

**TOWN OF LONGMEADOW, MASSACHUSETTS**

Management Letter

For the Year Ended June 30, 2017

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**Additional Offices:**

Nashua, NH  
Manchester, NH  
Andover, MA  
Ellsworth, ME

To the Select Board  
Town of Longmeadow, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Longmeadow as of and for the year ended June 30, 2017, 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 opinions 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 over financial reporting.

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.

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 Town'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 Heath*

December 14, 2017

## CURRENT YEAR ISSUES

### 1. CONSIDER CONSOLIDATING BANK ACCOUNTS

The Town maintains approximately forty bank accounts. While some Town activities are legally required to be maintained in separate bank accounts in order to separately track funds or allocate interest, the rest are not. In addition, multiple bank accounts are sometimes maintained for one activity. The maintenance, monitoring and reconciling of so many accounts is a tedious and time-consuming process.

We recommend the Town consider closing accounts that are not required to be maintained separately and consolidate like accounts into one. This would help streamline the reconciliation process and improve efficiency.

#### Town's Response:

The Treasurer, Assistant Treasurer and the Finance Director will review the purpose, nature and rate of return on all bank accounts to see which accounts can be consolidated / eliminated. This review will be completed by March 31, 2018.

### 2. SEGREGATE NONEXPENDABLE TRUST FUNDS FROM EXPENDABLE TRUST FUNDS

The Town currently commingles expendable and nonexpendable trust funds. As a result, it is more difficult to determine the available expendable portion of each trust. Specific attention should be paid to the following funds: Antonio trust, Landis trust, Litchenburg trust, and the Goldthwaite trust.

We recommend the current chart of account fund structure be revised to provide for improved reporting of expendable and nonexpendable trust funds.

#### Town's Response:

The Town Accountant and Assistant Town Accountant will review all trust documents available and reclassify Trust Accounts where appropriate. This will review will be completed by the fiscal year end.

### 3. IMPROVE ACCOUNTING FOR TRANSFERS

During our review of the general ledger activity we found that separate accounts are not used to record transfers between funds. Actual transfers are posted directly to temporary fund balance accounts, rather than to "other financing sources / uses" accounts. Since these separate accounts are not maintained, budgeted amounts are not recorded in the general ledger. As a result, there is an increased risk of errors or omissions occurring without detection.

We recommend the Town establish other financing source / use accounts in the general ledger and discontinue making direct entries to fund balance accounts. This will reduce the risk of errors being made and not detected.

Town's Response:

Beginning in fiscal year 2019 the Town Accountant will create new accounts for "Other Financing Sources" and "Other Financing Uses" within 4000 series (Revenues) and 5000 series (Expenditures) as opposed to the 3000 series (Fund Equity) in compliance with the Auditor's recommendation and the Department of Revenue's guidelines.

4. IMPROVE INTERNAL CONTROLS – RECYCLING CENTER AND DEPARTMENT OF PUBLIC WORKS

Through our review of the internal controls at the Recycling Center and at the Department of Public Works, we noted the following areas where improvement could be made:

- Checks are not stamped at the time of receipt at the Recycling Center.  
  
We recommend all checks be stamped immediately upon receipt before the checks are remitted to the Department of Public Works.
- No receipt log exists to document amounts and purposes for which cash was received at the Department of Public Works.

A receipt log should be maintained. The log should include payee, amount received, date received, check number and receipt number. In addition, the log should subtotal to the daily receipt turnover to the Treasurer.

We recommend the Town address the items noted above in order to ensure proper internal controls and reconciliation procedures are in place over the collection of receipts at the Recycling Center and the Department of Public Works.

Town's Response:

The Town Treasurer has already ordered a check stamp with which the DPW personnel will stamp checks immediately upon receipt.

A copy of the Town's Cash Policy has been given to the DPW's administrative staff. The policy requires a receipt log and other internal controls and reconciliation procedures that address the Management Letter finding. Changes in the cash handling will begin immediately.

5. IMPROVE INTERNAL CONTROLS IN TREASURER/COLLECTOR'S OFFICE

During our review of processes and procedures in the Treasurer's office, we found several areas where improvements could be made:

- The Treasurer/Collector is responsible for preparing all bank reconciliations, however, there is no oversight or review of this process.

We recommend the Accounting/Finance department review the bank reconciliations periodically and formally document that review.

- The Treasurer/Collector is responsible for reviewing the daily cash receipt turnover forms and supporting documentation, however, that review is currently not documented.

We recommend the Treasurer/Collector document her review of the daily cash work.

- Our review of the Town's internal controls revealed a lack of physical security in the Treasurer/Collector's office. The office has only one entrance/exit which is unlocked during hours of operation, and has no security system (e.g., panic button).

Because a significant amount of cash flows through this office on a regular basis, the Town should consider options to more adequately secure it. Implementation of this recommendation will not only enhance the safeguarding of the Town's assets, it will also provide added security for Town employees.

Town's Response:

Accounting Office personnel will review all bank reconciliations prepared by the Treasurer Collector's Office on a rotating basis in order that all account reconciliations are reviewed by Accounting Office personnel no less than three times annually. This will begin immediately so that all accounts are reviewed at least once if not twice by the fiscal year end.

Daily cash receipt turnover forms will be signed by the Treasurer Collector's Office personnel doing the review. This will begin immediately.

Installation of a push button combination lock will be requested immediately. Additional camera surveillance and a possible "panic button" will also be requested to be installed. This request will be done with collaboration of the Department of Public Works Department and the Police Department.

6. DEVELOP PLAN FOR SOLID WASTE ENTERPRISE FUND

The Town accepted enterprise fund legislation for a Solid Waste fund to account for processing of solid waste and recycling activities. However, in fiscal year 2017, almost 75% of the operation's expenditures were funded by taxation (a budgeted transfer in from the general fund).

We recommend the Town review this fund to determine if it truly should be reported as an enterprise fund, or if the operations should be absorbed into and reported as part of the general fund.

Town's Response:

The Finance Director will address the issues / merits of continuing to operate the Solid Waste / Recycling Enterprise Fund as is or to operate through the Town's General Fund with the Town Manager during the fiscal year 2019 budget process. Conclusions will be addressed with Select Board as the final budget and warrant articles are prepared for the May 2018 Annual Town Meeting.

7. OTHER ISSUES

Maintain Separate Bank Accounts for All Trust Funds

The Treasurer is required to maintain separate bank accounts for the Town's trust funds, however, the Town's Capital Stabilization fund does not have a separate bank account.

We recommend the Treasurer establish a separate bank account for this fund and reconcile it to the general ledger balance at least quarterly.

Review Capital Asset Schedules Annually

The Town maintains a schedule of capital assets that is updated annually by the Accounting Department based on general ledger activity. Most of the assets, however, are under the control of other departments.

We recommend the capital asset listing be sent to all departments annually for their review and update. This will provide a more accurate list of the Town's assets.

Town's Response:

Separate Bank Accounts – During the review outlined in #1 above, the Town will consider the feasibility and merits of opening a separate bank account for the capital Stabilization Fund.

Review Capital Assets Annually - Through the Town Accountant's Office, the capital asset inventory will be forwarded to each department for a review / update to assure accuracy.

\* \* \*

All prior year issues have been satisfactorily resolved.