TOWN OF GREAT BARRINGTON, MASSACHUSETTS

Management Letter

Year Ended June 30, 2018

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To the Honorable Selectboard  
Town of Great Barrington  
Great Barrington, Massachusetts  

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Town of Great Barrington 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 Great Barrington'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control 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 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. 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. We consider the deficiency in the Town's internal control and presented in Finding 2018-1 to be a material weakness.

In addition during our audit we noted other matters involving the internal control and its operation, other than significant deficiencies or material weaknesses, which are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with Town personnel, and we will be pleased to discuss them in further detail at your convenience.

This communication is intended solely for the information and use of the management, the Selectboard, 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 6, 2020
CURRENT YEAR COMMENTS AND RECOMMENDATIONS – MATERIAL WEAKNESS

2018-1 Tax Collector’s Office (Material Weakness)

Comment:
The Tax Collector’s office is responsible for collecting approximately $22 million in real estate and personal property taxes, $2 million in sewer charges and $1 million in motor vehicle excise taxes and other fees. The individual transactions associated with collecting these accounts are high in volume given the relatively small size of each account.

As part of our audit procedures over the revenue and receivable process, we gained an understanding and tested internal controls in the Tax Collector’s office. During our audit for the fiscal year ended June 30, 2018, we discovered the likely existence of fraud in the Tax Collector’s office as we found several irregular transactions within taxpayers’ accounts. The potential existence of fraud is most often created by opportunities resulting from deficiencies in internal control procedures. Control activities are generally considered one of the interrelated elements of internal control over financial reporting. Control activities are defined as “practices, policies and procedures that reduce the possibility of errors entering in the financial reporting system (preventive controls) or that detect errors that are made (detective controls).”

The Town lacked formal control procedures with respect to the following:

- Due to the number of personnel (two) within the Tax Collector’s office the assistant collector was responsible for maintaining and reconciling the accounts receivable software subsidiary ledgers, reconciling the daily collections and preparing deposits. This contributed to a lack of management oversight with regard to proper review and reconciliation of the assistant collector’s daily work and whether the duties performed were in accordance with management’s underlying assertions. One relevant assertion is that the receipt drawer should be adequately reconciled and all currency properly accounted for.

- Effective procedures were not in place to reconcile the Tax Collector’s accounts receivable subsidiary records to the general ledger.

- Monitoring payment reversals in the accounts receivable subsidiary ledgers.

As a result of the potential fraud, Town management took immediate and necessary action to identify and investigate the matter. The matter is still being investigated at this time.

Town’s Response:
The Town took immediate action by increasing control measures within the Tax Collector’s office. These measures included the following:

- Cash Stamp – employees are now required to use this stamp for all cash payments in addition to the “paid date” stamp.
- Door is locked at all times and only authorized personnel are permitted to enter
- Separation of duties – functions and responsibilities are now shared to provide more checks and balances
A. Implementation of Future GASB Statements

Comment:
In an effort to enhance financial information of a government’s financial statements, the GASB is continually issuing new pronouncements that will effect what is required to be reported in a government’s financial statements. Over the past couple years GASB has been active in developing new standards. It is important that the Town be aware of the current and future statements. The following are some of new GASB pronouncements that will be required to be implemented in future fiscal years:

- GASB Statement No. 84 – Fiduciary Activities. This statement is required to be implemented in fiscal year 2020.

- GASB Statement No. 87 – Leases. This statement is required to be implemented in fiscal year 2021.

Given the significant impact of these GASB statements on the Town’s financial accounting and reporting, we recommend that the Town familiarize and educate themselves with the aforementioned statements to ensure proper implementation.

Town’s Response:
The Town will familiarize and educate themselves with GASB Statement No. 84 and Statement No. 87 to ensure proper implementation.
1. State Aid to Highway (Chapter 90) Deficit

**Comment:**
During our audit we noted that the Chapter 90 (State Aid to Highway) grant has expenditures that have not been submitted for reimbursement on a timely basis. As of June 30, 2018, the account has a deficit balance of approximately $258,484, which is made up of expenditures incurred from fiscal year 2017 to 2018. As of the date of our audit the Town received $229,006, resulting in unreimbursed expenditure of $29,478. We recommend that the Town review and monitor this situation to ensure the expenditures charged to chapter 90 grant are properly submitted for reimbursement. If there is a deficit as a result of expenditures not being reimbursed then the Town must take the necessary actions to provide for it.

**Town’s Response:**
At the end of fiscal year 2019, the Town implemented strict procedures that no payment related to Chapter 90 expenses would occur without the accompanying reimbursement request.

2. Capital Assets

**Comment:**
The Town has compiled a list of capital assets that are required to be on the financial statements to be in compliance with GASB Statements as in previous years. During our current audit we tested the capital assets and found that the Town did not keep adequate records with regard to additions, deletions and depreciation.

We recommend that the Town implement procedures to ensure that all capital assets are being accounted for under the financial reporting model of GASB.

**Town’s Response:**
The Town will implement procedures to ensure that all existing and new capital assets are being accounted for.
3. Other Areas


- Establish procedures to Document Reconciliation between Town Meeting votes and Expenditure Subsidiary Ledger.

- Breakout General Capital Project Fund.

Town’s Response:

- Internal Control Policies and Procedures Manual: In 2019, the Town received a Best Practices grant through the Community Compact Cabinet to review and implement standard financial procedures for the Town. The Town is currently working with members of the Department of Revenue on this.

- Town Meeting Votes Reconciliation: In FY18, there were no procedures in place to reconcile town meeting votes to the subsidiary ledger. This was established and implemented by the new accountant at the start of FY19.

- General Capital Project Fund: Over the course of a year and a half, the capital project fund has been extensively analyzed and reconciled. The unidentified funds have been properly accounted for and broken out into the respective projects before the close of fiscal year 2019.