

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**MANAGEMENT LETTER**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**TOWN OF GRANVILLE, MASSACHUSETTS**

**Management Letter**

**Year Ended June 30, 2012**

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To the Selectboard  
Town of Granville  
Granville, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Town of Granville as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Granville'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 governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

*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 over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in internal control:

A significant deficiency was identified as Items 2012-1 and 2012-2.

Also, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with Town personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

This report is intended solely for the information and use of the management, the Selectboard, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

  
Scanlon & Associates, LLC  
South Deerfield, Massachusetts

February 1, 2013

## CURRENT YEAR COMMENTS AND RECOMMENDATIONS - SIGNIFICANT DEFICIENCY

### 2012-1 Tax Accounts Receivable (Significant Deficiency)

#### Comment:

During our audit we noted the following with regards to the tax collector's office:

- During our audit we noted that a tax title receivable subsidiary ledger was not properly maintained and reconciled to the General Ledger on a periodic basis. Also, tax title takings have not been done in a significant number of years. An accurate tax title receivable balance and tax title takings are critical to protecting the Town's interest as the Town pursues the collection or possession of these receivable accounts. An accurate accounting of the detail tax title accounts is also necessary to facilitate an effective reconciliation process with the Town Accountant.
- During our audit we noted that there is real estate, personal property, motor vehicle excise and farm animal excise levies that go back a significant number of years. A summary below for older levies shows amounts as follows:
  - Real Estate
    - Levy 2002 to 2009 \$ 161,967
  - Personal Property
    - Levy 1990 to 2009 \$ 16,830
  - Motor Vehicle Excise
    - Levy 1994 to 2009 \$ 23,359
  - Farm Animal Excise
    - Levy 1993 to 2008 \$ 8,601

We recommend that the town research the older tax levies to determine if the accounts should be abated, tax title taking be done or make an effort to collect them.

- Motor vehicle commitments were sent out late for fiscal year 2012. We noted that commitment number one was sent out on time in February 2012. However commitments two thru five were sent out in November 2012. This situation can have a financial impact on the Town.
- The Town currently utilizes a Deputy Collector to collect unpaid motor vehicle excise taxes. The Collector does not have a procedure in place to reconcile the outstanding detail accounts to the Deputy Collector's detail outstanding accounts. This procedure should be implemented to safeguard the Town's asset collected by a third party.

## **2012-2 Improve Cash Reconciliation (Significant Deficiency)**

### *Comment:*

The Town Accountant and Treasurer have procedures in place to reconcile Treasurer's cash records to the Town Accountant's general ledger; however we noted that they were not effective and could be improved. The current procedures used identified a variance at June 30, 2012 between the two offices of approximately \$270. During our audit we identified reconciling items that were not included as part of the Town's June 30, 2012 reconciliation and should have been. We noted including these items that the variance between the Treasurer and Accountant was approximately \$5,276.

We noted the following during our audit regarding the reconciliation process:

- A bank account in the possession of the Treasurer was not part of the reconciliation with the general ledger. Upon further inquiry the bank account is utilized for library activity. All banks accounts in the Town Treasurer's possession should be accounted for on the general ledger and be part of the reconciliation process.
- NSF checks for \$7,983.97 were used as reconciling items. These NSF checks are from activity from February 2007 to November 2011. The Town should research these NSF checks and ensure that payment is made to the Town.
- The Treasurer's records indicated outstanding checks that date back over a year. Furthermore, we identified from the Treasurer's records outstanding checks for approximately \$5,544 that were not used as part of the reconciliation with the general ledger and should have been.
- The Treasurer's cashbook and the individual bank reconciliations had a variance at June 30, 2012 of approximately \$598.

The absence of having accurate and effective cash reconciliations between the Treasurer's records and the Town Accountant's general ledger increases the risk that misstatement due to error or fraud may occur and not be detected, prohibits the safeguarding of assets and does not provide for accurate a timely financial reporting.

## **CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters**

### **1. Expenditures**

*Comment:*

During our review of various Town expenditures were found invoices that were in dated in excess of thirty days from the warrant date of payment. It is not sound financial practice for departments to hold invoices in excess of thirty days before processing them for payment on warrant. Holding invoices in excess of thirty days increase the risk of errors or misstatements, intentional or unintentional, in financial reporting.

During our audit we noted that the Town Accountant and Administrative Assistant were aware of and have communicated to the various departments of the importance and need to submit bills for payment timely. We further noted that subsequent to June 30, 2012 improvement has been made. We recommend that all Town departments submit invoices in a timely manner for payment.

### **2. School REAP Grant Deficit**

*Comment:*

At June 30, 2012 the school REAP grant account is in deficit for \$3,497.38. The Town Accountant has researched and identified the reason for the deficit. The Town should provide and eliminate this deficit.

### **3. Ambulance Receivable**

*Comment:*

During our audit we noted the accounts receivable for the ambulance charges are not recorded on the Town's general ledger. We recommend that the ambulance accounts receivable be recorded on the town's general ledger. The receivable activity should be periodically reconciled to source documents (i.e. ambulance billing reports).

### **4. Departmental Receipt Turnovers**

*Comment:*

During our review of departmental receipts to the Town treasury were noted that there was no consistent procedures followed. A uniform three-form turnover system should be utilized where one copy goes to treasurer's office, one to the town accountant and the department retains one. Furthermore the treasurer and department signs the forms to acknowledge the amount of receipts are accurate.