

**TOWN OF WESTMORELAND, NEW HAMPSHIRE**

**Management Letter**

**For the Year Ended December 31, 2017**

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Additional Offices:

Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

To the Board of Selectmen  
Town of Westmoreland, New Hampshire

In planning and performing our audit of the basic financial statements of the Town of Westmoreland, New Hampshire as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Westmoreland'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 of Westmoreland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Westmoreland's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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. Material weaknesses are noted in the table of contents and comment headings.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Significant deficiencies are noted in the table of contents and comment headings.

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.

*Melanson Heath*

December 7, 2018

## **PRIOR YEAR RECOMMENDATIONS:**

### **1. Improve Payroll Documentation and Oversight**

#### Prior Year Issue:

In our prior year sample test of 25 payroll transactions, we noted the following situations where documentation and oversight could be improved:

- one of 25 employees tested was paid an incorrect rate of pay
- one of 25 employees tested was missing a documented payroll rate agreement
- payroll rate agreements were not approved by the Board of Selectmen
- 6 of 25 time sheets were not approved by a supervisor
- one employee approved her own payroll
- payroll manifests were not formally approved by a majority of the Board of Selectmen (note: this approval can be done subsequent to payroll issuance, if necessary)

We recommended the Town improve the documented records and oversight over payroll processing. This would result in improved internal controls over payroll processing and would reduce the risk of errors or irregularities occurring and going undetected.

#### Current Year Status:

Although these issues continued in the first half of 2017, we noted many improvements in the second half of 2017 after the Town implemented the 2016 management letter recommendations. We did, however, note one outdated employee rate agreement on file, and noted that the Library Director approves her own timesheet. We recommend the Town address those issues and continue to monitor and improve the payroll process.

### **2. Improve Departmental Receipt Documentation and Policies (Material Weakness)**

#### Prior Year Issue:

In the prior year we noted that the Town did not maintain formal policies and procedures for departments to follow over departmental receipts. During the 2016 audit, we tested receipt records of the Town Clerk and noted the following situations:

- receipt records were maintained manually and contained certain mathematical errors
- the records did not cut off at month end, and therefore did not provide a clear audit trail to support turnovers to the Town

- the records did not identify whether receipts were in the form of cash or checks
- receipts were not consistently remitted to the Town in a timely manner, making it difficult to reconcile receipt records to clerk fees paid out
- no documented oversight over receipt records

We recommended the Town establish formal written departmental receipt policies and procedures. These policies and procedures should address the above issues and, at a minimum, the following: the uniform format of receipt records and receipts logs, establishment of audit trails, frequency of remittances to the Treasurer, and overnight security.

We also recommended the Town consider revising the methodology of calculating the Town Clerk wages from “fee based” to salary. These issues will improve documentation and control over departmental receipts, and will simplify the calculation of clerk fees.

Current Year Status:

We again noted many of the same deficiencies in the Town Clerk records in 2017, however, understand that the Clerk’s compensation was subsequently changed to salary. We continue to recommend improvements be made to the condition of the Town Clerk’s receipt records.

**3. Require Dual Signatures (Significant Deficiency)**

Prior Year Issue:

In the prior year we noted that although the Town performed many account reconciling and oversight procedures, the reconciliations typically were not signed by the preparer or reviewer. This could result in misunderstandings of who was responsible for the actual reconciliations or review process. We recommended the following specific forms be revised to require the signature of two individuals:

- Specific bank account reconciliations should be signed by the preparer (Treasurer) and a reviewer (Board of Selectmen)
- Tax Collector and Town Clerk cash-out forms should be signed by the preparer and a reviewer
- Adjusting journal entries posted to the general ledger should be signed by the preparer (Town Administrator) and a reviewer (Board of Selectmen)

Requiring dual signatures over these key reconciling and accounting tasks would improve documented oversight to help ensure a proper segregation of duties and system of checks and balances exist.

Current Year Status:

We again noted these issues in 2017, however, understand that corrective action was subsequently implemented in 2018.

**4. Other Issues**

Prior Year Issue:

During our prior year audit, we also identified other areas where improvements could be made. These issues are summarized briefly as follows:

- The Town should maintain a listing of tax deeded properties to support the general ledger balance
- The Town should require and maintain supporting documentation for all vendor disbursements. In our test of 25 vendor disbursements, we noted one situation where there was no vendor invoice or other documentation to support the disbursement
- Library vendor disbursements should be consistently approved by a majority of the Library Board
- The Town should periodically request local banks to provide a list of all bank accounts under the Town's federal identification number in order to help assure no unauthorized accounts exist
- Trust accounts should not be permitted to go into a deficit position (currently, two trust accounts reflect small deficit balances)

Current Year Status:

In 2017 we noted that the Town contacted local banks to provide a list of bank accounts. However, the remaining issues were unresolved and continue to require corrective action.

**CURRENT YEAR ISSUES:**

**5. Improve Oversight and Controls Over Tax Receipts (Material Weakness)**

The position of Tax Collector/Town Clerk who is responsible for collecting receipts and posting to customer accounts also performs the treasurer duty of preparing and depositing the monies to the bank. This results in an inadequate segregation of duties and increases the risk that errors or irregularities may occur and remain undetected.

We understand the Town is a small organization and segregation of duties can be difficult to achieve; however, it is for this very reason that a system of checks and balances must be established and maintained. We recommend sufficient oversight should be provided. As discussed in comment 3, oversight should

include a review of Tax Collector and Town Clerk receipt records, including reconciliation of cash out records to receipt posting records and bank deposits. Also, in our 2017 review of the Tax Collector's records, we noted the following situations and weaknesses:

- Tax receipt/receivable records were maintained manually, lacking controls inherent in most automated tax systems
- Tax liens reported on MS-61 incorrectly reported tax lien interest and costs amounts
- Partial payments made from taxpayers with multiple years' unpaid taxes were not appropriately applied to the oldest years first
- Tax refunds reported on the MS-61 form did not correspond to actual refunds made by the Town
- Bank deposit slips did not report breakdown of cash and checks
- Tax refunds requested by the Tax Collector to the Treasurer did not include adequate documentation to support the refund amount
- Interest charged to delinquent taxpayers were inconsistently calculated and/or collected
- Noted inconsistency between amount reported in receipt records and amount deposited

We recommend the Town implement improved oversight of the Tax Collector and Town Clerk's receipt records, and address the other deficiencies noted. This will help minimize the risk of errors and irregularities occurring and going undetected.

## **6. Other Current Year Issues**

During our 2017 audit we also noted the following issues:

- The Trustees of the Trust Funds did not upload signed copies of the MS-9 and MS-10 forms to the NH DRA portal
- Adjusting journal entries posted to the general ledger were not consistently supported with appropriate documentation
- Approved vendor manifests were not filed in an organized manner

We recommend the Town address these issues to improve controls over the Town's accounting records.