

**TOWN OF GILL, MASSACHUSETTS**  
**MANAGEMENT LETTER**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**TOWN OF GILL, MASSACHUSETTS**

**Management Letter**

**Year Ended June 30, 2009**

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To the Board of Selectmen  
Town of Gill  
Town of Gill, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Town of Gill as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Gill's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and recommendations concerning those matters. This letter does not affect our report dated May 5, 2010, on the basic financial statements.

The accompanying comments and recommendations are intended solely for the information and use of management, the Board of Selectmen and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next engagement. 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.

*Scanlon & Associates, LLC*

Scanlon & Associates, LLC  
May 5, 2010

## CURRENT YEAR COMMENTS AND RECOMMENDATIONS

### Improve Year-End Cutoff Procedures

Comment:

During our audit we noted two instances in which transactions have occurred within the fiscal year and were not recorded or set up within that fiscal year. By not recording transactions in the proper fiscal year can have a financial impact on the Town and mislead users of the financial statements. The two instances were as follows:

- Payroll warrant No. 09-27 dated July 6, 2009 for a total amount of \$15,225 (\$9,819 for the general fund and \$5,436 for the special revenue funds) was for fiscal year 2009 activity and should have been recorded in fiscal year 2009 general ledger. The warrant was posted to the fiscal year 2010 general ledger. The amount for the general fund (\$9,819) would have lowered the amount of free cash certified for June 30, 2009 year-end and subsequently may overdraw the budget line items in fiscal year 2010 as the Town did not budget for warrant 09-27 in the 2010 budget.
- At the Annual Town Meeting on May 5, 2008 for the fiscal year 2009 budget the Town voted under article 19 to use the Reserve for Regional School debt as an available fund. This amount should have been set as a Reserve for Subsequent Years Expenditures on the June 30, 2008 balance sheet. We could not find this account set up on the June 30, 2008 balance sheet as it was closed into undesignated fund balance at year-end closing.

We recommend the Town review the year-end procedures to insure that all activity associated with year-end are properly posted to the correct accounting period.

### Timely Recording of Receipts to General Ledger

Comment:

During our audit we reviewed subsequent to June 30, 2009 activity. During this process we found that receipts had only been recorded in the general ledger thru August 31, 2009. We performed this procedure as part of our fieldwork on April 16, 2010. We believe that this situation is not timely and can have a significant impact on the Town. In order to have an effective system of internal control and make efficient financial decisions receipts and expenditures should be timely recorded to the Town's financial statements.

During our fieldwork we communicated this matter to essential personnel and they were aware of the situation and are currently in process to correct the situation. They have also communicated to us that there will be new procedures implemented to insure the timeliness of recording receipts to general ledger.

We recommend that management of the Town monitor this situation closely.

## Improve Accounts Receivables Reconciliation

### Comment:

Currently, the Town performs procedures once a year, subsequent to June 30 year-end, to reconcile the accounts receivable subsidiary ledgers maintained by the tax collector to the town accountant's general ledger. In order to have an effective system of internal control over accounts receivable the above reconciliation should occur more frequently and timely, for instance monthly or quarterly. Additionally, as part of this reconciliation process, at least annually, the tax collector should reconcile her outstanding accounts with the Town's outside deputy collector outstanding accounts. Currently the tax collector does not perform this procedure.

Also, improvements should be made to the Tax Title detailed outstanding accounts. Although individual files are maintained on tax title accounts there is no total complete outstanding balance that can be generated periodically to reconcile to general ledger. We communicated this matter to the treasurer at time of fieldwork.

We also noted that the year-end reporting document (outstanding receivables) to the Department of Revenue for free cash certification was not accurately completed. We have proposed several adjustments to the accounts receivables.

## Maintain Debt Ledger

### Comment:

During our audit we found that the debt ledger was not properly maintained. The ledger did not accurately reflect the Town's debt activity. The reports (balance sheet and statement of indebtedness) submitted to the Department of Revenue at year-end were accurate. We have proposed several adjustments to the Town's ledger in order for the Town's debt activity to be properly recorded.

