

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WINCHENDON, MASSACHUSETTS

Management Letter Year
Ended June 30, 2024



TOWN OF WINCHENDON, MASSACHUSETTS

**MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2024**

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Board of Selectmen
Town of Winchendon
Winchendon, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Winchendon, Massachusetts, (the "Town") as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be control deficiencies, significant deficiencies, or material weaknesses. However, we identified multiple material weaknesses based on our procedures and those are identified as such in this report.

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

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
August 20, 2025

I. INFORMATIONAL ITEMS

Statement on Auditing Standards – Required Audit Communication to Governance

The American Institute of Certified Public Accountants (“AICPA”) issued Statements on *Communicating Internal Control Related Matters Identified in an Audit*. These standards provide guidance on communicating matters related to an entity’s internal control over financial reporting identified in an audit of financial statements. In particular, the standards provides guidance on evaluating the severity of deficiencies in internal control identified in an audit of financial statements in the following order:

1. Control deficiency
2. Significant deficiency
3. Material weakness

Deficiencies identified as *significant deficiencies* or *material weaknesses* are required to be communicated to those charged with governance and those items are identified as such in the applicable sections where they are discussed in this report.

Control deficiencies are not required to be communicated; however, these are also reported in this report in order for the Town to strengthen its internal controls and operating efficiency and for full transparency.

Fraud Prevention

This comment serves as an important reminder to emphasize the importance of fraud prevention. Evaluating controls in all aspects of local government, especially cash processes of cash handling areas annually through effective risk assessment and proper safeguards is an effective control to protect the Town from threats associated with fraud.

This is particularly important in light of the multiple levels of turn-over in all the key administrative and financial positions.

There is currently no evidence suggesting these risk assessment measures are currently being completed by the Town as was evident per the recent theft in the Treasurer’s Office.

II. MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES

In addition to the material weaknesses described in this section, there are multiple material weaknesses and significant deficiencies reported as part of the Single Audit. Please refer to the discussion in the Single Audit reports as these will not be repeated here.

Treasurer/Collector

1. Qualifications

Between fiscal 2021 and 2024, the Town appointed 3 different Treasurer/Collectors after having only 2 the prior 20 years. None of these individuals possessed the necessary skills, knowledge and experience to complete the tasks necessary of this very high-profile position at an adequate level. Compounding this, Town leadership never provided the training necessary to increase these skills to an appropriate level.

Because of this, many operational, accounting and administrative issues surfaced during our audit that are very severe in nature and in particular, manifested to an intolerable level in both fiscal 2023 and 2024 and continue to carry into fiscal 2025.

A new individual has been appointed to the position effective July 1, 2025 which is the beginning of fiscal 2026. This individual previously held the position of Town Accountant, so this individual is familiar with the Town and its nuances. She will be working with the prior retired Treasurer/Collector as she attempts to transition into this new role.

The discussion that follows summarizes the more significant issues in the Treasurer/Collector's Office that were observed during the audit. All are classified as **material weaknesses**.

2. Bank reconciliations

In prior years, we alerted the Town that the bank reconciliations for the vendor account did not appear accurate. It seemed like a large variance was offset by outstanding checks that should have been void. Subsequently, during the 2023 audit, we learned that the vendor bank account was never reconciled for the entire period of time that the Treasurer held that position which was nearly two years.

This continued into 2024 and 2025. In order to address this, the Town engaged the former retired Treasurer who held the position prior to 2022. This was the last time things balanced properly.

Per her work it was determined that there were 31 overfunded items approximating \$500,000 and 88 underfunded items approximating \$250,000 that had not been addressed over the two-year period in 2022 and 2023.

Given the level of incompetency in the records, it was decided that a new cash book would be created from scratch for 2024 and 2025 and reconciled to the bank accounts.

While this worked to a certain degree, internally in the Treasurer's Office, there are still numerous issues with the outstanding checklists that the Treasurer will need to make decisions on. We suggested that a new vendor account should be opened and allow the old vendor account to close down. In doing so, all checks will clear and eventually a residual balance would remain which the Town will be able to adjust through tailings once there is some assurance that remaining activity will be limited. The new account should then be reconciled monthly from a clean slate along with all other accounts.

We understand there is a plan in place to work with the former retired Treasurer to begin the process of cleaning up these checking accounts which began with closing the old vendor account in fiscal 2025 and advance to reviewing the residual activity.

Keeping this timely and reconciling with the Town Accountant (see below) is critical.

