

TOWN OF MONTEREY, MASSACHUSETTS
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF MONTEREY, MASSACHUSETTS

Management Letter

Year Ended June 30, 2020

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To the Honorable Select Board
Town of Monterey
Monterey, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Town of Monterey as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Monterey'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 report is intended solely for the information and use of 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

August 31, 2021

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Capital Assets

Comment:

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 ensure that all capital assets are being accounted for under the financial reporting model of GASB # 34.

2. Consider Adopting an Other Post-Employment Benefits (OPEB) Trust

Comment:

The Town has met the financial reporting requirements for GASB statement No.75 with regards to Other Post-Employment Benefits (OPEB) Trust. The actuarially determined OPEB liability as of June 30, 2020 is \$690,746. The Town has not adopted an irrevocable trust fund for OPEB costs under MGL Chapter 32B Section 20.

We recommend the Town consider adopting an OPEB Trust and funding policy.

3. Departmental Receipt Procedures

Prior Year Comment:

Various departments of the Town receive cash and check payments from customers in the normal course of operations. Cash transactions, by nature, have a higher degree of inherent control risk and require the establishment of additional preventive controls to safeguard against loss. The Town should establish and disseminate uniform policies and procedures for the handling of receipts by all departments. Issues to be considered include:

- Maintaining receipt logs with reference to source documentation.
- Maintaining pre-numbered receipt books.
- Maintaining an audit trail over remittances to the Treasurer's Office.
- Establishing policies for frequency of remittance.
- Establishing policies for breakdown of cash and checks on a standardized turnover sheet.
- Account reconciliations between the Treasurer's and Accountant's office with Town Departments.
- Security of receipts on hand during Town business hours and overnight.

We recommend that the Town review and modify, if necessary, the uniform policies and procedures over the receipt function pertaining to various departmental receipts. The Town should monitor departmental compliance with established procedures on a periodic and continual basis. All department heads should review established procedures and document their understanding of the relevant cash receipt control activities.

4. Other Areas

- Future GASB's (Fiduciary Activities and Leases).
- Bank Transfers for Accounts that Retain its Investment Income.