

Budget Advisory & Select Board Joint Meeting

Town of Temple, NH

Auditor Meeting Minutes

4:30 PM, 16 October 2019, Town Hall Annex

BAC Attendees: Gary Scholl (Chair BAC), John Kieley (BAC), Gail Cromwell (BAC), Christine Robidoux (BAC), Steve Concordia (BAC), Mike Darnell (BAC), George Willard (Select Board), Bill Ezell (Select Board)

Also in attendance: Peter Allen, Town Treasurer, Jen Reddington, CPA Melanson Heath

Meeting called to order at 4:30 PM.

Scholl welcomed Jen Reddington from Melanson Heath.

Cromwell requested Select Board follow-up on past Auditor recommendations. Ezell pointed out that they are looking at several items right now. Allen also shared that the reconciliation recommendations were also being followed, and that all accounts are now formally tracked and information is shared with Auditors. Note of staff changes this year and new Treasurer as well as some other newly elected officials learning processes.

Scholl asked about sharing files electronically with auditors instead of paper files. Reddington agrees and notes that several other towns do it that way. Allen is sharing files electronically already and is back dating to January 2019.

Review of Auditor recommendations letter *(see attached)*

- Question on disbursement testing results: Is it one department or multiple who are not signing off on all invoices?
- Recreation Special Revenue fund is being addressed by Select Board and Recreation Chair, with Treasurer.
- Payroll Rate Agreements: Is it one department or multiple?
- Payroll Timesheets: Is it one department or individual or multiple?
- Discussion of updating budget in QuickBooks after NH Department of Revenue adjustments. It is small amounts, but should be updated. Further review is needed to correct this issue.
- Discussion of procurement policies. Several committee members present recall procurement procedures being put in place, but perhaps they are documented and stored in an easily accessible and public place. Ezell will bring this to the Select Board, and suggest creating book of policies for town departments to access. Reddington will share example procurement policies from other towns with Select Board.

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- Allen is reconciling account quarterly, to avoid debits at year-end for accounts payable.

Other Questions/Issues after Audit Report Review (*Full Audit Report available in town office*)

- Question regarding Financial Analysis of General Fund factor “Other” negative balance of \$54,085 (*page 7*). Reddington shared that this is just a timing issue. Not all of the revenue had been collected at year-end. Later in 2019 that figure went to \$0.
- Ezell shared that the town had received a letter the day of the meeting from the state DRA saying that we were over budget in 2018. Further research is needed. (*To be discussed at BAC meeting on Nov 6 2019*).
- Kieley requests a note be added to the final audit report for next year to remind us of the timing issues that affect the year-end report.
- Cromwell requests multi-year comparison to identify trends and key indicators, including Government Wide Financial Analysis (*pages 5-6*) and Balance Sheet (*page 11*).
- Kieley requests a note be added to the final report indicating that Credit Risk Policies are not applicable to the town of Temple at this time (*page 23*). Temple does not have investments other than PDIP.
- Allen noted that it was difficult to track down some departments information for the auditors this year, and requests assistance from Select Board with a policy around this issue.
- Allen also shared that there was some confusion over tracking land use tax due to the split with the Conservation Commission. Allen set-up a clear procedure with approval from auditor.
- Kieley requests that a statement is added to the Stewardship, Compliance, and Accountability section A Budgetary Information (*page 22*), to clarify that the Select Board sets the salaries for town employees. Kieley will share draft of text.
- Note that Property Taxes Receivable Delinquent Accounts interest rates have change this year (*page 25*). Next year’s report will reflect the change.

Summary

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Reddington stressed the need to document policies and procedures, and be sure to have legal counsel review them before they go into effect.

Thanks to Reddington and Melanson Heath for their work and for attending the meeting.

Motion to adjourn at 5:13 PM. Unanimous approval.

Attachments:

MH-Ltr to SB re Internal Controls_Audit FY2018

MH-Ltr Recommendations to Temple_Audit FY2018

MH-Ltr Gen Rep to SB re Audit FY2018

MH-Auditors Report on Tax Collector FY2018

August 7, 2019

Board of Selectmen
Town of Temple
P.O. Box 191
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Additional Offices:
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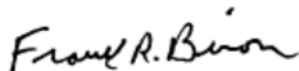
Dear Board of Selectmen:

During the course of our 2018 audit we identified certain areas where improvements and/or efficiencies could be made that were not included in a formal management letter. The following summarizes these issues very briefly:

- Disbursement testing results showed 4 out of 25 selected invoices not having signed documentation of approval. We recommend all invoices be signed by a knowledgeable individual.
- The recreation special revenue fund bank account reconciliation did not include a list of outstanding checks. We recommend that a list of issued, cleared, and outstanding checks be maintained for the recreation checking account.
- Payroll testing results showed 3 out of 25 employees not having approved rate agreements for the pay periods selected. We recommend that an approved rate agreement be retained in each employee's personnel file.
- Payroll testing results showed 3 out of 25 employees timesheets did not include documented approvals. We recommend that all time sheets include documented approval by an individual of higher authority than the time sheet being reviewed.
- Final adjusted budget was not updated in the general ledger system. We recommend that the final budget be updated in the system to allow for budget versus actual reports to be generated.
- Formal policies and procedures have not been adopted for procurement. We recommend that a Town-wide policy be implemented to provide guidance over procurement.
- Accounts payable balance at year-end was in a debit position. We recommend that this account be reconciled on a regular basis to ensure accuracy.

