

TOWN OF SANDISFIELD, MASSACHUSETTS

**Independent Accountant's Report on
Applying Agreed-Upon Procedures**

TOWN OF SANDISFIELD, MASSACHUSETTS

Independent Accountant’s Report on Applying Agreed-Upon Procedures

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Selectmen
Town of Sandisfield, Massachusetts

We have performed the procedures detailed in the accompanying Schedule of Procedures and Findings, which were agreed to by the Board of Selectmen of the Town of Sandisfield, Massachusetts, solely to assist you with respect to Tax Collector accounts receivable and Treasurer's cash and investment reconciliation procedures of the Town of Sandisfield, Massachusetts. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the accompanying schedule of procedures and findings, either for the purpose for which this report has been requested or for any other purpose.

Our agreed-upon procedures and related findings are presented in the accompanying schedule to this report.

We were not engaged to, and did not conduct an audit, the objective of which would be to express an opinion on the specified elements, accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

We are presenting for your consideration our recommendations regarding Tax Collector accounts receivable and Treasurer's cash and investment reconciliation procedures for the Town of Sandisfield, Massachusetts. The recommendations were developed during the course of our performing agreed-upon procedures.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

May 28, 2021

TOWN OF SANDISFIELD, MASSACHUSETTS

Schedule of Agreed-Upon Procedures and Related Findings

Cash and Investment Reconciliation Procedures

The agreed-upon procedures performed with regards to the Town's cash and investment reconciliations were as follows:

1. We gained an understanding of the cash and investment reconciliation policies and procedures used by the Town Treasurer and Town Accountant.
2. We reviewed the Treasurer's individual bank account reconciliations for completeness and reliability. We inspected the accuracy of the overall cash and investment reconciliation between the Treasurer and Town Accountant at June 30, 2020.

Procedures Used:

1. We reviewed the policies and procedures used by the Treasurer's' and Town Accountant's office to reconcile cash and investments.
2. We obtained all individual bank account reconciliations and related reconciling items from the Treasurer. We traced the reconciling items to proper supporting documentation at June 30, 2020.
3. We obtained and reviewed the Treasurer's and Town Accountant's supporting documentation of the total reconciliation between the Treasurer's cash and investment balances and those reported in the Town Accountant's General Ledger at June 30, 2020.
4. We analyzed the Treasurer's bank statement activity for June 2020 and compared to the Town Accountant's general ledger activity for June 2020.

Findings and Recommendations:

The Treasurer's office and Accountant's office is responsible to complete timely reconciliations of activity and balances of the cash and investments. We cannot emphasize enough the importance of the timely and accurate reconciliations of cash and investments in order to have an effective system of internal controls.

Internal control procedures should be designed in a manner that ensures all activity is recorded in the cashbook prepared by the Treasurer as the transactions occur. At the same time as the activity is being posted to the cashbook a corresponding posting would be made to the general ledger maintained by the Accountant's office. The cashbook balance and the general ledger cash balance must match at all times. At the end of each month the Treasurer would complete a reconciliation between the cashbook and

bank statements. The Treasurer and Accountant would then reconcile the cashbook and the general ledger shortly thereafter.

The absence of having timely and proper cash and investments reconciliations between the Treasurer's records and the Town Accountant's general ledger significantly increases the risk that misstatement due to error or fraud may occur and not be detected, prohibits the safeguarding of assets and does not provide for accurate a timely financial reporting

Our procedures found the following:

1. The Treasurer's cash and investments were not reconciled to the Town Accountant's General Ledger at June 30, 2020. We further noted that monthly reconciliations between the Treasurer and Accountant were not performed effectively for fiscal year 2020. The variance at June 30, 2020 is \$7,712.52 as detailed in the Schedule of Treasurer's Cash and Investments included in this report.
2. We could not locate a detailed outstanding check list that agreed to the amount used on the individual bank statement reconciliation for June 2020 and July 2020. We did locate detailed outstanding lists for August 2020 and we were able to utilize that list to compute a detail listing for June 30, 2020 amount. Furthermore, check registers were inconsistently filed with the warrant detail.
3. The Individual bank reconciliation for the payroll bank account utilized a reconciling item of \$4,655 that did not have proper supporting documentation. Upon inquiry it was communicated to us this amount was the variance identified at end of June 30, 2018. We could not verify that exact amount to the June 30, 2018 reconciliation. In addition the vendor bank account had an unsupported variance of \$17.36.
4. We identified a deposit (\$764) in July 2020 that should have been a reconciling item on the June 2020 vendor bank statement. When reviewing the individual bank statement reconciliation for the vendor account for June 2020 the amount was not used as a reconciling item.
5. We identified proper bank transfers were not being completed for the various special accounts that earn interest (i.e. stabilization funds, arts lottery, etc). Actual cash transfers are necessary between funds, for such items as Town meeting votes or actual expenditures that are paid out of the general cash but not paid out of the specific bank account. By not transferring funds, this can cause accounting problems and also results in the specific funds not receiving the correct amount of interest.
6. We were able to reconcile the June 2020 bank activity per the Treasurer's records to the Town Accountant's June 2020 general ledger activity.

