

TOWN OF BLANDFORD, MASSACHUSETTS

Management Letter

For the Years Ended June 30, 2005 and 2006

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INTRODUCTORY LETTER</u>	1
<u>CURRENT YEAR ISSUES</u>	
1. Improve Recordkeeping – Assessors’ Office (Compliance Finding)	3
2. Improve Timeliness of Trust Fund Cash Transfers	3
3. Develop Town-Wide Cell Phone Policies	4
4. Perform a Fraud Risk Assessment	4
5. Develop Departmental Receipt Policies and Procedures	5
6. Improve Oversight of Special Revenue Funds	6
7. Improve Controls Over Tax Payments and Other Collections	6
8. Improve Procedures to Ensure Compliance With Procurement Act (Compliance Finding)	7
9. Improve Recordkeeping for Town Payroll Records	7
10. Improve Local Receipts Estimates – Motor Vehicle Excise	8
11. Ensure Allowability of Grant Expenditures	8
<u>PRIOR YEAR ISSUES</u>	
12. Comply with Rural Development Agency (RDA) Regulations (Compliance Finding)	9
13. Develop Budget Plan for Water Project Debt Service	10
14. Improve Controls Over Commitments	10
15. Comply with Grant Terms and Conditions	11
16. Improve Timeliness of Receipt Postings	12
17. Perform Periodic Inventory of Owned Equipment	12
18. Include Outstanding Check Numbers in Bank Reconciliation	12

19.	Establish More Aggressive Tax Collection Policy	13
20.	Reconcile Allowance for Abatements (Overlay)	13
21.	Implement Reconciliation Procedures for Key General Ledger Accounts	14
22.	Improve Internal Controls In Certain Key Departments	14
23.	Include Library Trust Fund Activity In Town's General Ledger	15
24.	Establish Travel-Related Administrative Regulations	15

MH[&]Co

MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

51 Davis Street
Greenfield, MA 01301-2422
(413) 773-5405 • Fax (413) 773-7304
www.melansonheath.com

To The Board of Selectmen
Town of Blandford, Massachusetts

We have audited the basic financial statements of the Town of Blandford, Massachusetts as of and for the years ended June 30, 2005 and 2006 and have issued our reports thereon dated May 15, 2007. As part of our audits, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary to evaluate the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The management of the Town of Blandford is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by them are required to assess the expected benefits and related costs of control procedures. The objectives of such a system are to provide reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with required authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may still occur without being detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was not designed for the purpose of expressing an opinion on the internal accounting control structure and would not necessarily disclose all

Additional Offices:

Andover, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

weakness in the system. However, as a result of our study and evaluation, and in an effort to be of assistance to the Town, we are submitting for your consideration a number of comments and recommendations intended to improve operations and internal accounting control.

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

Greenfield, Massachusetts
May 15, 2007

In the audits of fiscal years 2005 and 2006, which were conducted simultaneously, we noted the following:

CURRENT YEAR ISSUES

1. IMPROVE RECORD KEEPING – ASSESSORS' OFFICE (COMPLIANCE FINDING)

During audit fieldwork, the Assessors were unable to provide monthly motor vehicle abatement schedules for fiscal year 2005.

As custodian of Town records, the Assessors must safely store and retain original records. A municipal record disposition schedule for Assessors (available from the Archives Division – Records Management Section of the Office of the Secretary of State) details retention requirements for each type of document originating in the Assessor's office.

We recommend the Assessors' Office, as originators of abatement documentation, establish procedures to ensure that all original documentation is retained, properly approved and locatable.

Town's Response:

The current practice within the Office is that all abatement documentation is bound in to the commitment books and retained in the Assessors' Office.

2. IMPROVE TIMELINESS OF TRUST FUND CASH TRANSFERS

The Town's trust fund activity is accounted for in the general ledger accurately; however, the ending general ledger balances do not agree with the Treasurer's trust fund cash balance.

This resulted from an approved transfer from the Town's Stabilization account being recorded in the general ledger; however, the cash was not transferred from the trust fund cash account to the operating cash account. As a result, while the Town's general ledger and treasurer's cash balances reconciled in total, there was a variance in the trust fund cash balance of \$ 10,000.

