

December 1, 2014

To the Board of Commissioners  
Chittenden Solid Waste District  
Williston, Vermont:

We have audited the financial statements of the Chittenden Solid Waste District, (the "District"), as of and for the year ended June 30, 2014, and have issued our report thereon dated December 1, 2014.

*Government Auditing Standards* require us to report significant internal control deficiencies, fraud and illegal acts (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated December 1, 2014, for the year ended June 30, 2014.

We are also submitting the following comments for your consideration regarding the District's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the report *Government Auditing Standards* require. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. However, these comments reflect our continuing desire to assist the District.

1. Portfolio Review

We noted a portfolio review by the Investment Committee only took place once during the audit period, contrary to the Investment Policy's requirement of at least three times per year. With the District's investments limited to certificates of deposit and money market funds, we recommend the District consider either revising the policy to adjust the frequency based on investment risk or implement procedures to ensure the required number of reviews take place during the year.

*Management's response: The Investment Policy has recently been reviewed by the Board's Investment Committee, with proposed revisions (including revisions pertaining to frequency of portfolio review). We expect a revised policy to be available for Board approval within the coming few months, and will implement procedures to assure compliance with the policy in effect.*

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## 2. Acceptance of Credit Cards

We noted the District does not accept credit cards at its drop off centers. With this form of payment becoming more common place, we recommend the District consider accepting credit cards to provide added convenience to customers and enhance controls by limiting cash handling.

*Management's response: We recognize the added customer convenience as well as the enhanced cash control that accepting credit cards at the District's Drop-Off Centers would provide. We have reviewed this matter a number of times over the past several years, and in those occasions, we came to the conclusion that the added cost of the merchant servicing fees was not justified by these advantages. However, we will undertake a re-evaluation for possible implementation in the near future.*

## 3. Computer System Considerations

As part of our audit, a review was conducted of the information systems of the District to assess the current control environment for the computer systems that process the financial information of the District. Our observations and recommendations follow:

### Passwords

We understand that computer passwords are not changed on a regular basis. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend the District enable the password expiration setting within its system to ensure passwords are changed periodically.

*Management's response: We agree that password expirations would serve to reduce the risk of unauthorized access to our computer files, and are currently working on system changes to require periodically resetting user passwords.*

### Accounting System User Access

We understand finance personnel are given full access to Microsoft Dynamics Great Plains, the District's accounting software. Ideally, personnel processing disbursements would be prevented from creating, editing and removing vendor data. Similarly, personnel processing payroll disbursements would be prevented from creating, editing, and removing employee data. We understand that ideal segregation may be difficult due to lack of personnel available. The District has implemented processes outside the computer system to mitigate its risk, such as restricting its authorized check signers to exclude finance personnel and having personnel outside finance approve employees and periodic payrolls. However, the District should be aware of the risks associated with the unrestricted access with the accounting system and attempt to exercise as much oversight control in these areas as possible and feasible, such as periodic review of system change logs.

*Management's response: We are aware that the small number of staff in our Finance Department creates some challenges for implementing conventional segregation-of-duties controls. Thus, as you have noted, we have alternative procedures in place to mitigate these risks. Specifically, for vendor payments: first, each vendor invoice is approved by a manager – someone other than the Accounts Payable Specialist (APS) – before submission to Finance for entry into the accounting system as a voucher for payment by the APS. Second, all checks are signed by non-Finance personnel, at which time supporting approved invoices are matched to the prepared checks; Finance staff are not authorized check signers.*

*Similarly, with regard to payroll disbursements – all payroll transactions are supported by individual time sheets signed by the employee as well as by the responsible program manager (outside of Finance). Also, all payroll disbursements are signed by non-Finance staff.*

*While we feel these current procedures provide good alternate controls to mitigate the risk of unauthorized disbursements, we are aware that this is a potential area for risk. Thus, we will continually review our procedures, looking for ways to further tighten up controls where we can, particularly through the enhanced use of computer security functionality when possible. One new process we will implement immediately is to have a report generated periodically reflecting all changes to the vendor tables (creation, modifications, and deletions of vendor data); this will be reviewed by management outside of Finance, to enhance control against unauthorized vendor payments.*

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This report is intended solely for the information and use of the Board of Commissioners, the District's management, and others within the District. Thank you for the opportunity to meet the audit needs of the Chittenden Solid Waste District. We also appreciate the excellent cooperation we received from your personnel in our engagement.

*Clark, Schaefer, Hackett & Co.*