

**TOWN OF DEERFIELD, NEW HAMPSHIRE**

**Management Letter**

**For the Year Ended December 31, 2015**

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Additional Offices:

Andover, MA  
Greenfield, MA  
Manchester, NH  
Ellsworth, ME

To the Board of Selectmen  
Town of Deerfield, New Hampshire

In planning and performing our audit of the basic financial statements of the Town of Deerfield, New Hampshire, as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town'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 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 over financial reporting.

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 material weakness is a deficiency or 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning these matters.

The Town's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Selectmen, and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

*Melanson Heath*

June 15, 2016

## **STATUS OF PRIOR YEAR RECOMMENDATIONS:**

### **1. Review and Determine Status of All “Pooled Sub-Accounts”**

#### Prior Year Issue:

In the prior year, we recommended the Town close out all inactive escrow accounts. We also recommended that the Treasurer make timely cash transfers to and from the general fund cash account for receipts and expenditures associated with the pooled sub-accounts.

#### Current Year Status:

The Town closed numerous escrows in 2015 and is continuing to research the remaining inactive accounts in 2016. However, timely cash transfers to and from the general fund cash account and pooled sub-accounts was not addressed in 2015.

#### Further Action Needed:

We recommend the Town continue to close out all old, inactive accounts. We also continue to recommend that the Treasurer make timely cash transfers to and from the general fund cash account for receipts and expenditures associated with the pooled sub-accounts.

#### Town Response:

The Town will continue to work with the individual departments to review the remaining inactive accounts in order to ensure that all completed project accounts are closed and refunded in a timely manner.

### **2. Continue Improvements in Departmental Receipt Procedures**

#### Prior Year Issue:

In the prior year, we recommended the Town continue improving its internal controls over departmental receipts.

#### Current Year Status:

During 2015, the Town continued to make improvements over departmental receipt procedures.

#### Further Action Needed:

During our audit, we noted the following areas where improvements can continue to be made:

- All departments that collect receipts should maintain detailed financial records, and these records should be formally reconciled to the general ledger or pooled sub-account reports on a monthly or quarterly basis.
- The Finance Department should provide summary financial reports to all departments, boards, and commissions on a monthly or quarterly

basis to ensure that the activity and balances for each account are accurately recorded.

- The Finance Department should create a standard reconciliation form for all department heads, boards, and commissions to complete. We recommend the Town require all department heads, boards, and commissions to provide a signed copy of their completed reconciliation forms to the Town Administrator for review.
- The Finance Department should perform periodic internal reviews of all departments that collect Town receipts. In addition, the Finance Department should retain all of the documentation related to these reviews for the external auditors.

Town Response:

The Finance Office is working to comply with the suggestions of the auditing firm with regards to Departmental Receipt Procedures.