We recommend that trust fund transfers be made in a timely manner. This will help to ensure an accurate and timely reconciliation of trust fund cash balances with the Town's general ledger.

Town's Response:

The Town will improve the timeliness of trust fund transfers.

3. DEVELOP TOWN-WIDE CELL PHONE POLICIES

Our inquiries into various areas of internal control revealed the lack of a Town-wide cell phone policy. While a limited number of cell phones had been issued to Town employees as of our fieldwork, it is anticipated that more may be issued in the future.

We recommend the Town adopt a cell phone policy which addresses protocol for the use of Town-issued cell phones. This policy should include, but not be limited to prohibiting personal use and the review of bills by Town Accountant Office personnel for appropriateness of charges, etc.

Town's Response:

Currently there is only one Town employee that has a Town issued cell phone. The Town will be incorporating a cell phone use policy in the updated personnel policies and procedures manual.

4. PERFORM A FRAUD RISK ASSESSMENT

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

- What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.
- What assets of the Town are susceptible to misappropriation?

- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.
- How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

Town's Response:

The Town will conduct an assessment and draft a policy to be included in the updated personnel policies and procedures manual.

5. DEVELOP DEPARTMENTAL RECEIPT POLICIES AND PROCEDURES

The Town currently does not have formal written policies and procedures for departments to follow for collecting and remitting departmental receipts. Although we did not detect any errors or irregularities during our audit, the lack of formal policies and procedures increases the risk that such situations could occur and go undetected.

We recommend the Town establish formal written departmental receipt policies and procedures. These policies and procedures should address, at a minimum, the following: The uniform format of receipt records and receipt logs, establishment of audit trails, frequency of remittances to the Treasurer, overnight security, and check cashing policies.

We further recommend the Town Accountant perform periodic internal audits of the various departments to assure compliance with the policies and procedures that are adopted. This should result in improved controls over departmental receipts and reduce the likelihood of irregularities occurring.

We also recommend that a copy of the departmental receipt turnover form be provided by departments directly to the Town Accountant in order to reconcile with the Treasurer's records. This will provide a necessary measure of checks and balances between departments.

Town's Response:

The Town will establish a written departmental receipt policy.

6. IMPROVE OVERSIGHT OF SPECIAL REVENUE FUNDS

The Town ended fiscal year 2005 with deficits in several special revenue funds. The deficits resulted from over-expenditures of Massachusetts Highway Grants (Chapter 90) and a Massachusetts Turnpike Tourism Grant. These deficits occurred due to an inadequate monitoring of grant expenditures and the lack of reconciliation procedures between the general ledger and grant records maintained by the highway department. The deficits were ultimately funded through appropriations made in fiscal year 2006.

We recommend the Town improve its monitoring of grant funded projects and implement a formal reconciliation process between the general ledger and grant records maintained departmentally. Implementation of this recommendation will reduce the risk of grants being over-expended.

Town's Response:

The recent hiring of a Town Administrator will facilitate better oversight and management of grants awarded to the Town.

7. IMPROVE CONTROLS OVER TAX PAYMENTS AND OTHER COLLECTIONS

During our audit we observed tax and other payments collected in Town Hall by personnel other than the Town Collector. Additionally, our inquiries revealed that payments intended for the Town Collector are often deposited in the Town's mailbox located at the front of the Town Offices and that individuals other than the Town Collector have a key for this mailbox. These practices result in inadequate internal controls over the Town's receipts in regard to tax and other payments intended for the Town Collector, as individuals who may receive payments are not appropriately bonded. Additionally, this situation can create an inadequate segregation of duties, depending on who actually collects these receipts.

We recommend the Town prohibit employees other than the Town Collector, from receiving tax and other payments. Implementation of this recommendation will improve security over Town receipts as well as ensure an adequate segregation of duties.

Town's Response:

While having established office hours, the Tax Collector only works part-time and is not always available when residents wish to make tax payments. In an effort to reduce the opportunity for non-authorized personnel to receive tax payments, in addition to the drop box located outside of the Town Office, a drop box will be mounted to the Tax Collector's office door.

