

TOWN OF HOOKSETT, NEW HAMPSHIRE

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2018



To the Town Council and Management of the
Town of Hooksett, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hooksett, New Hampshire, as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Hooksett, New Hampshire's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 of Hooksett, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Hooksett, New Hampshire'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 material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 in corrected, on a timely basis. We consider the significant deficiencies in comment 1 to be material weaknesses:

Prior Year Comments Update

1. Improve Controls Over Tax Collection and Reporting (Prior Year Material Weakness):

Prior Year Comment:

- During testing of property tax revenue in the prior year, we noted the Tax collector reports collections to the Finance Office on a weekly basis. This report includes documentation from the tax collection software, as well as bank deposit advice. Although the Finance Department performs internal audits of tax collections to deposits for the week in total, weekly reporting will not identify errors or irregularities that may have occurred and reversed in the reporting period.

We recommended the tax collections receipts are reported to the Finance Department on a daily basis. We understand reporting daily will increase the volume of work performed by both the Tax Collector's Office and the Finance Department. However, implementation of this recommendation should consider whether the Town can implement electronic transfer of information from the tax collection system to the Town's general ledger.

Current Year Update:

This issue has been satisfactorily resolved. The Tax Collector reports receipts to the Finance Department on a daily basis. General oversight of tax collections has been improved.

Prior Year Comment:

- During prior year testing, we noted that within the Tax Collector’s Office, all employees shared a common cash drawer. Because of the common cash drawer, errors or irregularities could not be assigned to an individual employee.

We recommended the Town implement a control that assigns a separate cash drawer to each employee. As a result, the improved control will help identify sources of errors or irregularities more timely. Further, the Town will be able to manage individual employee performance more efficiently.

Current Year Update:

This issue has been satisfactorily resolved. Each employee has a separate cash drawer assigned to them. As a result, management has the improved ability to identify sources of errors irregularities more timely and management individual employee performance more efficiently.

Prior Year Comment:

- During prior year testing, we noted that at the end of each day, cash receipts were removed from the cash drawer and placed in a locked file cabinet. The following day, cash receipts were reconciled (“cashed out”) to supporting documentation. During the evening, these funds could have been modified or destroyed by anyone with access to the locked file cabinet. Additionally, the cash receipt system was not “closed,” which allows for modifications to cash receipts during the evening. As a result, errors or irregularities can occur and go undetected.

When a clerk reconciled yesterday’s cash receipts to the collection system, they are also collected receipts for the current day. This process allowed for commingling of funds or using current receipts to cover shortfalls for prior receipts.

We recommended the Town reconcile all cash drawers at the end of the business day. We also recommended the cash collection system be “closed” in such a way that prevents modification. Implementation of these controls would improve the likelihood that errors or irregularities detected timely.

Current Year Update:

This issue has been satisfactorily resolved. Cash receipts are reconciled to the collection system at the end of the day. Cash receipts are not received while employees are “cashing out” their respective cash drawers. As a result of improving internal controls, management is more likely to identify errors and irregularities more timely.

Prior Year Comment:

- The cash collection system allows for modification of “batches,” even after the verification of cash receipts to the cash drawer. This process allows a person to conduct theft of funds from the moment of “cash out” to the moment of reporting receipts to the Finance Office (through their weekly reporting process).

We recommend the Town contact their software provider and discuss this weakness.

Current Year Update:

We noted that the collection system continues to allow modification after cash drawers have been “cashed out.” Unfortunately, this is a function of the collection system, which we noted management is currently investigating whether an update to the system is satisfactory or replacing the system altogether.

Town Response – The Tax Collector concurs with the current year update.

2. **Improve Data Entry of Tax Collections:**

Prior Year Comment:

During prior year testing, we noted that at year-end, outstanding taxes reported on the Tax Collector’s MS-61 (a form used to report tax activity to the New Hampshire Department of Revenue Administration) differed to the general ledger by \$85,335. Additionally, a detail report of outstanding taxes was lower than the MS-61. During testing of tax collection cut-off, we noted the Tax Collector back dated a transaction that caused the discrepancy. Back dating the transaction was due to an abatement settlement, however, it should have been entered into the collection system in a way not to affect year-end balances.

We recommended the Tax Collector enter receipts with a batch date the same as the date of collection. Any change necessary to the interest calculation date should be modified within each transaction in the batch.

Current Year Update:

This issue has been satisfactorily resolved. Even though the issue repeated during the current year, management was able to identify the issue timely and address it accordingly.

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

Angell & Company LLC

Ashland, New Hampshire
December 31, 2018