3. Reconciliation of Treasurer's Cash to Town Accountant Cash

This reconciliation was never completed properly during the year, and we do not believe it has been completed at all during fiscal 2025. At the end of 2024, the variance that existed at the end of 2023 grew from \$250,000 to \$450,000. This is a positive variance suggesting the bank balance is larger than the book balance. This will carry into fiscal 2025 and most likely into fiscal 2026. We can't underestimate how critical completing this reconciliation is. Efforts to complete this should be ongoing. Allowing months to pile up again only will create more challenges later.

We understand that the consultants in the accounting office and the former retired Treasurer will work together in an attempt to reconcile fiscal 2025.

4. Backup for Outstanding Receivable Balances

Balancing the outstanding receivables between amounts recorded in the general ledger and detail records maintained by the Town Tax Collector is a critical control that contributes to the accuracy of the overall accounting records. The Massachusetts Treasurer Collector Association recommends this is completed monthly. This critical process was not completed at any time during fiscal 2024. In fact, backup was not provided by the Collector for nearly \$1.0 million of the outstanding receivables recorded in the general ledger. Similar to the comments under cash reconciliation above, there is no evidence any of this has been accomplished for any of fiscal 2025.

Efforts should be underway immediately for the new Collector to complete this reconciliation with the Town Accountant or bring in the necessary resources to accomplish this task. Ignoring this will only increase the level of effort and cost to reconcile it later.

The Town Manager has made us aware that with fiscal year 2024 closed, work will begin on reconciling receivable balances for fiscal year 2025. One of the challenges in reconciling receivables is that the Town uses two different software products, QDS for tax collections and Munis for accounting. The Town obtained a grant from the Commonwealth to convert tax collections to Munis. This will allow for timely posting of tax collections and receivable reconciliations as everything will be in one system.

The conversion is starting in fiscal 2026 with motor vehicle excise tax and then to property taxes for fiscal year 2027.

Town Accountant

Arguably the most important finance related employee in the Town is the Town Accountant. This individual oversees the office responsible for gathering all financial related information from all departments. This includes posting this information to the general ledger, reconciling the information back to the departments from which the information was received, compiling this information into easy-to-read reports and submitting this information to the Department of Revenue (DOR) in order to certify free cash.

In Winchendon, this position oversees a fairly complicated reporting process that includes a school, three enterprise funds, multiple grants with varying legislative administrative requirements, a redevelopment authority and very challenging deadlines.

During 2024 and 2025, the individual appointed to the position of Town Accountant, similar to the issues with the Treasurer/Collector, did not possess the experience necessary to perform the tasks in an accurate and timely manner. Compounding this was the lack of information flowing from the Treasurer/Collector's Office which created a significant breakdown in controls.

Some of the lack of controls and issues noted include:

1. Lack of reconciling cash balances with the Treasurer.
2. Lack of reconciling receivable balances with the Collector.
3. Lack of reconciling School grants with the School Business Officer.
4. Submitting the balance sheet material to the DOR many months late.

This led to errors in reporting, especially related to the utility receivables and variances in cash, receivables and school grants.

During fiscal year 2025, the Town engaged a consultant to review and close the fiscal year 2024 and 2025 records and continue as the part-time remote Town Accountant until a qualified replacement can be found.

As a result, the fiscal 2024 records were closed and submitted to the Department of Revenue and work has begun on closing fiscal year 2025.

Per the Town Manager, efforts with the Accounting consultant and former retired Treasurer continue into fiscal 2026 to close fiscal 2025. In addition, a dedicated on-site Town Accountant was hired in fiscal 2026.

Town Meeting Votes

The following Town Meeting Actions do not appear to have been reported in the year-end closing process:

- Article 10 Town Budget – Available funds from cemetery trust (\$3,444), Title V (\$16,747), Infrastructure fund (\$20,000) and homeless transportation funds (\$20,000) were not included on the Schedule B2 of the fiscal year 2024 tax recap.
- Article 22 Paving Plan - \$550,000 approved and voted from free cash. There is no record of a budget allotment in the general fund or transfer to the capital projects fund for this action.
- Article 24 Leaf Loader - \$12,500 approved from cemetery perpetual care. There is no entry to the budget report or transfer from perpetual care.
- Article 25 Cemetery Expansion - \$50,000 approved from cemetery perpetual care. There is no entry to the budget report or transfer from perpetual care.
- Article 2 of the December 2023 Special Town Meeting regarding Prior Year Bills - \$193,469.01 was approved from stabilization funds. A payment was made, however, a budget was not posted in MUNIS and there is no transfer from stabilization.
- The Town raised \$124,250 for retained earnings deficits. Its not clear how this was funded. If it was funded from taxation, it does not appear that there is a transfer from the general fund to the respective enterprise fund.
- On the final balance sheet submission, \$277,000 of fund balance was reserved for expenditures. However, based on a review of the May 2024 Annual Town Meeting, the amount reserved should have been \$707,950.