8. IMPROVE PROCEDURES TO ENSURE COMPLIANCE WITH PROCUREMENT ACT (COMPLIANCE FINDING)

Massachusetts General Laws Chapter 30B requires that purchases of \$ 5,000 to \$ 25,000 be supported by documentation that quotes were obtained by at least three vendors and that expenditures of \$ 25,000 or more be subject to a formal bidding process. In testing for compliance with MGL Chapter 30B, as in prior years, we noted several instances of non-compliance including:

- The Town could not provide evidence of a competitive bid process for road repair work done. During fiscal year 2006 approximately \$ 131,000 was paid to one vendor for the project. Based on the amount, this contract should have been subject to a formal bid process.
- The Town could not provide evidence of a competitive bid process on one purchase in fiscal year 2005 (\$ 6,316 for sand) and on two purchases in fiscal year 2006 (one for vehicle repairs of \$ 5,008 and one for the purchase of a trash compactor for \$ 8,100).

In order to avoid these situations in the future, we recommend the Town's Chief Procurement Officer maintain all bid and quote files for the legally required amount of time. Additionally, as a method of checks and balances, we recommend that all bills submitted to the Town Accountant for payment contain a certification that all applicable bid requirements have been met in accordance with Massachusetts General Laws. Implementation of these recommendations will ensure that the appropriate bid procedures have been followed and that supporting documentation is properly retained and accessible.

Town's Response:

The Town is aware of the incidents cited in the Management Letter and now maintains complete and accurate bid files. Proper bid procedures are being followed and supporting documentation is readily available.

9. IMPROVE RECORD KEEPING FOR TOWN PAYROLL RECORDS

Our testing of Town payroll transactions revealed the Town could not locate original (or copies of) time sheets for Highway Department personnel for the entire month of January 2006 and the first pay period in February, 2006. State record retention laws require the retention of warrants and supporting documentation for seven years and disposal can only occur with the permission of the Supervisor of Records.

Town's Response:

The Town will adopt a policy to ensure the proper retention and disposal of records in accordance with guidelines from the Secretary of State.

10. IMPROVE LOCAL RECEIPTS ESTIMATES – MOTOR VEHICLE EXCISE

Local receipts estimate for motor vehicle excise on the Town's fiscal year 2006 tax recap was \$ 184,000. Actual receipts realized were \$ 125,000, a shortfall of (\$ 59,000) or 32%. As a result of this shortfall, the Town's actual General Fund revenues from all sources exceeded its budget by only \$ 5,203 (.2%). Operating at such a close margin is risky in that a revenue deficit (actual receipts less than budget) could occur which would be required to be raised on the Town's subsequent year Tax Recap.

We recommend the Town review its local receipts estimates to more closely reflect realistic projections.

Town's Response:

For fiscal year 2006, the Department of Revenue strongly suggested that the town accept the tax recap number of \$ 184,000. This amount was dictated by DOR so that the Town would stay under the levy limit even though Town departments voiced concern that this amount was not feasible. Going forward, the Town will review its local receipts estimates more closely to reflect realistic projections.

11. ENSURE ALLOWABILITY OF GRANT EXPENDITURES

In fiscal year 2006, the Town incurred \$ 12,500 of interest costs on short-term borrowing to finance its water improvement project. The water improvement project is being funded by a grant/loan from the Rural Development Agency (RDA), and interest costs are not an allowable cost of the grant or loan. Additionally, the warrant issued which included this payment was prepared ten days after the payment was made and was only signed by one Selectboard member. No payment of Town funds can legally be made until authorized by a majority of the Board of Selectmen on a Town warrant.

We recommend the Town reclassify the \$12,500 interest payment from Water Improvement Capital Project Fund to the Town's Water Enterprise Fund. Additionally, we recommend no disbursement of Town funds be made until authorized on an approved Town warrant.

Town's Response:

The Town is aware of the situation outlined in the Management Letter. Tighe and Bond Engineering was responsible for the oversight of this project and was monitoring the grant funds. The Town will look in to the recommendations provided.

