

CITY OF BURLINGTON, VERMONT

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF BURLINGTON, VERMONT

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To the Honorable Mayor
and City Council
City of Burlington
149 Church Street
Burlington, VT 05401

In planning and performing our audit of the basic financial statements of the City of Burlington, Vermont as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified.

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 City'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 reasonable 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.

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 it.

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

Marcum LLP

Merrimack, NH
February 29, 2024

STATUS OF PRIOR YEAR RECOMMENDATIONS

1. Improve General Ledger Monitoring and Adhere to a Formal Closing Schedule

Prior Year Comment:

Our audit disclosed that the City continued to make a significant number of material journal entries five to six months after year-end. Accurate and timely statements provide key data to support fiscal monitoring, and monthly review of all funds' balance sheets and budget vs actual schedules is necessary to ensure accurate reporting.

We recommended that the City perform year end closing more timely. Step one in accomplishing this goal involves designating an individual to monitor and analytically review the general ledger on a monthly basis. Performing analytical procedures include reviewing all funds and balances to identify anomalies (which could be material misstatements) including unexpected deficits in fund balances and unexpected budget vs actual results. Management should monitor the process of reviewing monthly reports to ensure anomalies are identified timely. Step two is to establish a timeline to cure any misstatements within an appropriate timeframe. Implementation of this recommendation should result in earlier identification of the need for additional entries, improved internal reporting, and will streamline the year-end closing process. We further recommended that the individual designated to monitor the general ledger on a regular basis and perform analytical review of all funds and balances has limited other office responsibilities until corrective action is accomplished.

Current Year Status:

Our audit disclosed again that the City continued to make a significant number of material journal entries five to seven months after year-end. The Clerk Treasurer's office (CTO) was not fully staffed. As a result, designating an individual to perform analytical review and then assigning individuals to research the reasons behind unusual or unexpected trends and overspent budgets within an appropriate timeframe was difficult to accomplish.

Further Action Needed:

We continue to recommend that the City perform year-end closing sooner by prioritizing key reports to review earlier, which should include the annual General Fund budget vs. actual results and life-to-date Capital Project Funds budget vs. actual results. This process should allow City more time to research unexpected trends.

City's Response:

The City acknowledges that it has not made as much progress as planned on this recommendation due to difficulty hiring and retaining qualified staff in the CTO and commits to this work being a top priority in the coming year. Management acknowledges delivering key monthly reports and doing closing entries is imperative to proper budgeting and analysis. Management will communicate on a monthly basis to the City Council beginning with March 2024 with key monthly reports to analyze the general fund budget vs. actual results and life-to-date capital project funds budget vs. actual results. Management has entered into a contract with a consultant whose assignment is to monitor the general ledger on a regular basis and perform analytical review of general and capital funds and balances to ensure that issues are resolved in a timely manner without the need for late journal entries. The consultant is

working closely with CTO staff to accomplish these tasks and this is the consultant's primary task until corrective action is accomplished. Taking this corrective action will remain a top priority for Management and regular updates will be supplied to those charged with governance.

The CTO is also continuing to recruit for open positions, including the Director of Finance, so that the resources are in place to ensure smooth month- and year-end operations. The CTO will report on a monthly basis to the Board of Finance regarding these efforts.

2. Review City Ordinance Language in Comparison to Collective Bargaining Agreements (CBAs) in Relation to Pension

Prior Year Comment:

We became aware of inconsistent language in Collective Bargaining Agreements (CBAs) and the City Ordinance with respect to pension benefit calculations that has resulted in retroactive adjustments to pension benefits.

We recommended that the Legal Department ensure the language in CBAs reference applicable section of the City Ordinance or otherwise provide assurance the language in CBAs matches the City Ordinance.

Current Year Status:

We understand that the recommendation has not yet been implemented.

Further Action Needed:

We continue to recommend that the legal department ensure there that City Ordinance language is consistent with CBA language with respect to pension benefit calculations. Implementation of this recommendation will help ensure that pension benefits are made in accordance with City Ordinance.

City's Response:

The City thanks the auditor for this recommendation to ensure that pension benefits are made in accordance with the City Ordinance and the CTO will move implementing this with the legal department by April 2024. The City would like to note that retroactive adjustments to pension benefits are a rare occurrence and one that has not affected the City in recent years.

CURRENT YEAR RECOMMENDATION

3. Consider Improvements to Information Technology Policies

Maintaining secure, restricted access to the City's IT infrastructure is a critical element for safeguarding the City's personal and financial information. During our audit procedures, we identified instances where the provisioning process included mirroring users for access

to New World Systems, but no evidence was attached to the request identifying the permissions that needed to be granted to the new users along with the appropriate approvals. Several CTO and HR individuals have privileged access that should be restricted further, if possible. It does not appear that user access review control or a formal process to communicate access removals is currently in place. Additionally, there does not appear to be a formal cybersecurity incident response plan or business continuity and disaster recovery plan.

We recommend that the City consider improvements to IT policies related to provisioning, terminations, privileged access, user access review and cybersecurity. This should result in additional safeguards to personal and financial information.

City's Response:

The City appreciates this recommendation and plans to implement it in the coming weeks. The IT and CTO departments are partnering on a user access control process formally documented and communicated in place for New World Systems. The IT department is improving policies regarding provisioning and terminations. The department is also continuing to bolster its cybersecurity resources, including hiring a new cybersecurity expert this Spring who will help to create a new policy and incident response plan.