

TOWN OF ERVING, MASSACHUSETTS
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2019

TOWN OF ERVING, MASSACHUSETTS

Management Letter

Year Ended June 30, 2019

	<u>Page</u>
TABLE OF CONTENTS	2
INTRODUCTORY LETTER	3
 CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters	
1. School Department.....	4
2. Implementation of Future GASB Statements	4
3. Other Items	5

To the Honorable Board of Selectmen
Town of Erving
Erving, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Town of Erving as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Erving'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 the management, the Board of Selectmen, 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 24, 2020

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. School Department

Comment:

The School Department is the largest department of the Town. The School maintains departmental accounting records for all their financial accounts (budget, grants and revolving funds, etc.), which are used in the reconciliation process to the Town's general ledger. During our audit we noted the following:

- During our review of various School expenditures we found several invoices that were dated in excess of thirty days from the warrant date of payment. It is not sound financial practice to hold invoices in excess of thirty days before processing them for payment on a warrant. Holding invoices in excess of thirty days increase the risk of errors or misstatements, intentional or unintentional, in financial reporting.
- At June 30, 2019 there were School grants that had deficit balances (\$32,130). Upon further review and inquiry we noted that reimbursement requests were not being filed timely. Furthermore, the Town's free cash was reduced by these grant deficits. We recommend procedures be implemented to ensure grants are not in deficit at year-end and reimbursement requests be submitted timely throughout the year.
- The Department of Revenue made an adjustment (increase) to the Town's free cash for excess Circuit Breaker account balance in the special revenue fund. The amount was \$53,450. The School department should implement procedures to ensure the Circuit Breaker special revenue account has the correct balance at year-end.

2. 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.

3. Other Items

- Consider Adopting a Formal OPEB Trust Funding and Use Policy.
- Consider Allocation Retirement Assessment to Water and Wastewater Funds.
- Consider Increasing Surety Bonds for Treasurer and Collector Positions.