



TOWN OF TOWNSEND, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2019

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Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

To the Board of Selectmen and Town Administrator
Town of Townsend, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Townsend, Massachusetts (the Town) as of and for the year ended June 30, 2019, 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.

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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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.

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

Melanson Heath

March 20, 2020

PRIOR YEAR RECOMMENDATIONS:

1. Improve Compensated Absences Accounting Records

Prior Year Issue:

In the prior year, we recommended that the Town provide an adequate audit trail for the estimate of the employee compensated absences liability reported at year-end.

Current Year Status:

The Town implemented this recommendation in fiscal year 2019. This issue is considered resolved.

2. Continue Improvements Over Monthly Reconciliations

Prior Year Issue:

In the prior year we recommended that the Town continue to improve monthly reconciliations and devote resources to researching the Tax Title variance and reconcile the Treasurer/Tax Collector's records to the general ledger.

Current Year Status:

In the current year, the Town experienced turnover in the Treasurer/Tax Collector position. We continue to recommend the Town improve monthly reconciliations and reconcile the tax title receivable to the general ledger.

Town's Response:

In the current year, the Treasurer's Office spent a significant amount of time on the training of new employees and improving and streamlining existing processes. That gives us the additional time to devote to the reconciliations of bank accounts and Tax Title receivable.

3. Improve Timeliness of Cash Receipts Postings

Prior Year Issue:

In the prior year we recommended that the Treasurer's receipt information be reported to the Town Accountant by the third week of the subsequent month in order to facilitate a timelier reconciliation and accurate budgetary reporting.

Current Year Issue:

In the current year, the Town experienced turnover in the Treasurer/Tax Collector position. We continue to recommend the Town improve the timeliness of cash receipts postings in fiscal year 2020.

Town's Response:

During fiscal year 2019, our office had to book and reconcile the receipts that were deposited during the time that the position of the Treasurer was vacant. We were able to catch up with the backlog of postings and expect cash receipts to be posted and reconciled by the third week of the subsequent month.

INFORMATIONAL RECOMMENDATIONS:

4. Prepare for Implementation of GASB Statement No. 84

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, which will apply to the Town in future fiscal years. Statement 84 changes the way certain Agency Funds are to be accounted for. Currently, Agency Funds have no measurement focus and are simply assets offset by corresponding liabilities. The changes establish a measurement focus on these activities and may require a change in how the Town accounts and reports these activities. Specifically, revenue and expenditure accounts may need to be added to the Town's general ledger in order to maintain the newly required measurement focus.

We recommend that the Town prepare to implement Statement 84. An Implementation Guide has been published to provide guidance for implementation of this Statement.

Town's Response:

The Town is aware of the new requirements of GASB Statement No. 84 and is taking the required steps to ensure that all new requirements will be implemented in a timely manner.

5. Prepare for Implementation of GASB Statement No. 87

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, which will apply to the Town in future fiscal years. Statement 87 changes the way certain leases are to be accounted for. The changes establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under Statement 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset to enhance the relevance and consistency of information about the Town's leasing activities.

We recommend that the Town prepare to implement Statement 87. An Implementation Guide has been published to provide guidance for implementation of this Statement.

Town's Response:

The Town is aware of the new requirements of GASB Statement No. 87 and is taking the required steps to ensure that all new requirements will be implemented in a timely manner.