PRIOR YEAR ISSUES

12. COMPLY WITH RURAL DEVELOPMENT AGENCY (RDA) REGULATIONS (COMPLIANCE FINDING)

The Town is currently undergoing a significant water system improvement project federally funded through the Rural Development Authority (RDA) and administered for the Town by an independent engineering firm. According to Town officials, some of the bids for the project came in lower than anticipated and resulted in funds being available for "re-programming". The funds were re-programmed for the purpose of mapping the Town's water lines and identifying the current users and potential users of water. According to the independent engineering firm and Town officials, the "re-programming" of funds received the approval of the RDA; however, no documentation of this approval could be provided and we were unable to confirm the approval with the funding source. We also were unable to obtain a written project scope amendment from the engineering firm or other documentation to describe the scope of the task to be performed.

The Water Commissioners wanted to use Town employees to complete the mapping project since they would already have access to the necessary documentation as well as familiarity with the Town. According to Town officials, the RDA informed the Town the funds could not be used to pay Town employees. The engineering firm then agreed to hire two Town employees to perform the task and charge them to the project as the firm's employees. According to the engineering firm, the oversight and monitoring of the mapping project remained the responsibility of the Water Commissioners.

A total of 1,578.50 hours were charged to the mapping project. The maps produced by one of the employees cannot currently be located. The maps produced by the second employee were not, in the estimation of the Town, sufficient to justify the 1,279.50 hours the employee charged to the project. As a result, we have questioned the costs (\$ 39,462.50) related to the charges for the mapping project.

We recommend the Town comply with grant regulations by ensuring grant expenditures are allowable and are a reasonable and efficient use of resources.

Town's Response:

The Town will comply with grant regulations by ensuring grant expenditures are allowable and are a reasonable and efficient use of resources.

13. DEVELOP BUDGET PLAN FOR WATER PROJECT DEBT SERVICE

The Town has approximately 200 water users. All Water Enterprise Fund expenditures are distributed among the users based on an annual user charge. In fiscal year 2003, the Town began a major water project to improve its water system and construct a new filtration plant. The anticipated cost of the project is \$ 8,131,060 to be funded through USDA Rural Development Agency grants and loans totaling \$ 3,475,937 and \$ 4,655,123 respectively. The loans are anticipated to be payable over a period of 38 to 43 years. The project is scheduled in 3 phases. As each phase is completed, the loan for the respective phase closes and the annual payments of debt service are initiated. Once all of the loans close, the annual repayments will average approximately \$ 251,000. There are both fixed and variable payment water bonds; therefore, the repayment amount will vary from year to year. In certain years, the payment may be as high as \$ 300,000 annually.

The Town will need to fund the increase in Water Enterprise Fund expenditures through a significant increase in user charges and/or a subsidy from the General Fund. A significant increase in rates may cause a financial hardship for some users and result in an inability to collect the fees assessed. The Town is limited in its ability to subsidize the Water Enterprise Fund because it is currently at its maximum property tax levy capacity and the water debt is not excluded from the levy limit.

We recommend the Town begin to aggressively evaluate all potential options and develop a budget plan to fund the future increased expenditures of the Water Enterprise Fund.

Town's Response:

The Water Commissioners are actively preparing future budgets.

14. IMPROVE CONTROLS OVER COMMITMENTS

During various testing procedures, we noted the following areas of weakness over the commitment process:

- As reported in prior years, the Town usually bills on a semi-annual basis for usage by customers in the prior fiscal year. The water charges committed in fiscal year 2005 were for the period of July 1, 2003 to June 30, 2004. As a result, the Town's Water Enterprise Fund is collecting fees for services provided several months in arrears. This results in diminished cash flows and can negatively impact certification of equity surplus.
- Payments in Lieu of Taxes were not committed to accounts receivable for fiscal year 2005 until June 19, 2005.

- The Town Collector could not locate all original "Certificate of Subsequent Taxes or Certificates of Taxes" to be added to tax title accounts.

We recommend the Town improve controls over commitments by ensuring commitments are processed in a timely manner and all original summary commitment warrants are retained. A copy of the commitment should also be maintained in the originating department's files when the original is submitted for collection.