We recommend that the Town maintain the debt ledger to accurately account for the debt activity and have a proper audit trail to amounts recorded on the year-end financials.

## Town Meeting Transfers

### Comment:

During our audit we noted transfers between funds authorized were not completed or the amount transfers did not agree with amount authorized to transfer. For instance:

	Amount Authorized at Town Meeting	Amount Transferred on General Ledger	Variance
Transfer from Sewer Receipts Reserved	51,915.66	51,355.00	(560.66)
Transfer to Unemployment Trust	2,500.00	-	(2,500.00)

We recommend that the Town implement procedures to insure that the transfers authorized at Town Meeting are completed.

### **Vacation and Sick Time Accrual Record-Keeping**

Comment:

While reviewing the payroll cycle we found records for vacation and sick time were not centralized. We found that each individual Town department is currently maintaining the record keeping. Although it is not the best scenario that each individual department maintain its vacation and sick time accrual, at a minimum, it is recommended that the departments, on a quarterly basis, submit to the Town Accountant or Town Treasurer their listing so a management review can be done for accuracy.

We recommend that the vacation and sick time accrual record keeping be centralized and monitored periodically. The Town should consider using the financial software used for processing payroll to maintain the sick and vacation records.

The Town was aware of this situation and as of July 1, 2009 has implemented policies and procedures to address this issue.

### **Cellular Phone Policy**

Comment:

As part of our audit we selected expenditures for testing. We noted that the Town reimburses various employees for cellular telephone usage and supplies employees the use of a cell phone. This is an acceptable practice among municipalities because of the need to have direct and fast communications with departments to operate at a high efficiency. However, the Town should have a written policy with regards to cellular phones usage and reimbursement. Also, the Town should review and become aware of the IRS regulations with regards to cellular telephones.

### **Capital Assets**

Comment:

GASB No. 34 requires that capital assets be on the financial statements for tier 3 governments starting in fiscal year 2004. The Town in previous audits has compiled a list of capital assets and was in compliance with GASB No. 34. During our audit we tested the capital assets and found that the Town did not keep adequate records with regard to additions, deletions and depreciation. Also the Town has no formal policy and procedures on capital assets.

We recommend that the Town adopt a formal policy and a procedure with regard to capital assets. Having a policy and a procedure in place will insure that all capital assets are being accounted for under the financial reporting model of GASB # 34.

## **GASB Statement No. 45, Financial Reporting for Post-Employment Benefits Other than Pension Plans**

### Comment:

GASB issued a statement on post employment benefit plans that will affect the Town in the future. As a result of this issuance, the Town will be required to implement this new GASB statement.

Generally, the statement requires the Town to calculate the amount of the annual post employment benefit costs, such as healthcare benefits and other types of post employment healthcare benefits, such as life insurance. Once determined, the cost will then be presented and recognized on the financial statements of the Town, similar to the requirement for compensated absences.

The number of plan members will determine the method of calculation. For plans with more than 200 members, an actuarial valuation should be performed at least biennially and for plans with fewer than 200 members, an actuarial valuation should be performed at least triennially. For plans that have less than 100 members, the Town has the option to calculate the liability by an alternative measurement method, in lieu of an actuarial valuation.

The effective dates for implementation of this statement will parallel GASB Statement No. 34. Since the Town is a Phase 3 community, the implementation date for the Town is June 30, 2010.

We recommend that the Town keep abreast with this future requirement. In this way, the Town will be familiar with the statement and have little difficulty with implementation when the time comes.

Additionally, there will be more GASB Statements in the future that will affect the Town. We recommend the Town stay current with these statements to ease the implementation process.

## **Accounting/Financial Policies and Procedures Manual**

### Comment:

The Town does not have a current and comprehensive accounting/financial policies and procedures manual. All governments should document their accounting policies and procedures. Although other methods might suffice, this document is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures which make up the Town's internal control system.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the Town's internal control system and can help to avoid the circumvention of Town policies.

We recommend the Town finance team develop and document the accounting/financial policies and procedures manual. The accounting/financial policies and procedures manual should be prepared by appropriate levels of management and be approved by the Board of Selectmen to emphasize its importance and authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support controls.