

TOWN OF GRANVILLE, MASSACHUSETTS
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF GRANVILLE, MASSACHUSETTS

Management Letter

Year Ended June 30, 2015

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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, 2015, 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 2015-1 and 2015-2.

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

August 5, 2016

CURRENT YEAR COMMENTS AND RECOMMENDATIONS - SIGNIFICANT DEFICIENCY

2015-1 Tax Accounts Receivable (Significant Deficiency)

Comment:

During our audit we noted the following with regards to the tax accounts receivables:

- 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. We further noted that end of year documentation filed with Department of Revenue for free cash certification was incorrect with regard to tax title. It was filled out showing no variance between the general ledger and the detailed outstanding list. Furthermore, 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.

We recommend that a detail subsidiary ledger be maintained for the tax title accounts and procedures be implemented to reconcile it to the general ledger on a periodic basis. Also, we recommend that tax title taking be done for the older tax years.

- 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 2012	\$	244,347
○ Personal Property		
- Levy 1990 to 2012	\$	24,700
○ Motor Vehicle Excise		
- Levy 1994 to 2012	\$	27,482
○ 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. Furthermore, we noted the collection rate (collections net of refunds divided by commitment) for 2015 real estate levy was 91%. In our observation this rate is low in comparison to other communities. We recommend that the Town improve its collection rate. Property and excise taxes is one of the most significant assets and revenue sources of the Town and we cannot emphasize enough the importance of having procedures in place to ensure property and excise taxes are being collected. Furthermore, having procedures in place to monitor and collect the Town's accounts receivable is an integral control procedure to ensure safeguarding of the Town's assets.

- 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.
- In fiscal years 2014 and 2015 the Town foreclosed on five properties for non-payment of real estate taxes. We found during our audit that these properties were still part of the real estate levies outstanding balances and were part of the fiscal year 2016 real estate commitment. We further noted that a detail listing to support the balance of tax foreclosure could be provided. We recommend the Town review the tax foreclosure account to ensure the foreclosed properties are properly accounted for and removed from the real estate commitment process.
- During our audit we noted that small variances exist between the tax collector's accounts receivable subsidiary ledgers and the town accountant's general ledger. We recommend that the Town improve its reconciliation procedures of the tax accounts receivable. We communicated areas of improvement at time of fieldwork with Town personnel.

Finding 2015-1: Cash Reconciliations (Significant Deficiency)

Comment:

The Treasurer's office and Accountant's office is responsible to complete timely reconciliations of activity and balances of the cash. We cannot emphasize enough the importance of the timely and accurate reconciliations of cash in order to have an effective system of internal controls.

Internal control procedures should be designed in a manner that ensures all activity is recorded in the cashbook prepared by the Treasurer as the transactions occur. At the same time as the activity is being posted to the cashbook a corresponding posting would be made to the general ledger maintained by the Accountant's office. The cashbook balance and the general ledger cash balance must match at all times. At the end of each month the Treasurer would complete a reconciliation between the cashbook and the individual bank statements. The Treasurer and Accountant would then reconcile the cashbook and the general ledger shortly thereafter.

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 identified a variance at June 30, 2015 between the two offices of approximately \$13,412.

The absence of having effective and proper cash reconciliations significantly 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 and timely financial reporting.

We cannot emphasize enough the importance of the timely reconciliation of cash in order to have an effective system of internal controls. We strongly recommend management closely monitor this situation to insure that cash is reconciled in a timely manner between the treasurer's records and the town accountant general ledger.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Collector Surety Bonds

Comment:

The Collector position currently has surety bond amount of \$80,000. The current recommend bond amount, as outlined in the Massachusetts Collector and Treasurer's manual, applicable to the Collector's position for the Town of Granville would be a \$100,000 each. We recommend that management review this situation to determine if the surety bond amount should be increased.

2. 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).

3. Review Special Revenue Accounts

Comment:

During our audit we noted the Town has several special revenue accounts that have balances that are not supported by proper documentation or did not have activity for several fiscal years. The Town should review all special revenue accounts to determine if the accounts are needed and that balances have proper supporting documentation.

4. Personnel Files

Comment:

During our audit we found that some personnel files did not contain adequate documentation (i.e. pay rates, W-4 forms, etc.). Maintaining proper personnel files is an important element of internal control over payroll. Complete and current personnel files should be established and maintained for each employee. Files should include the following information, but not limited to:

- Employment history
- Authorized pay rate/salary
- Employment contracts
- Authorized and current payroll deductions
- Current federal and state payroll forms
- Vacation and sick data
- Management authorization of all personnel changes

We recommend that Management review their personnel files to ensure adequate information is being kept.

5. Other Areas

- Review Compensated Absences.
- Review Due to State – Firearm Fees.
- GASB Statement 45 – OPEB.
- Capital Assets.

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