



CITY OF PORTSMOUTH, NEW HAMPSHIRE

Management Letter
For the Year Ended June 30, 2020

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To the Honorable Mayor and City Council
City of Portsmouth
Portsmouth, New Hampshire

In planning and performing our audit of the financial statements of the City of Portsmouth, New Hampshire as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Portsmouth's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
- Probable. The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine



The City's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including those overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Melanson

December 17, 2020



STATUS OF PRIOR YEAR RECOMMENDATION:

1. Improve Controls over Stipends

Prior Year Comment:

The City has sixteen Collective Bargaining Agreements which allows for various certification and education related stipends. During our internal control testing, we noted that certain stipends associated with Police Collective Bargaining Agreements were processed without Human Resources Department oversight. The Human Resources Department is responsible for employment, compensation, and benefits and therefore should maintain oversight over the stipend process. In keeping in line with current City internal controls all stipends should be approved by the Human Resources Department.

Although we did not find any errors or irregularities during our testing, we recommend that source documentation related to stipends be verified and approved by the Human Resources Department prior to payroll being processed, which will enable the City to maintain tighter controls over stipends.

Further Action Needed:

We continue to recommend that the Human Resources Department verify and approve stipends prior to payroll being processed.

City's Response:

The City agrees with, and has in place internal controls in which the Human Resources Department (Director) approves all Collective Bargaining Agreement (CBA) compensation for all employees prior to the payroll process. Within this last year, the City experienced a turn-over in the Human Resources Director's position. Although this internal control policy has been maintained and CBA compensation has been approved by Human Resources, the City agrees that due to the personnel transition there was an oversight on certain stipends associated with the Police CBA. This has now been resolved and the City will ensure that the Human Resources Director will review these benefits to follow the City's payroll authorization process.