

**TOWN OF COLRAIN, MASSACHUSETTS**  
**MANAGEMENT LETTER**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**TOWN OF COLRAIN, MASSACHUSETTS**

**Management Letter**

**Year Ended June 30, 2018**

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To the Honorable Select Board  
Town of Colrain  
Colrain, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Town of Colrain as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Colrain'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 basic 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 significant deficiency is a deficiency, or 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.

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 over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with Town personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Select Board, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

February 4, 2019

## CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

### 1. Improve Cash Reconciliations

Comment:

The Treasurer's office and Accountant's office is responsible to complete timely reconciliations of activity and balances of the cash. We cannot emphasize enough the importance of the timely and accurate reconciliations of cash in order to have an effective system of internal controls.

Internal control procedures should be designed in a manner that ensures all activity is recorded in the cashbook prepared by the Treasurer as the transactions occur. At the same time as the activity is being posted to the cashbook a corresponding posting would be made to the general ledger maintained by the Accountant's office. The cashbook balance and the general ledger cash balance must match at all times. At the end of each month the Treasurer would complete a reconciliation between the cashbook and the individual bank statements. The Treasurer and Accountant would then reconcile the cashbook and the general ledger shortly thereafter.

During our audit we noted the following regarding the cash reconciliation process:

- As of June 30, 2018 we noted that a variance of \$4,113 exists between the Treasurer's records and the Accountant's general ledger. The Treasurer's balance was higher than the Town's general ledger balance.
- Individual bank statement reconciliations were not being properly reconciled to the cashbook through-out the fiscal year. Various reconciling items either could not be located or were not supported by proper backup documentation.

The absence of having timely and proper cash reconciliations significantly increases the risk that misstatement due to error or fraud may occur and not be detected, prohibits the safeguarding of assets and does not provide for accurate and timely financial reporting.

Late in fiscal year 2018 the Town had a change in personnel within the Town Accountant's office. Since the change in personnel new policies and procedures were implemented with regard to cash reconciliations. As a result of these new procedures an improvement has been made from last year; however we feel improvements can still be made. We have communicated these to personnel at time of fieldwork. We believe that this situation has not risen to a material weakness or significant deficiency in internal control, as it was identified in the prior year audit, but if attention to these matters are not rectified it could lead to a one of those categories.

We cannot emphasize enough the importance of the timely reconciliation of cash in order to have an effective system of internal controls. We strongly recommend management closely monitor this situation to insure that cash is reconciled in a timely manner between the treasurer's records and the town accountant general ledger.

## **2. Improve Reconciliation of Tax Accounts Receivable**

### Comment:

One of the most important control procedures in a government is to have timely and proper reconciliation of the tax accounts receivable subsidiary records and the Town's general ledger. During our audit we noted that the Town did not have effective procedures in place to reconcile the general ledger to account receivable records. During fieldwork we found items that affected the tax accounts receivable and have proposed adjustments to the general ledger, furthermore we noted variances still exist between the general ledger and the tax collector records at June 30, 2018.

Late in fiscal year 2018 the Town had a change in personnel within the Town Accountant's office. Since the change in personnel new policies and procedures were implemented with regard to tax accounts receivable reconciliations. As a result of these new procedures an improvement has been made from last year; however we feel improvements can still be made. We have communicated these to personnel at time of fieldwork. We believe that this situation has not risen to a material weakness or significant deficiency in internal control, as it was identified in the prior year audit, but if attention to these matters are not rectified it could lead to a one of those categories.

We recommend that procedures should be improved to be more effective in reconciling the Tax Collector's accounts receivable subsidiary records to the general ledger. All variances should be investigated and resolved in a timely manner. To further strengthen this control the Town should document this process by having the two department heads sign off.

## **3. Other Areas**

- Future GASB's.
- Internal Control Policies and Procedures Manual.
- Reconciliation of Payroll Withholdings and Inspector's Revolving Accounts.