We recommend that following:

1. Procedures should be implemented to reconcile that Treasurer's cash and investments to the Town accountant's general ledger on a monthly basis. The variance from June 30, 2020 should be maintained at the same amount as part of these reconciliations. Once the variance is maintained at a consistent amount it should be adjusted on the general ledger. Furthermore, any unsupported reconciling items being utilized as part of the individual bank statement reconciliations should be adjusted (i.e. payroll bank account \$4,655 and vendor account \$17)).
2. The Treasurer should be more consistent and organized with documents that are to be retained. For instance, check registers should be filed with the warrant and all reconciling items (i.e. o/s check) should be properly documented and filed with individual bank statement reconciliations.
3. The Treasurer currently maintains a cashbook; however it's being maintained in two parts. One part is for general fund bank accounts and one part for trust funds. We would recommend merging them and maintain one spreadsheet.

TOWN OF SANDISFIELD, MASSACHUSETTS

Schedule of Agreed-Upon Procedures and Related Findings

Tax Collector Accounts Receivable Reconciliation Procedures

The agreed-upon procedures performed with regards to the Town's accounts receivable reconciliations were as follows:

1. We gained an understanding of the accounts receivable reconciliation policies and procedures used by the Tax Collector and Town Accountant.
2. We reviewed the accounts receivable subsidiary ledgers maintained by the Tax Collector and compared the outstanding balances to the Town Accountant's General Ledger control accounts at June 30, 2020.

Procedures Used:

1. We reviewed the policies and procedures used by the Tax Collector to reconcile the detail listing of outstanding receivables to the control totals in the Town Accountant's General Ledger.
2. We obtained the Tax Collector's accounts receivable subsidiary ledgers for the Fiscal Year 2020 (July 1, 2010 to June 30, 2020) and compared the detailed activity to the Town Accountant's General Ledger for each respective levy and commitment. Any variances were traced to relevant supporting documentation. Further adjustments noted from the agreed-upon procedures performed will be formally proposed to the Tax Collector and Town Accountant.
3. We reviewed and tested several Tax Collectors receipt batches.

Findings and Recommendations:

1. **Accounts Receivable Reconciliations**

One of the most important control procedures in a government is to have timely and proper reconciliation of the tax accounts receivable subsidiary records and the Town's general ledger. We found that the Town did not have effective procedures in place to reconcile the general ledger to account receivable records. During fieldwork we found items that affected the tax accounts receivable and have proposed adjustments to the general ledger, for instance:

- We identified several abatement and commitments that were not posted to the Town Accountant's general ledger.

- We identified a number of refunds that were posted to the Tax Collector's system but were never issued.
- We identified tax title takings that were not posted to the Town Accountant's general ledger.

Furthermore we noted variances still exist between the general ledger and the Tax Collector records at June 30, 2020 after the proposed adjustments that we identified.

We recommend that procedures should be improved to be more effective in reconciling the Tax Collector's accounts receivable subsidiary records to the Town Accountant's general ledger. All variances should be investigated and resolved in a timely manner. To further strengthen this control the Town should document this process by having the two department heads sign off.

2. Tax Collector Batches

During our fieldwork we found two batches that were posted to the Tax Collector's subsidiary ledger that did not reconcile to a corresponding bank deposit.

- Batch no. 51420 for \$854.42 posted to Tax Collector's system and could not locate a bank deposit to support amount posted.
- We could not reconcile Batch no. 58120 posted to Tax Collector's system to a corresponding bank deposit. The Tax Collector provided us with documentation to help us identify the variance. The documentation provided showed a time frame between the receipt and actual deposit was in excess of 30 days. Furthermore, the documentation showed a variance of \$978.88.

The Tax Collector does not have effective procedures in place to reconcile tax payer's payments received and posted to subsidiary ledgers to corresponding bank deposits. We recommend that procedures be implemented to reconcile payments received and posted to Tax Collector's subsidiary ledgers to bank deposits.

Furthermore, we recommend Town officials review the two identified batches above and resolve the variances. Perhaps the tax payers that are part of the batches may need to be contacted to verify payment amounts.

3. Tax Collector Bank Account

During our fieldwork we identified a bank account that is being utilized by the Tax Collector for tax payer's cash payments and deputy tax collector payments received. This bank account is not part of the overall cash reconciliation process and not accounted for on the Town Accountant's general ledger. We strongly recommend that this bank account be reported on the Treasurer's cash book and Town Accountant's general ledger and be included as part of the overall cash reconciliation process.

4. Tax Title Accounts and Delinquent Real Estate Accounts

During our audit we noted that a tax title receivable subsidiary ledger was not properly maintained and reconciled to the General Ledger on a periodic basis. We further noted that end of year documentation filed with Department of Revenue for free cash certification was incorrect with regard to tax title. It was filled out showing no variance between the general ledger and the detailed outstanding list. Furthermore, there are real estate accounts that date back to 2013 and no tax title takings have been completed. An accurate tax title receivable balance and tax title takings are critical to protecting the Town's interest as the Town pursues the collection or possession of these receivable accounts. An accurate accounting of the detail tax title accounts is also necessary to facilitate an effective reconciliation process with the Town Accountant.

