

DRAFT 1.5.2023

TOWN OF LONGMEADOW, MASSACHUSETTS

Management Letter
For the Year Ended June 30, 2022

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To the Select Board
Town of Longmeadow, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Longmeadow, Massachusetts (the Town) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Town's 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.

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 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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 them.

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

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including those overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Greenfield, Massachusetts

To be dated upon acceptance and understanding of the statements.

CURRENT YEAR ISSUES

1. Improve Controls Over Cash Reconciliations

The Town's cash reconciliations between the Treasurer's cash and the Accountant's general ledger were not performed monthly during fiscal year 2022. Cash reconciliations are an integral part of ensuring the accuracy of financial reporting and when not performed, increases the risk of errors or irregularities occurring without being detected.

In addition, during our comparison of the Town's trust fund balances between the Treasurer and the general ledger, we noted an instance where a bank transfer was not recorded. Trust balances should be reconciled on a quarterly basis.

We recommend the Town implement measures to ensure that timely reconciliation of cash balances occurs throughout the year. Typically, the reconciliation of all bank statements should be completed by the third or fourth week of the subsequent month. Implementation of this recommendation will help to minimize the risk of errors or irregularities occurring and going undetected, as well as ensure that the Town's balances in the general ledger are accurate.

Town's Response:

2. Improve Procedures Over Cash Receipts in Department of Public Works Office

During our review of procedures over the cash receipts in the Department of Public Works office, we noted an area where improvements could be made. While two individuals are responsible for counting and comparing the checks received, there is no formal reconciliation to what was actually collected per the receipt book to ensure that all receipts are accounted for.

We recommend that one individual totals the checks on hand and another individual totals the amount received per the receipt book. The two totals should then be compared and reconciled to each other prior to turning over the receipts to the Treasurer's office. This will improve controls over cash receipts and reduce the risk of irregularities occurring and going undetected.

Town's Response:

3. Improve Procedures in Assessor's Office

During our review of processes and procedures in the Assessor's office, we noted the following areas where improvements could be made:

- The Assessor's office does not maintain a running balance of the overlay (allowance for abatements and exemptions) accounts. As a result, it is more difficult to reconcile the balance in the general ledger. The lack of reconciliation increases the risk that abatements issued by the Assessor's office are not recorded in the general ledger, thereby misstating the Town's receivable balances.

We recommend the Assessors' Office maintain a running balance of all overlay accounts and that the balances be reconciled to the general ledger at least quarterly.

- During our review of source documents in the Assessor's office we noted several instances in which monthly abatement summaries were not approved by a majority of the Board of Assessors. Because these are legal documents they must be signed by a majority of the Board of Assessors as an indication of a consensus board action. The signature by a majority of the Board evidences to the other departments (Tax Collector and Town Accountant) that the documents are legal and proper.

We recommend the Board of Assessors provide signatures of the required majority on all abatements.

- The Assessor's office has several signature stamps which have been used to approve real estate and personal property commitments. The use of signature stamps increases the risk that errors or irregularities could exist and go undetected.

We recommend the Assessors' Office eliminate the use of signature stamps.

Town's Response:

4. Establish an Ambulance Write-Off Policy and Write-Off Old Receivable Balances

The Town contracts with an outside billing company to bill and collect ambulance services. As of June 30, 2022, the balance of these outstanding receivables was approximately \$920,000, of which approximately \$610,000 was over 120 days past due. Because third party insurers often do not reimburse the ambulance service costs, it is common to incur uncollectable accounts. Upon further inquiry, it was noted that the

Town does not have formal policies for the review and write-off of uncollectible ambulance receivables.

We recommend the Town follow up on the delinquent accounts that are currently in the Town's general ledger and establish formal policies to review and write-off uncollectible accounts. This will improve oversight over ambulance receivables and will result in more accurate receivable balances reported in the general ledger.

Town's Response:

5. Prepare for Governmental Accounting Standards Board (GASB) Statements No. 94 and 96

The Governmental Accounting Standards Board (GASB) has issued Statement No. 94 *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*. The primary objective of this Statement is to improve accounting and financial reporting of PPPs and APAs. PPP is an arrangement in which the Town contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. APA is an arrangement in which the Town compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The GASB has also issued Statement No. 96 *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement provides guidance on the accounting and financial reporting of SBITAs for the Town as an end user. GASB 96 results in a right-to-use subscription intangible asset, which is primarily offset by a corresponding subscription liability for accrual funds, as well as government-wide financial statements, and requires new note disclosures.

These Statements are effective for fiscal year 2023 and have similarities with Statement No. 87, *Leases*, that the Town implemented for fiscal year 2022.

Town's Response:

6. **Other Issues**

The following section of the management letter identifies other recommendations for improvements which are reported in a summarized manner.

Monitor Revolving Fund Spending Limits

Revolving fund spending limits are set each year at Annual Town Meeting and current year expenditures should not exceed these limits. In our review of revolving funds, we noted that council on aging revolving funds exceeded expenditures limits authorized by the Annual Town Meeting for fiscal year 2022. We recommend the Town review these limits annually and increase as needed.

Town's Response:

Parks and Recreation Revolving Account Balance

Massachusetts General Law limits the unreserved fund balance in the parks and recreation revolving account at the close of the fiscal year to \$10,000. At June 30, 2022, the parks and recreating revolving fund balance was well in excess of the \$10,000 limit. We recommend the Town formulate an action plan to reduce the balance in this account to the appropriate level.

Town's Response:

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