

TOWN OF HANOVER, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2019

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Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

To the Board of Selectmen
Town of Hanover, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Hanover, Massachusetts, as of and for the year ended June 30, 2019, 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 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.

Melanson Heath

April 21, 2020

PRIOR YEAR RECOMMENDATIONS:

1. Improve Timeliness of Bank Reconciliations

Prior Year Issue:

In the prior year, we noted some improvements in the timeliness of bank reconciliations, however, the reconciliations still contained old reconciling items that were not corrected in a timely manner. We recommended that any reconciling items be addressed in a timely manner.

Current Year Status:

During fiscal year 2019, all old outstanding reconciling items were addressed. **We consider this issue resolved.**

2. Establish Accounting and Administrative Policies and Procedures

Prior Year Issue:

In the prior year, we noted that the Town did not maintain formalized policies and procedures for certain administrative and accounting areas, such as the use of cellular phones.

We recommended the Town develop formal policies and procedures to provide departments with documented guidance over these administrative and accounting areas. This would result in Town-wide consistency, fewer internal conflicts, and minimize the risk of future irregularities or abuses occurring.

Current Year Status:

This policy was adopted at the beginning of fiscal year 2020. **This issue is resolved.**

INFORMATIONAL:

3. Prepare for GASB Statements 84 and 87

GASB Statements 84 and 87 will apply to the Town in fiscal years 2021 and 2022 respectively. Statement 84 addresses fiduciary activities and may require change in how the Town accounts and reports these activities. Currently, certain fiduciary funds have no measurement focus and are simply assets offset by corresponding liabilities. The changes establish a measurement focus on these activities and may require change in how the Town accounts and reports these activities. Specifically, revenue and expenditure accounts may need to be added to the Town's general ledger in order to maintain the

newly required measurement focus. Statement 87 addresses leases and significantly changes the accounting standards for leases and will now require various operating leases to be reported on the Town's balance sheets.

We recommend that the Finance Department prepare for these accounting changes by ensuring all other Departments are aware of the pending changes. An implementation guide for Statement 84 is scheduled to be published soon and should provide guidance including possible revisions to the Town's chart of accounts.