

BELMONT LIGHT
INTERNAL CONTROL REPORT
YEARS ENDED DECEMBER 31, 2019 AND 2018

DRAFT

To Belmont Light
Board of Commissioners
Belmont Light
Belmont, Massachusetts 02478

In planning and performing our audits of the financial statements of Belmont Light, as of and for the years ended December 31, 2019 and 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Belmont Light's internal control over financial reporting (internal control) as a basis for designing our 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 Belmont Light's internal control. Accordingly, we do not express an opinion on the effectiveness of Belmont Light's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control.

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

We are available to answer any questions that you may have related to the control deficiencies we identified during your audit or discuss the benefits and associated costs of any options you have for remedying them if you would like to do so.

We would like to take this opportunity to thank the Belmont Light staff for the courtesies that were extended to us during our audit.

Respectfully submitted,

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, P.C.

April XX, 2020

DRAFT

Current and Prior Year Comments:

Drafting of Financial Statements

Finding: Belmont Light does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Management reviewed, approved and accepted responsibility for those financial statements prior to their issuance. Although this circumstance is not unusual for an entity of your size, the absence of this control procedure is considered a significant weakness because the potential exists that a misstatement of the financial statements could occur and not be prevented or detected by Belmont Light's internal control. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

Significant Accounts and Processes

Finding: It was noted during the audit that there was inadequate design of internal control over significant accounts or processes.

1. Accounts Receivable Collections – Belmont Light should evaluate the outstanding balance of protected customer accounts on a periodic basis to determine the appropriate action for collections.

Response: Belmont Light has made organizational changes to increase the focus on collections and customer service. Part of this process includes development of internal procedures and DPU involvement for more thorough vetting of eligibility for medical protection, as well as related collections activity.

Finding: It was noted during the audit that there was inadequate design of internal control over significant accounts or processes.

1. Customer Liens Receivable – Belmont Light should reconcile customer account liens with the Town of Belmont on a periodic basis in order to track customer liens receivable accurately.

Response: Belmont Light established procedures in 2016 to track paid liens and reconcile balances on a quarterly basis. In 2018, a number of unpaid liens from a prior period were transferred, by the Town, to the Town accounts receivables as Real Estate Tax Title, resulting in the write-off of the balance held by Belmont Light. An additional step has been added to the reconciliation procedure in 2020 in order to track these operations.

New Current Year Comments:

There were no new comments to report.