

**CITY OF PORTSMOUTH, NEW HAMPSHIRE**

**MANAGEMENT LETTER**

**JUNE 30, 2024**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)



Management  
City of Portsmouth, New Hampshire

In planning and performing our audit of the financial statements of the City of Portsmouth, New Hampshire (City) as of and for the year ended June 30, 2024, 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 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 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 opportunities to strengthen your internal control and improve the efficiency of your operations. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report on the City's financial statements dated December 9, 2024.

We will review the status of these comments during our next audit engagement. We have already discussed 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 response to the matters identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 9, 2024

CITY OF PORTSMOUTH, NEW HAMPSHIRE

MANAGEMENT LETTER

JUNE 30, 2024

---

TABLE OF CONTENTS

	<b>Page</b>
Information Technology.....	1

## Information Technology

### Comment

The fiscal year 2024 audit included an Information Technology (IT) financial audit support review. The scope of the review was not a full-scale IT audit. It was specifically focused on limited areas relating to integrity of transactions and data, with potential direct impact to financial reporting.

All five (5) areas for improvement that were reported in the prior year Management Letter were resolved in fiscal year 2024. The following summarizes the current area for improvement we identified.

- At the time of our IT financial audit support review, we identified that the City was still utilizing several out of service (OOS) operating systems within the IT environment. The risk of unsupported operating systems includes several critical issues, such as:
  - Security Vulnerabilities: Unsupported operating systems no longer receive security updates or patches, making them highly susceptible to malware, viruses, and other cyber threats.
  - Compliance Issues: Using unsupported systems can lead to non-compliance with industry regulations and standards, potentially resulting in legal penalties and fines.
  - Software Incompatibility: New software and applications may not be compatible with outdated operating systems, limiting functionality and productivity.
  - Lack of Technical Support: Without vendor support, resolving technical issues becomes more challenging and costly.
  - Performance Degradation: Over time, unsupported systems may experience performance issues due to lack of updates and optimizations.

### Recommendation

We recommend the City resolve the matter identified above.

### Management's Response

Management acknowledges the area for improvement regarding out-of-service operating systems within our IT environment and recognizes the associated risks. The City is actively addressing this issue.

### Actions and Current Status:

- In 2023, the City IT Department purchased Extended Security Updates for Windows Server 2012R2 to ensure that the financial system is protected with continual security updates.
- A project was initiated to replace our current financial software system, which requires an out-of-service operating system. The City is actively engaged in the selection process for a new Enterprise Resource Planning (ERP) system that will operate on a fully supported platform.
- Work has begun with our software vendors to migrate any systems we can from out-of-service operating systems to current, supported operating systems.

Preventive Measures and Long-term Strategy: To prevent similar issues in the future, we have implemented a proactive operating system version management process.

Management believes these actions will effectively address the identified risks while ensuring long-term sustainability of our IT infrastructure. We are committed to maintaining a secure and compliant operating environment that meets industry standards and best practices.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.