

TOWN OF DEERFIELD, NEW HAMPSHIRE

Management Letter

For the Year Ended December 31, 2017

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Additional Offices:

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

To the Board of Selectmen
Town of Deerfield, New Hampshire

In planning and performing our audit of the basic financial statements of the Town of Deerfield, 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's internal accounting 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 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 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

July 13, 2018

PRIOR YEAR RECOMMENDATIONS:

1. Review and Determine Status of All “Pooled Sub-Accounts”

Prior Year Issue:

In the prior year, we recommended the Town close out all inactive escrow accounts.

Current Year Status:

This was not addressed in 2017.

Further Action Needed:

We recommend the Town continue to close out all old, inactive accounts. We also recommend that the Treasurer make timely cash transfers to and from the general fund cash account for receipts and expenditures associated with the pooled sub-accounts.

Town Response:

The Treasurer will be advised of all recommendations contained in the ML.

2. Continue Improvements in Departmental Receipt Procedures

Prior Year Issue:

In the prior year, we recommended the Town continue improving its internal controls over departmental receipts.

Current Year Status:

During 2017, the Town continued to make improvements over departmental receipt procedures.

Further Action Needed:

During our audit, we noted the following areas where improvements can continue to be made:

- The Town should require all department heads provide a signed copy of their completed reconciliations forms to the Town Administrator for review.
- The Finance Department should perform periodic internal reviews of all departments that collect Town receipts. In addition, the Finance Department should retain all of the documentation related to these reviews for the external auditors.
- The Building Department should improve the following internal controls:
 - Maintain a receipt log that summarizes all receipts collected.
 - Immediately stamp all checks “For deposit only – Town of Deerfield” upon receipt.

- Prepare a formal turnover form when turning over receipts collected to the Finance Department.
- Obtain a receipt from the Finance Department when turning over receipts collected.
- Reconcile departmental records to the general ledger on a monthly basis.

Town Response:

Additional procedures will be put in place to address listed areas needing improvement.

3. Improve Impact Fee Accounting and Reporting

Prior Year Issue:

In the prior year, we recommended the Town improve its impact fee accounting and reporting process.

Current Year Status:

During 2017, the Town made certain improvements over its impact fee accounting and reporting process.

Further Action Needed:

During our audit, we noted the following areas where improvements can continue to be made:

- The Town maintains an Excel spreadsheet to track the collections and expenditures of impact fees. The Town should ensure that the spreadsheet includes accurate expiration dates for all impact fees that were collected.
- The Excel spreadsheet does not include a detail of the impact fees that were collected and expended prior to 2011. The Town should update the Excel spreadsheet to include this detailed information using source documentation.
- The Town refunded numerous expired impact fees in 2017, however, the Excel spreadsheet was not updated to reflect the refunded impact fees. The Town should update the Excel spreadsheet to include the specific impact fees that were refunded and the date they were refunded.
- As of December 31, 2017, the Town was holding expired impact fees. The Town should refund all expired impact fees.
- The Town did not include all current year activity on the Excel spreadsheet, therefore, the ending balance as of December 31, 2017 did not agree to cash per the bank. The Town should update the Excel spreadsheet to include all 2017 activity and reconcile the ending balance to cash per the bank.

Town Response:

There will be increased focus on Impact Fee reporting and regular review will be initiated. Funds will be reviewed for those that may have expired and the process to return those funds will begin.

CURRENT YEAR RECOMMENDATION:

4. Improve Payroll Documentation and Controls

During our testing of the Town's payroll processing documentation and controls, we noted the following areas where improvements could be made:

- The Town was unable to provide an approved Personnel Action Form to support the pay rate for one employee selected for testing. The Town should ensure that approved Personnel Action Forms are retained for all employees.
- The Town was unable to provide approval of cell phone reimbursements paid to two employees that we selected for testing. The Town should ensure that all reimbursements are formally approved by the appropriate individual.
- The Town was unable to provide approval of a stipend paid to an employee that we selected for testing. The Town should ensure that all stipends are approved by the appropriate individual.

We recommend the Town improve its payroll documentation and controls to ensure that clear documentation exists for all employees.

Town Response:

Closer focus on payroll records and approving documentation will be done.