilize a centralized accounting system to track all refunds owed from beneficiaries. The department has implemented and is utilizing a centralized system to track refunds owed. Now that this system is in place, we recommend the department forward a monthly accounts receivable report to the City Auditor's Office so that the City can record (and update monthly) an accounts receivable balance in the City's general ledger.

In the prior year, we recommended the department consider discontinuing the use of manual "Pay Cards". At this time, the department is exploring technologies to replace the functionality of manual pay cards. We recommend the department continue this endeavor.

Management's Response

- The Veterans' Services Division has worked extensively beginning in fiscal year 2020 to implement prior recommendations. VS-5 forms have been diligently submitted within 30 days of the month-end. In accordance with M.G.L. c. 115; § 2 & 6, and c. 30A, § 3, and 108 CMR 13.00 (1)(2) the requirements for reimbursement to municipalities dictates that the Veterans' Agent, and the Treasurer of each city or town, must submit a certification within thirty days following the month in which expenditures for veterans' benefits were made. According to a recent communication by Massachusetts Department of Veterans Services, Worcester is one of 25% of municipalities that are up-to-date on closing the month within the 30-day window.
- The Division of Veterans' Services has implemented a tracking spreadsheet that is centralized and saved on a shared network which details when an individual is placed in refund and the amount, as well as when funds are being repaid. For FY20, the beginning balance for refunds owed was \$144,972.62. Over the course of the year a total of \$28,301.49 of payments were made. The Division has entered FY21 with a starting balance of \$116,671.13. The Division has proactively addressed circumstances in which an applicant may owe and has formalized repayment plans as means to keep eligible recipients on benefits while simultaneously addressing their refund balance.
- Reconciliations of VS-5 forms to the General Ledger are signed off and dated by the preparer and reviewer each month, and the expected reimbursement receivables are forwarded to the City Auditor once VS-5 forms are submitted.

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- The Division of Veterans' Services looked at the possible replacement of the manual "pay cards." These cards function like a system of checks and balances between the City's financial system (HERA) and the State's benefit system (VSMIS), so the Division has looked toward improving the tool with new integrative technologies that remove redundancy. The Division is working with Technical Services to create an electronic tool that serves the same purpose. The City's recent endeavor to make improvements to the HERA system could also make the cards obsolete.

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Golf Enterprise Fund

Comment

In the prior year Management Letter, we identified various areas for improvement and recommendations related to the Golf Course enterprise fund. The recommendations below remain in effect for the City's consideration.

Recommendation

We recommend the City upgrade and optimize security cameras at the golf course.

We recommend the City perform documented monthly reconciliations of inventory additions and reductions recorded in GolfNow to revenues and expenses recorded in the general ledger.

DPW is performing physical inventory counts. The documentation of the counts should be enhanced as follows:

- The employee conducting the counts should sign-off on the counts with their name and date
- Variances between the physical counts and balances per the inventory software must be clearly calculated and reported
- Investigations of variances must be documented and resolved

We recommend the City perform documented monthly reconciliations of liability accounts between GolfNow and the general ledger. We identified that although some of these reconciliations have been performed, they are not consistently performed on a monthly basis.

Management's Response

The City concurs with many of the recommendations. DPWP will now be performing certain reconciliations and reviewing inventory monthly. Reconciliation with the General Ledger is in development but should be fully implemented in FY21. DPWP continues to look for opportunities to incorporate cameras as part of ongoing capital projects and is securing prices for the full project in FY21.

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Health Insurance

Comment

In the prior year Management Letter, we identified various areas for improvement and recommendations related to health insurance. The recommendations below remain in effect for the City's consideration.

Recommendation

In the prior year, we recommended the City analyze the costs/benefits of implementing a fully automated benefits management system and/or improving the automation of certain processes associated with health insurance benefits. At this time, the City has hired a consultant to assist with this process. We recommend the City continue this endeavor.

We recommend the City implement procedures to record an accounts receivable balance in the general ledger for outstanding amounts owed from employees and retirees billed for health (and other) insurance.

Management's Response

- The City continues researching ERP companies to replace its Integrated Financial Management System, which will include a Human Capital Management solution. The goal is to have a new vendor selected and on board in FY21.
- The City performs a review of medical billing and semi-annual review of accounts receivable for the Health Insurance Trust and issues monthly bills. While we believe the amounts are immaterial and collectability is uncertain, we will review our policies to determine whether the City should record a valid receivable for such amounts on the City's General Ledger.

**CITY OF WORCESTER, MASSACHUSETTS
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2019**

Police Detail Revenues and Receivables

Comment

In the prior year Management Letter, we identified various areas for improvement and recommendations related to police detail revenues and accounts receivable. The recommendation below remains in effect for the City's consideration.

Recommendation

We recommend the City resolve non-timing reconciling items in monthly police detail accounts receivable reconciliations either that month or the following month. For example, reconciling items labeled "not recorded general ledger" should be resolved by forwarding supporting documentation to the City Auditor's Office so they may record adjustments to the general ledger.

Management's Response

The City recognizes the importance of timely reconciliation of accounts. The City's goal is to reconcile miscellaneous accounts receivable, including the Police Detail receivable, on a monthly basis, generally within 45 days of the month-end. Due to system accounting and reporting limitations, reconciliations and clearing of reconciling items requires a significant and undesirable commitment of resources, well beyond what is typically required for such efforts. A robust receivables and billing component of a new ERP system, coupled with streamlined internal controls processes should improve the reconciliation process. In FY21, we will explore ERP options as well as other resources necessary to improve the timeliness of this process.

