

Town of Townsend, Massachusetts

Management Letter

For the Year Ended June 30, 2016

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To the Board of Selectmen
Town of Townsend, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Townsend, Massachusetts as of and for the year ended June 30, 2016, 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 response to our comments and suggestions has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

October 24, 2017

CURRENT YEAR RECOMMENDATIONS:

1. Continue Improvements Over Monthly Reconciliations

Over the past fiscal year, the Town made considerable progress in enhancing the completeness and frequency of monthly cash reconciliations between the general ledger and reconciled bank balances. This was driven primarily by more timely posting of receipts to the general ledger. While improvements were made we continue to stress the importance of adhering to documented reconciliations on a monthly basis. This will result in reporting more reliable financial information and reduce the risk that errors or irregularities go undetected.

In addition, the Town has reconciled property tax receivables between the Treasurer/Tax Collector's detailed account balances and the general ledger monthly consistently except for tax title receivables. Due to significant turnover in the Treasurer's office, the tax title receivable detailed account balances were not consistently reconciled with the general ledger control balance. The Treasurer and Town Accountant are aware of the variance and have been actively trying to determine the difference. We recommend that the Town continue to devote resources to researching this variance, and at a minimum reconcile annual activity between the Treasurer's records and the general ledger. This will help ensure the variance does not change and will provide a better opportunity to come up with a timely resolution.

Town's Response: During Fiscal 2018 the Treasurer/Collectors office has been successfully reconciling Receivables on a monthly basis with some Tax Title catch up still occurring. At the beginning of the Fiscal year, the Treasurer/Collector devoted some time in researching old tax title balances and has reduced the gap of what is in the tax software to the general ledger. We have a plan in place to devote additional time in the spring on this. It is our goal to completely resolve this by the FY2019 audit. There is a successful procedure in place that promotes the continued reconciliations of the banks statements and entering of receipts to the Town Accountant on time.

2. Consider Transferring Collections of Water Revenue

The Water Department is currently responsible for all phases of the water revenue cycle, including billing, collecting, abating, and maintaining receivable records. This results in a lack of adequate segregation of duties and increases the risk that errors or irregularities could occur and go undetected. To mitigate these risks, the Town opened a lockbox account to simplify managing customer payments as they are remitted directly to the bank. The bank then provides the Town with related payment information to process.

We recommend the Town consider the collection of water revenue be transferred to the Tax Collector's Office. This will improve controls over water receivables and receipts by segregating the billing and collection functions, as well as align internal controls over all billed receivables.

Town's Response:

Currently the Town's Water Department receipts are collected via Century Lockbox and Unibank On-line Service. Rate payers may also make payments at the Treasurer/Collector's office in the Town Hall.

Lockbox payments are downloaded and posted directly to rate payers' individual accounts. Unibank payments are retrieved by the Office Administrator from a secured website. A spreadsheet is emailed from the Treasurer/Collector's office detailing accounts and amounts paid.

Payments from Unibank and Town Hall are posted to accounts manually.

The Water Department would like to hire a part-time office clerk to post payments. Therefore keeping with the recommendation to adequately segregate duties.