

**TOWN OF DEERFIELD, NEW HAMPSHIRE**

**Management Letter**

**For the Year Ended December 31, 2011**

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To the Board of Selectmen  
Town of Deerfield, New Hampshire

In planning and performing our audit of the financial statements of the Town of Deerfield, New Hampshire, as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Deerfield's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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 deficiencies, significant deficiencies, or material weaknesses. In addition, because of the inherent limitation in internal control, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

*Additional Offices:*

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

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 these 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.

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
September 24, 2012

## **STATUS OF PRIOR YEAR RECOMMENDATIONS:**

### **1. Review and Determine Status of All “Pooled Sub-Accounts” Held in Escrow**

#### Prior Year Issue:

In the prior year, we recommended the Town review all escrow accounts being held by the Treasurer in the “pooled sub-accounts”, close out all completed projects, and refund any remaining monies to the appropriate parties.

#### Current Year Status:

The Town continues to maintain multiple escrow accounts with balances totaling approximately \$ 95,000. Many of these accounts have had no activity other than interest earnings during the past several years.

#### Further Action Needed:

We recommend the Town review all escrow accounts being held by the Treasurer in the “pooled sub-accounts” to determine the current status of each account. We further recommend the Town close out all completed projects and refund remaining monies to the appropriate parties.

We also recommend the Planning Board maintain separate, detailed records for all escrow accounts, including the date and amount of monies accepted by the Town for deposit, as well as dates, amounts, and documented approvals of all subsequent activity. This will help to ensure that the Town is appropriately fulfilling its fiduciary responsibilities.

#### Town Response:

The Planning Board is already reviewing the escrow accounts being held by the Treasurer. The Town expects this process to be completed by the current year-end.

### **2. Continue Improvements in Departmental Receipt Procedures**

#### Prior Year Issue:

In the prior year, we recommended the Town improve its departmental receipt procedures by establishing written policies and procedures and by instituting

a regular oversight process to ensure that the established policies were being followed. We also recommended the Finance Office perform periodic internal audits of various departments.

Current Year Status:

The Town has established a Cash Receipt Policy, which stipulates the procedures all departments must follow when collecting and accounting for Town departmental receipts.

Further Action Needed:

During our testing of the Transfer Station and Recreation Department, we noted the following areas where improvements can continue to be made:

- Department heads should retain a signed copy of their departmental statement of deposit. This copy should include both the signature of the person turning over the monies for deposit and the person receiving the monies from the department.
- Department heads should provide a separate signed copy of their departmental statement of deposit directly to the Town Treasurer.
- The Town should consider a no-cash policy and online payments for Recreation Department receipts. This will eliminate the need for the Department to provide sequentially numbered receipts as required by the Town's Cash Receipt Policy.
- We continue to recommend the Finance Office perform periodic internal audits of all departments that collect Town receipts.

Town Response:

The Town has established a Cash Receipt Policy as recommended in the prior audit and has made great progress in this area. We will work to further improve in this area. The Town will work to either implement the recommendations noted above or find an alternative solution that achieves the same final goal.

## **CURRENT YEAR RECOMMENDATIONS:**

### **3. Improve Administration of Impact Fee Collections**

The Town currently assesses and collects Public Capital Facilities Impact Fees. However, the Town does not currently maintain comprehensive records of impact fee collections, including the date assessed, date collected, updated records of current ownership for fees paid, authorization and date of expenditure, and expiration date of fee if not expended or legally obligated within six years of collection.

We recommend the Town improve the administration of impact fee collections to ensure that it is in compliance with its Impact Fee Ordinance. We further recommend the Town review its Impact Fee Ordinance to ensure that it remains in compliance with NH RSA 674:21, as amended by NH SB291.

#### **Town Response:**

The Town has already implemented a process to properly account for impact fee collections. The Town's records now properly include the date of assessment, date of collection, current ownership, date(s) of expenditure, and expiration date if fee is not expended or legally obligated.

### **4. Improve Trust Fund Accounting and Reporting – Trustees of Trust Funds**

During our audit of the Trustees of Trust Funds (Trustees) MS-9 and MS-10 reports, we noted various instances where balances and activity were not correctly calculated. As a result, total cash and investments reported on the MS-9 and MS-10 reports did not agree with total cash and investment balances reported on the Trustees' year-end bank and investment account statements.

We recommend the Trustees reconcile total cash and investments reported on the MS-9 and MS-10 reports to reconciled cash and investment statements. We also recommend the Trustees ensure that the beginning balances of all funds reconcile with the ending balances reported on the prior years' MS-9 and MS-10 reports. This will help to ensure that the balances and activities of all funds controlled by the Trustees are accurately reported.

Town Response:

The Auditors are correct in that the single summary sheet prepared for the Town Report, meant to combine data from the 20+ pages of the MS-9 and MS-10 reports to the State, was in error in transferring spreadsheet values from prior years' spreadsheets as the starting values for the summary sheet. The result was to understate the total ending value reported on the summary – the values on the MS-9 and MS-10 were in line with the bank and investment statements. The MS-9 and MS-10 reports were nearly correct, with two errors, one in the plus of an expense instead of a minus of the expense for one of the accounts (\$ 75 plus instead of minus) and the other a posting error of Town Hall income that was incorrect by a small amount, and was a posting error.

Reports for 2012 will be more closely tallied to agree on the summary included in the Town Report with the MS-9 and MS-10 submitted to the State.