Town's Response:

The Town will implement policies and procedures that improve control over commitments.

15. COMPLY WITH GRANT TERMS AND CONDITIONS

The Town was awarded a Massachusetts Turnpike Authority (MTA) Tourism Grant in December 2002. The purpose of the grant, according to the "Work Plan Objectives" prepared by the Town, was to replace water mains from the pump house on North Street to the storage tank, installation of new pumps at the pump station, and installation of new hydrants in the vicinity of the MTA rest area on North Street. A review of the expenditures revealed the grant was actually used for the replacement of water lines on Kaolin Road, a residential street located approximately 1.5 miles from the pump house and MTA rest area. The Town contends that a grant amendment had been approved by the MTA; however, no written approval was provided.

The grant conditions also specifically state, "The Authority does not reimburse for staff salaries"; however, four employees were paid salaries from grant proceeds. The grant agreement also requires the submission of separate fiscal and narrative reports on programmatic activity to the MTA. Based on inquiry of the Town, these reports were not submitted.

We recommend the Town comply with all grant terms and conditions and retain documentation of any changes in grant agreement or conditions. Expenditures should be evaluated to ensure they are consistent with allowable grant activities before they are paid. Improvements in these procedures will minimize the risk of disallowed costs that would be subject to recoupment by the funding source.

Town's Response:

The Town will comply with all grant terms and conditions and retain documentation of any changes in grant agreement or conditions.

16. IMPROVE TIMELINESS OF RECEIPT POSTINGS

Receipts are not posted to the Treasurer's receipt subsidiary journal until well after month end. This results in untimely postings to the general ledger which can hinder reconciliation procedures and budget monitoring. It also increases the risk of errors or irregularities occurring and going undetected.

We recommend the Town improve the timeliness of receipt postings by ensuring the Treasurer's receipts are posted to the subsidiary journal within 30 days of month end.

Town's Response:

Given that the town Treasurer is part-time, it is sometimes difficult to have deposits made and posted on a timely basis. However, efforts will be made to improve the timeliness of these activities.

17. PERFORM PERIODIC INVENTORY OF OWNED EQUIPMENT

The Town does not have a listing for, or perform a periodic inventory of, Town owned equipment. This can result in the loss or misappropriation of assets occurring and going undetected.

We recommend the Town develop a list of equipment owned by the Town and perform periodic inventories to ensure that Town assets are appropriately safeguarded.

Town's Response:

While the database infrastructure to establish and maintain an inventory of Town owned property has been established, more work needs to be done to ensure that Departments submit the required list to be imputed into the database. The Town Administrator will work with Departments to gather the required information.

18. INCLUDE OUTSTANDING CHECK NUMBERS IN BANK RECONCILIATION

While the Town Treasurer reconciles the bank statements monthly, we noted that two of the bank account reconciliations do not include the individual check numbers for some of the outstanding checks. This complicates the reconciliation process and can result in errors.

We recommend the Town Treasurer include the check numbers for all outstanding checks on the bank reconciliations. This will help simplify the reconciliation process, provide a clear trail of the status of checks issued, and minimize the risk of errors.

Town's Response:

The Town's current software limits the ability to create an outstanding check list on a monthly basis. Outstanding checks are determined on a regular basis.

19. ESTABLISH MORE AGGRESSIVE TAX COLLECTION POLICY

The Town does not follow an aggressive policy for collecting delinquent taxes. Massachusetts General Laws provide specific timetables for the liening and foreclosing of properties for non-payment. The Town has not been performing these procedures as aggressively as permitted by statute. The Town has delinquent taxes dating back to fiscal year 1989. The existence of old receivables results in the loss of revenue from the increased interest rates of liened properties. Also, the Town risks losing a secured interest in the property in the event the property is sold or the taxpayer files for bankruptcy.

We recommend the Town establish a policy to be more aggressive in pursuing delinquent accounts. This will result in an improved financial condition of the Town.

Town's Response:

The Town will seek to implement more aggressive collection activities.

