

To the Town Council and Management  
Town of Westlake, Texas

In planning and performing our audit of the financial statements of the Town of Westlake, Texas (the "Town"), as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. The below item was not considered to be a material weakness, however it is considered to be a deficiency that should be considered and addressed if feasible.

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 consider the following deficiency to be a material weakness:

## **1. FINANCIAL REPORTING**

### **Finding**

As a part of our audit, we proposed adjustments to certain accounts to be consistent with Generally Accepted Accounting Principles "GAAP". These adjustments are listed in the audit communication letter provided to the Town Council.

**Recommendation**

We recommend that management review the existing policies, procedures, and controls over these areas to ensure that all information is recorded and reported properly.

*Management Response:* Director of Finance has continued to improve upon the year end processes, thereby reducing the need for audit adjustments.

Other matters are any additional noteworthy items that are unrelated to internal control such as compliance with laws and regulations. The following other matters were noted:

**2. POOLED CASH**

**Finding**

The town's pooled cash account was not being reconciled consistently throughout the year. It was corrected by year-end; however, there were some large reconciling items discovered during the audit. In addition, several funds had a negative claim on cash balance at year-end before correction.

**Recommendation**

The Town should reconcile the pooled cash account to the individual funds' claim on cash accounts monthly to ensure no major reconciling items exist.

*Management response:* The Town has prioritized this since shortly after fiscal year end 2023.

**3. PURCHASING CARD (P-CARD) PROCESS**

**Finding**

At the time of testing, there were not signed P-card agreements from employees that had purchasing cards. There was also a lack of review of invoices/receipts/purchases. Also, for 2 of 10 transactions tested, there was no receipt. It has been noted by the auditor that those two employees are no longer employed by the Town.

**Recommendation**

Management should evaluate the purchase card review and approval process and consider requiring invoices over a reasonable threshold require department head approval and finance director approval.

**Management response:** This process has already been revamped by the current Finance Director and requires receipts, review and approvals from the appropriate levels. An agreement must now be signed by an employee before they can have a P-Card.

The following are additional noteworthy items concerning recent laws, regulations or accounting pronouncements that may impact the Town's operations and procedures:

#### 4. NEW ACCOUNTING STANDARD – GASB NO. 101 – COMPENSATED ABSENCES

##### **Finding**

GASB 101, *Compensated Absences*, replaces GASB 16, *Accounting Compensated Absences*. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. GASB Statement No. 101 is effective for fiscal years beginning after December 15, 2023. For September 30th governments that means on October 1, 2024.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a "full accrual" basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

The most significant impact will be the change to sick leave and how it is accounted for. Under GASB 16, governments have two options in accounting for sick leave, both of which only require the government to accrue for sick time that will be paid in the form of a termination payment. Under GASB 101, sick leave will be calculated in the same manner as any other type of compensated absence. Governments will be required to accrue for time that has accumulated and is likely to be used, even if the employee will never be eligible for a termination payment related to unused time. In addition, the threshold for when to recognize a liability related to expected future payment (or use under GASB 101) decreased from "probable" (likely) to "more likely than not" (likelihood of 50% or higher).

##### **Recommendation**

The Town should begin planning for an increase in their compensated absence liability if Sick Leave has not previously been accrued. In addition, the Town should begin assessing the approach and assessment of the likelihood that compensated absences will be utilized and therefore accrued

**Management Response:** The town is considering how this will affect the compensated absences in FY2024 and planning accordingly.

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

Very truly yours,

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

BrooksWatson & Co., PLLC

DRAFT