

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

TOWN OF ERVING, MASSACHUSETTS

Management Letter

Year Ended June 30, 2022

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To the Honorable Select Board
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, 2022, 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 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

March 8, 2023

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Monitor CvRF/Covid 19 Grant Deficit

Comment:

There were various federal and state grants that have become available in response to the Covid-19 pandemic (ARPA, CvRF, FEMA and Shared Receipts). These grants come with various compliance and reporting requirements. Furthermore, to make things more complicated the guidance on spending these grants funds have changed from initial receipt of the funds. We recommend the Town constantly monitor and reconcile the grant records to the Town's general ledger accounts to ensure the grant reporting is proper and all grant funds are received and spent in accordance with the grant compliance requirements. We noted the CvRF account on the general ledger had a deficit fund balance of approximately \$67,772 at June 30, 2022.

PRIOR YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. School Department

Prior Year 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 various school grants that had deficit balances at year-end that did not clear-out subsequent to year-end and other that had surplus balances that historically would have cleared-out. We recommend the School Department review and reconcile the grants account balances on the Town's general ledger to their respective departmental accounting records.

Status- Fiscal Year 2022 Audit:

The Town and School implemented procedures to review and reconcile the school grants and other special revenue accounts to the general ledger. We encourage this procedure and practice to continue. We noted that there is still a couple grants accounts that have surplus balances that should be reviewed.

2. Implementation of Future GASB Statements

Prior Year 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. 87 – Leases. This statement is required to be implemented in fiscal year 2021(revised to 2022).

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

Status- Fiscal Year 2022 Audit:

The Town has implemented procedures to identify and account for leases that would need to be disclosed on their financial statements in accordance with GASB 87.

3. Other Items

- Establish Procedures to Review and Reconcile Accounts Payable and Accrued Payroll to Support Documentation at Year-End.

Status- Fiscal Year 2022 Audit:

The Town implemented procures to review and reconcile accounts payable and accrued payroll at year-end.

DRAFT