

TOWN OF COLRAIN, MASSACHUSETTS
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2022

TOWN OF COLRAIN, MASSACHUSETTS

Management Letter

Year Ended June 30, 2022

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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, 2022, 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

June 22, 2023

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Reconciliation of Broadband Accounts Receivable

Comment:

The Town utilizes a third party (Westfield Gas and Electric) for billing and collecting for its Broadband user fees. The Treasurer has established procedures to reconcile the revenues received to the amounts deposited to the Town's bank account. However, we recommend that additional procedures be implemented to reconcile the accounts receivable to the third party's records. For instance, prepare a spreadsheet summarizing the accounts receivable activity (commitments – collections – adjustments/abatements = outstanding amount) and reconcile that spreadsheet to supporting documentation and detail outstanding lists. One of the most important control procedures in a government is to properly monitor and reconcile the accounts receivable subsidiary records.

2. Individual Bank Statement Reconciliations

Comment:

The Town has procedures in place to reconcile the cash accounts on the Town Accountant's general ledger to the Treasurer's cash records on a monthly basis. During our audit we reviewed and tested the cash reconciliation process. We noted that improvements could be made with regard to documenting and reviewing each reconciling item utilized on the individual bank statement reconciliations. We communicated these matters to personnel during our fieldwork.

Furthermore, we noted there was a variance between the Treasurer's records and Town's general ledger of approximately \$4,000. The Town's free cash was reduced by this variance. We recommend the variance be monitored and eventually adjusted.

3. Other Items

- GASB 87 (Leases).
- Review Chapter 90 Fund Balance (Surplus approximately \$30,000).