

**TOWN OF BLACKSTONE, MASSACHUSETTS**

**Management Letter**

**For the Year Ended June 30, 2015**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INTRODUCTORY LETTER</b>	1
<b><u>STATUS OF PRIOR YEAR RECOMMENDATIONS:</u></b>	
1. Improve Controls in Financial Office	3
2. Improve Cash Transactions	3
<b><u>CURRENT YEAR RECOMMENDATION:</u></b>	
3. Maintain and Reconcile Foreclosure Receivables	4

**Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

To the Board of Selectmen  
Town of Blackstone, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Blackstone, Massachusetts as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Blackstone, Massachusetts' 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 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 those 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 it.

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

*Melanson Heath*

May 11, 2016

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

### **1. Improve Controls in Financial Office**

#### Prior Year Issue:

In the prior year, we recommended that all journal entries be reviewed and approved by someone other than the preparer and that the revenue and expense budget entered into MUNIS be reconciled to the Tax Rate Recapitulation. We further recommend that withholding accounts be reviewed to ensure that amounts are clearing properly and that receivable reconciliation variances be investigated on a monthly basis.

#### Current Year Status:

Journal entries are all being reviewed by the Town Accountant. Withholdings appear to be clearing properly and the receivable reconciliation variances have been investigated and cleaned up. However, the revenue budget and state and county charges posted in MUNIS did not agree to the Tax Rate Recapitulation. Also an Annual Town Meeting vote was not included in the appropriation report and the related transfer was made in fiscal year 2014 rather than fiscal year 2015. Further, encumbrance entries are being made directly to fund balance accounts rather than expenditure accounts in the next fiscal year.

#### Further Action Needed:

We recommend that the revenue and expense budget entered into MUNIS be reconciled to the Tax Rate Recapitulation. We further recommend that all Annual Town Meeting votes be recorded in the proper year and that encumbrances be charged to expenditure accounts in the year they are spent.

#### Town's Response:

The budgetary entries to match the Tax Rate Recapitulation were completed after the fiscal year closed. Budgetary entries will be completed within the fiscal year going forward. One Annual Town Meeting vote was recorded in the current year in error, but did not have any financial impact on the free cash or general ledger for the current or following fiscal years. The encumbrance entries are automatically generated by our financial accounting system, MUNIS, which has been utilizing the same fund balance accounts for tracking encumbered funds ever since the purchase order system was put in place years ago. The Town Accountant will contact MUNIS to see if the system can be adjusted to have encumbrances hit expenditure accounts instead of a fund balance account.

### **2. Improve Cash Transactions**

#### Prior Year Issue:

In the prior year, we recommended that the Treasurer's Office verify the amounts of transfers between accounts. We also recommended that the old

vendor and payroll accounts be closed, and the old outstanding checks be voided and moved to tailings.

Current Year Status:

In fiscal year 2015, we noted that transfers to and from the capital trust bank account were completed, however one of the transfers in and out were classified as Stabilization activity within the bank account rather than capital trust activity. In addition, we noted that the old vendor and payroll outstanding checks were moved to tailings during the year.

Further Action Needed:

We recommend the Treasurer's Office ensure that all cash transfers are classified properly within the bank accounts.

Town's Response:

This issue was identified and corrected by the Collector/Treasurer's office. It was a simple mistake by Bartholomew putting a deposit on the wrong line. Once identified by the Collector/Treasurer's office, Bartholomew's record was corrected and the Collector/Treasurer's office's cash books were corrected.

**CURRENT YEAR RECOMMENDATION:**

**3. Maintain and Reconcile Foreclosure Receivables**

The Treasurer/Collector has compiled a detailed list of properties that have been foreclosed on. However, the listing does not agree to the foreclosure receivable balance in the general ledger.

Reconciling general ledger balances to independently maintained lists is essential to ensure the accuracy and completeness of those balances. Lack of routine reconciliation procedures increase the risk that the general ledger balance contains error or omissions which may not be detected in a timely manner.

We recommend that the Treasurer/Collector's detailed list of foreclosed properties be reconciled to the general ledger on a periodic basis. This will reduce the risk that the general ledger balance is inaccurately stated.

Town's Response:

The Town Accountant and Collector/Treasurer have been diligent in gathering all supporting documentation for foreclosed properties; however, there are various properties that were not properly recorded in the general ledger by the previous Collector/Treasurer. The Town Accountant and Collector/Treasurer are currently working to resolve these past discrepancies, and have set up monthly procedures to reconcile all foreclosed properties to the general ledger.