**CITY OF WORCESTER, MASSACHUSETTS
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2019**

Bank Account Reconciliations

Comment

In the prior year Management Letter, we identified an area for improvement and recommendation related to bank account reconciliations. The recommendation below remains in effect for the City's consideration.

Recommendation

We recommend the City resolve non-timing reconciling items in monthly bank reconciliations either that month or the following month. For example, reconciling items labeled "not recorded book" should be resolved by making the applicable adjustment to the Treasurer's cashbook balances.

Management's Response

The City recognizes the importance of timely reconciliation of accounts. In FY20, the Treasurer's Office cleared all material reconciling items originating from fees and credit card transactions. Bank account manual ledgers are reconciled at least monthly to their corresponding bank accounts. The bank account manual ledgers are subsequently reconciled monthly to the General Ledger balance, generally within 45 days of the month-end. Variances are researched and transmittals are processed to clear reconciling items.

**CITY OF WORCESTER, MASSACHUSETTS
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2019**

Accounts Receivable Reconciliations

Comment

In the prior year Management Letter, we identified various areas for improvement and recommendations related to accounts receivable reconciliations. The recommendations below remain in effect for the City's consideration.

Recommendation

We recommend the City resolve non-timing reconciling items in monthly accounts receivable reconciliations either that month or the following month. For example, reconciling items labeled "not recorded general ledger" should be resolved by forwarding supporting documentation to the City Auditor's Office so they may record adjustments to the general ledger.

We recommend the City complete all monthly accounts receivable reconciliations within 45 days of month-end.

Management's Response

The City recognizes the importance of timely reconciliation of accounts. The City's goal is to reconcile accounts receivable monthly, generally within 45 days of the month-end. Due to system accounting and reporting limitations, reconciliations and clearing of reconciling items requires a significant and undesirable commitment of resources, well beyond what is typically required for such efforts. A robust receivables and billing component of a new ERP system, coupled with streamlined internal controls processes should improve the reconciliation process. In FY21, we will explore ERP options as well as other resources necessary to improve the timeliness of this process.

**CITY OF WORCESTER, MASSACHUSETTS
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2019**

Escrow Liabilities/Other Liabilities

Comment

In the prior year Management Letter, we identified various areas for improvement and recommendations related to escrow and other liabilities. The recommendations below remain in effect for the City's consideration.

Recommendation

We recommend the City resolve non-timing reconciling items in escrow liability reconciliations in the period following the reconciliation. For example, reconciling items labeled "reclassify" should be resolved by recording the applicable reclassifications.

We recommend the City complete all quarterly escrow liability reconciliations within 45 days of quarter-end.

Management's Response

The City recognizes the importance of timely reconciliation of accounts. Escrow liabilities are reconciled quarterly, generally within 45 days of the quarter-end. Treasury's goal is to improve that timeline to a monthly process as staffing levels are stabilized. The Treasurer is working with City departments to identify and resolve significant escrow liabilities. In FY21, we will explore ERP options as well as other resources necessary to improve the timeliness of this process.

**CITY OF WORCESTER, MASSACHUSETTS
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2019**

Stale Special Revenue and Capital Projects Funds

Comment

In prior years' Management Letters, we identified the City maintains many special revenue and capital projects funds with balances for which there was no revenue or expense activity, which may be indicative that the funds are "stale" and no longer represent current activities.

The City has closed/resolved some of these "stale" funds, but several funds remain to be investigated and resolved.

Recommendation

We recommend the City continue to investigate and analyze "stale" special revenue and capital projects funds to determine the status of the funds and to take any necessary actions.

Management's Response

The City will continue to research and resolve legacy accounts.

**CITY OF WORCESTER, MASSACHUSETTS
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2019**

Chapter 90

Comment

In a prior year Management Letter, we recommended the City improve its accounting for Chapter 90 funds to match revenues with expenses. The City has implemented a new accounting methodology that requires expenses to be reclassified once reimbursement revenues are received. However, we identified that the expense reclassifications are not consistently being provided by the Department of Public Works & Parks (DPWP) to the City Auditor's Office in a timely manner.

Recommendation

We recommend the DPWP forward Chapter 90 expense reclassifications to the City Auditor's Office immediately upon receipt of the related reimbursement revenues.

Management's Response

The DPWP implemented a new accounting procedure in FY20 to better match the recording of Chapter 90 reimbursements with their corresponding expenditures. In order to improve this process and the time of the recording of entries in the Integrated Financial Management System, the Department has implemented a policy that the reimbursements and corresponding expenditure adjustments are now submitted to Auditing at the same time. The Department continues to maintain detailed records of the specific invoices that back up each reimbursement request, so that the complete record is available for review if needed.

**CITY OF WORCESTER, MASSACHUSETTS
MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2019**

Withholding Liabilities

Comment

In the prior year Management Letter, we identified various areas for improvement and recommendations related to withholding liabilities. The recommendations below remain in effect for the City's consideration.

Recommendation

We recommend the City resolve unidentified reconciling items and old, "non-timing" reconciling items in payroll withholding reconciliations, which may include making adjustments to the general ledger.

Management's Response

- The City recognizes the importance of timely reconciliation of accounts. The City's goal is to reconcile miscellaneous accounts receivable monthly, generally within 45 days of the month-end. Due to system accounting and reporting limitations, reconciliations and clearing of reconciling items requires a significant and undesirable commitment of resources, well beyond what is typically required for such efforts. A robust receivables and billing component of a new ERP system, coupled with streamlined internal controls processes should improve the reconciliation process. In FY21, we will explore ERP options as well as other resources necessary to improve the timeliness of this process.

- Withholding liabilities are reconciled monthly, generally within 45 days of the month-end. Any variances are researched and communicated to the City Auditor's for determination on adjustments to the General Ledger.

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