

Town of Brewster FY 2018 Municipal Accounting Review: A Status Report

The Abrahams Group

Presentation for the Brewster Select Board and Finance Committee

June 27, 2019

Agenda

Purpose: To provide the Brewster Select Board and Finance Committee with a brief report on the Abrahams Group activities from mid Sept 2018 to end of January 2019

- **Quick Recap of the Issues Identified in last September Briefing**
- **Review Additional Problems Identified Since Then**
- **Discuss Corrective Measures Taken**

Update

On September 17, 2018 we presented a Status Report on the Fiscal Year 2018 Accounting Records

- **Overview of Brewster's routine accounting practices and procedures**
- **Problems identified in Fiscal Year 2018 (FY18) accounting records and what they meant**

Since then, we have

- **Completed our work to close out the FY 2018 accounting records**
- **Assisted the Town Completing Corrective Measures**
- **Prepared FY 2018 Schedule A - the Revenue and Expenditure report required by the Department of Revenue**
- **Prepared FY 2019 Balance Sheet for Free Cash certification**

Issues Identified in September 2018

- 1. General Ledger and Subsidiary Ledgers were not reconciled**
- 2. Water Fund Ledgers, Commitments, Abatements were not properly maintained**
- 3. Insufficient General Fund Debt Funds**
- 4. Fire Department Salaries Underfunded**
- 5. Accounts Inactivated with Positive Balances**
- 6. Water Debt Service Not Reimbursed to General Fund**
- 7. General Fund Deferred Revenues Not Properly Posted**
- 8. Expenditures Authorized without Town Meeting Approval**
- 9. Contracts Approved without Valid Balances in Accounts**
- 10. Over Budget Controls Turned Off**

Corrective Measures Taken

The Funds balanced were:

- **1 General Fund**
- **10 Special Revenue Funds**
- **11 Capital Project Funds**
- **3 Trust Funds**
- **4 Agency Funds**
- **Several accounts with similar names within these funds were grouped together under one account**
- **Measures taken to prevent comingling of grant proceeds with receipts reserved and gift accounts**

FY 17 & FY 18 Accounting Issues Identified

- 1. Lack of Understanding of the Financial Software Processes**
- 2. Lack of Understanding of the Chart of Accounts**
- 3. Lack of Communication with Departments and Staff**
- 4. Lack of Understanding Proper Accounting Procedures**
- 5. Lack of a Monthly Reconciliation Process**

Issue #1 : Lack of Understanding of the Financial Software Processes

Resulted in cash and fund balances that were not processing correctly from one fund to another, causing accounts to be out of balance.

Corrective Measures Taken

- Journal entries are reviewed prior to posting to insure that the accounts are processing correctly, and transferring from one fund to another, so that cash and fund balances are correct.

Issue #2: Lack of Understanding of the Chart of Accounts

The established segment structure of accounts was changed mid year resulting in new accounts

The old accounts were closed and in several examples we found budgetary balances remaining in the closed accounts

Corrective Measures Taken

- The established segment structure of accounts have been reinstated.**

Issue # 3: Lack of Communication Between Department Heads Regarding Changes to their Accounts

There was no communication between the Finance Director and department heads regarding changes to their accounts. This resulted in confusion and the inability of the department head to properly manage their budgets.

Software Controls were turned off which caused many budgets to be overspent

Corrective Measures Taken

- Changes to department accounts are not made without first communicating with the department head and explaining the need for the changes and the new account**
- Software budget controls are turned on**

Issue #4: Lack of Understanding of Proper Accounting Procedures

- **Proper Accounting Procedures were not followed. For example there was a lack of back up for journal entries and adjustments being made without proper documentation**

Corrective Measures Taken

- **Entries have proper documentation explaining the basis for the changes and are attached to the journal entry as a source document.**

Issue #5: Lack of a Monthly Reconciliation Process

- **Monthly reconciliations were either not done at all or not done on a timely basis**
- **If monthly reconciliations were done, several of the issues that were discovered could have been resolved immediately**
- **It was discovered that although the treasurer was providing cash reports to the Finance Director on a monthly basis, the Treasurer was never provided a system generated cash balance from the accounting system.**

Corrective Measures Taken

- **Reconciliation of cash and receivables on a monthly basis is occurring timely.**
- **A system generated cash balance report is attached to the Treasurer's cash report.**

Conclusion

- **Numerous Issues with FY 17 and FY18 Accounting Records Identified**
- **Corrective Measures Completed**
- **Mission Accomplished**
- **This concludes our work for the Town of Brewster**
- **We would like to thank the Select Board, Finance Committee, Town administration and staff for allowing us to work with them**
- **We wish the Town well going forward**