20. RECONCILE ALLOWANCE FOR ABATEMENTS (OVERLAY)

The Assessors' Office does not maintain an independent balance of the allowance for abatements (overlay) accounts but instead relies on the general ledger. A good internal control system dictates that the Assessors' Office maintain a balance of allowance for abatements and that this balance be periodically reconciled to the general ledger. As a result, there is assurance that all abatements granted are properly recorded in the general ledger and in a timely manner.

We recommend the Assessors' Office maintain a continuous record of all abatements and reconcile the balance of this record with the general ledger on a regular basis.

Town's Response:

The Assessors Office has established a process to maintain a continuous record of all abatements which is reconciled to the general ledger on a regular basis.

21. IMPLEMENT RECONCILIATION PROCEDURES FOR KEY GENERAL LEDGER ACCOUNTS

Our inquiries found that several key general ledger accounts (including accounts receivable, payroll withholding and debt) are not reconciled on a regular (monthly/quarterly) basis.

Reconciliation of general ledger balances to supporting documentation and adjustments of activity and records is integral in ensuring the accuracy of the Town's accounting records.

We recommend the Town establish formal procedures to reconcile these key general ledger accounts on a monthly basis. This will provide additional assurance that accurate information is provided to Town management and will reduce the likelihood that errors or irregularities could occur and go undetected. This will also reduce the effort required to close the books at year end.

Town's Response:

This item was addressed last year and the Town Treasurer has agreed to reconcile on a quarterly basis.

22. IMPROVE INTERNAL CONTROLS IN CERTAIN KEY DEPARTMENTS

A key component of any financial statement audit is the evaluation of internal controls. This evaluation is accomplished through inquiry, observation and testing. In addition to the weaknesses in the collector's office noted in a separate comment, the following weaknesses were noted as a result of our evaluation of controls in the following key Town departments:

Treasurer's Office:

- Certain departments do not remit receipts in a timely or consistent manner.

Town Accountant:

- The Town's general ledger is accessible to the Town Accountant and Treasurer, thereby weakening the separation of duties between the accounting function and the treasury function.

We recommend the Town review, in conjunction with the above-noted deficiencies, the Town's overall internal controls in order to create an environment where the risk to Town assets is acceptably minimized.

Town's Response:

As suggested, tighter controls were implemented and enforced last year. To date, things are functioning well.

23. INCLUDE LIBRARY TRUST FUND ACTIVITY IN TOWN'S GENERAL LEDGER

The Town has traditionally reported balances for various library trust funds in its general ledger as well as including them in the Treasurer's quarterly cash reconciliation reported to the State. The balances are recorded based on information provided at year end by the library Board of Trustees. Balances are adjusted from year to year through general entries as no activity is recorded in the Town's general ledger. In fiscal years 2002 through 2006, the balances were not updated, resulting in erroneous general ledger and Treasurer cash balances.

Because the Town is assuming a fiduciary duty over the library Trust Funds, we recommend the activity and resulting balances for the library Trust Funds be recorded in the Town's general ledger. This activity can be recorded on a periodic basis based on supportable information provided by the library Board of Trustees. Implementation of this recommendation will provide assurance that the balances reported by the Town for the library Trust Funds are accurate and supportable, and that sufficiently detailed activity is recorded in the Town's general ledger.

Town's Response:

The Town will ensure that trust fund balances are properly recorded on a periodic basis to ensure greater accuracy.

24. ESTABLISH TRAVEL-RELATED ADMINISTRATIVE REGULATIONS

The Town does not maintain formalized regulations to provide departments with documented guidance over travel-related administrative policies and procedures. As a result, inconsistencies may exist between departments with respect to such issues as:

- Prior approval of travel and conference attendance
- Travel and expense reimbursement limits
- Approval of travel and expense reimbursement
- Establish standard rate of mileage reimbursement

We recommend the Town develop formal regulations to provide current guidance over travel-related administrative policies and procedures. This should result in improved Town-wide consistency over travel-related expenditures.

Town's Response:

The Town will include policies regarding travel-related activities in the updated personnel policies and procedures manual.

* * *

All other prior year issues have been satisfactorily resolved or repeated as current year issues.