Per the Town Manager, these votes will be recorded in fiscal year 2025 and a careful review of all Town votes for fiscal 2025 will be completed prior to closing the books.

III. OBSERVATIONS

Collection of Receivable Balances (continued)

The Town experienced better results in collecting taxes, however it still lags in the tax title process as only \$1,200 from tax title was collected for the entire year and the tax title balance and the tax foreclosure accounts were virtually the same.

Current receivable balances are approximately \$2.6 million with over \$1.4 million in tax title. This is very large when compared to an approximate \$14 million levy.

It appears as though aggressive efforts to collect taxes have come to a complete standstill. Demands are not delivered timely, and it does not appear as though a tax title process has been completed since 2021. In addition, there have been no tax takings since at least 2020.

Per the Town Manager, during fiscal 2025, the tax collection process was improved to include a more efficient demand/lien process. This began with demands being sent at the end of fiscal 2024 and in May of fiscal 2025. The Town hopes to realize the results of those efforts reflected in the fiscal year 2025 close.

Tailings (continued)

The Town's tailing account of approximately \$54,000 has not changed in at least 4 years. Since these are amounts that have been advertised and they have existed more than 12 months, this amount can be journaled to other income.

On the flip side, there are many outstanding checks greater than 12 months old on the Town's outstanding checklist. The Town should complete an abandoned property process by advertising these stale items and moving them to tailings.

It is expected that the stagnant tailings account will be closed as part of the fiscal 2025 closing and new tailings will be created from the old vendor account and advertised in fiscal 2026.

Other Postemployment Benefits Liability (continued)

The Town continues to struggle with its OPEB valuation requirements. When submitting information to the actuary, the Town should provide the bank statement and general ledger balance for the Trust. It is of particular importance now that the Town is funding OPEB. In the most recent year, the plan assets were left out of the calculation.

In addition, the Town should make sure it is getting OPEB done timely. The process should begin shortly after year-end.

OPEB for fiscal 2025 is already completed and this will be part of a checklist item in future fiscal years.

Compensated Absences (continued)

Similar to other postemployment benefits, the Town needs to calculate a liability for vacation and sick days earned but not used in a timely manner. During fiscal 2024, the information was not completed from all parties until over a year after the close of the fiscal year.

The Town should begin to calculate this information shortly after the end of the year to ensure it is available for the audit and this is very important this year given extra calculations are required due to GASB 101.

The plan is to complete compensated absences as soon as possible after year end.

FEMA (continued)

The Town's FEMA fund currently maintains a deficit of about \$160,000. This relates to funds expended during Covid that were not charged to the CARES grant but instead to FEMA. If this has yet to be reimbursed, it is most likely permanent deficit at this point. The Town should monitor this situation very closely since it will need to raise this deficit if it is not funded.

The Town only received \$100,000. Efforts to fund the remaining \$60,000 are under review.

Stagnant Balances (update)

The Town currently maintains 155 special revenue accounts that have not had any activity in at least 12 months. The balances in these accounts approach \$730,000. Some of these funds relate to grants received nearly 5 years ago. The Town should investigate these balances and determine the following:

1. Are they grants that were not spent in which funds need to be returned to the State.
2. Are they gifts and revolving funds that have simply been forgotten and could be spent.
3. Are they coding errors in which the expenditures were charged to the general fund and thus should be returned to the general fund.

In addition, the Town has about a fifteen capital projects funds that are stagnant. These total about \$500,000. The Town should determine if it can reappropriate these or if there is still a spending purpose associated with these funds. These can also be used for debt service up to \$50,000 annually.

The Town continues to work with department heads in cleaning up stagnant balances, and the surplus capital project funds will be presented for reappropriation at a future Town Meeting.

Ambulance Receivables (update)

We continue to recommend that the Town review ambulance activity and reconcile the general ledger balance to the amounts maintained by the third-party service provider. The general ledger balance was approximately \$112,000 more than the amount reported in the third-party reports. In addition, the outstanding receivables are continuing to increase at a significant pace. The current balance is about \$1.1 million and growing. In addition an amount related to receivables that were assigned of over \$400,000 has been on the books for several years.

We suggest the Fire Chief work with the financial staff and compile a list of balances that are most likely uncollectable and propose that these are abated.

Per the Town Manager, this issue was addressed in fiscal 2025 and those results will be reflected in the next audit.