We encourage the Town implement these recommendations in order to improve controls and efficiencies. I will be available to discuss these with you in more detail at your convenience.

Sincerely,



Frank R. Biron, CPA
Principal

Board of Selectmen
Town of Temple
P.O. Box 191
Temple, New Hampshire 03084

Additional Offices:

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

Dear Board of Selectmen:

We have audited the financial statements of the Town of Temple, New Hampshire as of and for the year ended December 31, 2018 and have issued our report thereon dated August 7, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our Firm have complied with all relevant ethical requirements regarding independence. Safeguards that have been applied to eliminate threats to independence or reduce them to an acceptable level include annual certification by all Firm staff of independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town is included in the notes to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Estimated lives and depreciation methods for depreciable assets.
- Collectability of receivables.
- Estimated liability for potential tax refunds.

Management's estimates of the above are based on various criteria. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive disclosures affecting the Town's financial statements.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

As an added service to the Town, we assisted in compiling the government-wide financial statements, including consolidating various funds into governmental activities, converting to the accrual basis of accounting, and recording all long-term assets, long-term liabilities, and net position classifications. This consolidation and conversion process was based on information from the Town's accounting records.

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Town's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in their letter dated August 7, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Town, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Town's auditors.

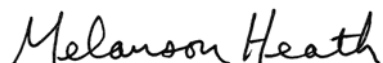
Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Town's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information (if applicable) and considered whether such information, or the manner of its presentation, was materially inconsistent with the presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the governing body and management of the Town and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Melanson Heath".

August 7, 2019

Additional Offices:

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

To the Board of Selectmen
Town of Temple, New Hampshire

In planning and performing our audit of the basic financial statements of the Town of Temple, New Hampshire as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Temple'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 entity'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 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 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.

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

Melanson Heath

August 7, 2018

TOWN OF TEMPLE, NEW HAMPSHIRE

**Independent Accountants' Report on
Applying Agreed-Upon Procedures over
Tax Collector Receivable Balances**

As of March 15, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES OVER TAX RECEIVABLE BALANCES	1
BACKGROUND	2
RESULTS	2

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES OVER
TAX RECEIVABLE BALANCES

To the Board of Selectmen
Town of Temple, New Hampshire

Additional Offices:
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We performed the procedures enumerated below, which were agreed to by the Board of Selectmen, on the tax receivable balances of the Town as of March 15, 2019. The Town's management is responsible for the tax receivable information provided as of March 15, 2019. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures are as follows:

- We verified uncollected taxes and unredeemed tax lien balances and current year activity as reported on the Tax Collector's March 15, 2019 MS-61 report to supporting documentation.
- We reconciled the Tax Collector's receivable balances as of March 15, 2019 to the tax receivable balances reported in the Town's general ledger.

We have summarized the results of our procedures in the accompanying report.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the tax receivable information of the Town as of March 15, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, additional matters might have come to our attention that would have been reported.

This report is intended solely for the information and use of the Town and is not intended to be and should not be used by anyone other than those specified parties.

Melanson Heath

August 7, 2019

BACKGROUND

The Town experienced turnover in the Tax Collector's position on March 15, 2019. New Hampshire RSA states "whenever the term of the office of a collector of taxes shall end, from whatever cause, his powers and authority shall cease and terminate and devolve upon his successor whenever he is elected or appointed. The selectmen shall cause an audit of his accounts to be made promptly and they shall make and commit to his successor new warrants directing him to collect the taxes therein committed to him". To comply with the law, the Town engaged us to perform the procedures specified earlier over the Tax Collector records as of the above noted date.

RESULTS

We worked with individuals in the Tax Collector's and the Finance Office to test and verify outstanding tax receivables as of March 15, 2019. The chart below shows receivable balances at March 15, 2019 and everything reconciles to the General Ledger except for Land Use Tax. MH was unable to trace Land Use Tax from the collector records to the General Ledger. MH recommends that the collector's detail for Land Use Tax be reconciled monthly to the General Ledger.

	General Ledger Balance	Collector Balance	
<u>Receivable Type</u>	<u>03/15/19</u>	<u>03/15/19</u>	<u>Difference</u>
Property taxes			
Tax Year 2018	\$ 114,442	\$ 114,442	\$ -
Tax Year 2019	(1,127)	(1,127)	-
Unredeemed tax liens			
Prior Tax Years	35,639	35,639	-
Tax Year 2017	47,438	47,438	-
Land Use Tax	4,800	2,800	2,000 *

*Variance due to conservation portion being recorded in the general fund.