We recommend that a detail subsidiary ledger be maintained for the tax title accounts and procedures be implemented to reconcile it to the general ledger on a periodic basis. Also, we recommend that tax title taking be done for the older outstanding accounts.

5. Indication on Tax Receipt Stub

We noted that the tax receipt stubs for the day's work were not stamped consistently with the date paid, indicating whether payment was made with cash or check and indicating who took the payment. Because of the higher risk of currency (cash) transactions it is important that a trail exists from time of collection to bank deposit. Therefore all tax receipt stubs should indicate whether payment is cash or check, date paid and who received.

6. Deputy Collector

The Town currently utilizes a Deputy Collector to collect unpaid motor vehicle excise taxes. We noted that there is no procedure currently in place to reconcile the Tax Collector's outstanding detail accounts to the Deputy Collector's detail outstanding accounts. This procedure should be implemented to safeguard the Town's asset collected by a third party.

**Town of Sandisfield, Massachusetts
Schedule of Treasurer's Cash and Investments
as of June 30, 2020**

Composition of Treasurer's Cash and Investments:

<u>Cash :</u>	<u>Bank</u>	<u>Purpose/Type</u>	<u>Balance</u>
Lee Bank		Cem. P.C. Deming	\$ 1,499.66
Lee Bank		Cem. P.C. Leonard	1,672.85
Lee Bank		Cem. P.C.	1,684.28
Lee Bank		Cem. New Boston East	415.44
Lee Bank		Cem. P.C. Webster	374.99
Lee Bank		Cem. P.C. Helm W	1,484.99
Lee Bank		Public Library	649.06
Lee Bank		Stabilization Funds	58,153.10
Lee Bank		General	173,342.61
Lee Bank		Stabilization CD	92,318.53
Lee Bank		Stabilization CD	180,813.71
Lee Bank		Cultural Council Gift	1,420.40
Unibank		Vendor	1,483,681.35
Unibank		Payroll	24,756.78
Unibank		Online	56,535.91
Unibank		General	84,066.00
Unibank		Comm of Mass Deposits	157,625.52
Adams Community Bank		Stabilization Funds	310,047.35
Adams Community Bank		Stabilization Funds	<u>584,778.27</u>
			\$ 3,215,320.80
 <u>Investments :</u>			
		Massachusetts Municipal Depository Trust	<u>65,609.03</u>
			65,609.03
		Total	<u><u>\$ 3,280,929.83</u></u>

Composition of Cash and Investments on General Ledger:

	<u>Fund</u>	<u>Balance</u>
General Fund		\$ 1,968,111.97
Trust Funds		<u>1,305,105.34</u>
	Total	<u><u>\$ 3,273,217.31</u></u>
		Variance \$ 7,712.52

Town of Sandisfield, Massachusetts
Schedule of Tax Collector Accounts Receivable
July 1, 2019 to June 30, 2020

	Uncollected Taxes Per Town Accountant's General ledger June 30, 2020	Proposed Adjustments Identified	Uncollected Taxes Per Town Accountant's General ledger June 30, 2020	Uncollected Taxes Per Tax Collector's Detail June 30, 2020	Variance
Real Estate Taxes:					
Levy of 2020	\$ 181,794	\$ -	\$ 181,794	\$ 181,794	\$ -
Levy of 2019	69,113	-	69,113	69,114	(1)
Levy of 2018	43,255	-	43,255	44,989	(1,734)
Levy of 2017	23,809	(11,999)	11,810	19,781	(7,971)
Levy of 2016	64,318	(43,819)	20,499	17,819	2,680
Prior Years	40,453	(37,654)	2,799	6,956	(4,157)
	<u>422,742</u>	<u>(93,472)</u>	<u>329,270</u>	<u>340,453</u>	<u>(11,183)</u>
Personal Property Taxes:					
Levy of 2020	344	-	344	344	-
Levy of 2019	2,692	-	2,692	2,692	-
Levy of 2018	5,236	-	5,236	5,106	130
Levy of 2017	4,804	-	4,804	4,587	217
Levy of 2016	4,072	-	4,072	4,204	(132)
Prior Years	330	-	330	426	(96)
	<u>17,478</u>	<u>-</u>	<u>17,478</u>	<u>17,359</u>	<u>119</u>
Tax Title	<u>27,799</u>	<u>106,606</u>	<u>134,405</u>	<u>-</u>	<u>134,405</u>
Motor Vehicle Excise Taxes:					
Levy of 2020	17,527	-	17,527	17,527	-
Levy of 2019	4,210	(149)	4,061	4,058	3
Levy of 2018	1,289	-	1,289	1,294	(5)
Levy of 2017	15,964	(14,080)	1,884	1,810	74
Levy of 2016	(20)	1,012	992	992	-
Prior Years	4,757	387	5,144	4,843	301
	<u>43,727</u>	<u>(12,830)</u>	<u>30,897</u>	<u>30,524</u>	<u>373</u>