



Batchelder Associates, PC

INDEPENDENT AUDITOR'S COMMUNICATION OF MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES

To the Members of the Board of Selectmen
Town of Wilton
Wilton, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Wilton, NH as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Wilton's internal control over financial reporting as a basis for designing audit procedures that are appropriate in circumstances 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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 correct, on a timely basis. We consider the following deficiencies in the Town of Wilton's internal control to be material weaknesses:

General Ledger Maintenance

During the current audit and as communicated in the prior year audit, it was noted that most journal entries were not authorized, and some did not have supporting documentation. Nonrecurring journal entries should require individual authorization by management. Journal entries should always be supported by appropriate documentation, where possible. Appropriate documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

There are three Town funds which are not recorded in the general ledger system (i.e., conservation commission, impact fees, and heritage commission). The tracking and recordkeeping of these funds is inconsistent with the Town's internal controls. All of the Town's funds should be tracked in the general ledger and processed through the same procedures as the general fund in order to provide accurate reporting and consistency. We recommend that the Town consider adding these other funds to the general ledger as their own unique funds. Once included, activity in those funds should be recorded and processed as is the general fund.

In addition, the Water and Sewer funds are maintained separately from the Town records, have their own system of internal control and do not reflect prior year audit adjustments and are not reconciled with the Town intercompany transactions. This creates inaccurate reporting in the general fund as well as in the Water and Sewer funds.

Management's Response:

Since July 2022, the town has implemented a new, non-recurring journal entry approval process that incorporates the Town Administrator and Bookkeeper. Upon discovery of journal entry changes needed, the Bookkeeper tracks the required journal entry change(s), accumulates backup information, and submits this material as part of a packet for each individual change for review and approval by the Town Administrator. Approved changes are then logged and the backup, including signature sheet, is now formally filed. Similarly, since Summer 2022, certain funds described above (Impact fees, Conservation, Heritage) have been created within BMSI and will be recorded there going forward. Sewer and Water Commission funds are handled and recorded by

Town of Wilton
Independent Auditor's Communication of Material Weaknesses and Significant Deficiencies
Page 2

another Bookkeeper (CPA) currently and will remain that way until further review by the Town: Audit adjustments as recommended by prior auditor are reflected in Water and Sewer records. Any audit adjustments passed on to the Water and Sewer Bookkeeper will be implemented appropriately.

Ambulance Fund

It was noted that the Ambulance fund had a deficit fund balance of \$106,582 at December 31, 2021 relating to operating results. This deficit will need to be funded by the general fund or other method if not properly addressed by changes to the fund's operations. We strongly suggest that the Town monitor this fund and evaluate future plans and budgets to avoid continuing to add to the deficit fund balance. During 2021, the fund did have a surplus of \$23,204, reducing the prior year fund balance deficit.

Management's Response:

Wilton Ambulance Service is managed and provided by the Town of Wilton to itself, the Town of Lyndeborough, the Town of Greenfield, and formerly the Town of Temple, through intermunicipal agreements. At the 2017 Annual Town Meeting, a series of Warrant Articles created an Ambulance Revolving Fund and established the development of a beginning balance by liquidating and transferring preexisting Wilton Ambulance Capital Reserve Funds. Since that time, the Wilton Ambulance Service's operational budget and capital expenses are paid entirely through the Ambulance Revolving Fund according to formulas established by the intermunicipal agreements.

Management will consult its auditor and its contract CPA on a forensic basis to establish the validity of the described deficit, and to determine how Ambulance Revolving Fund deficits and surpluses should be managed going forward.

General ledger / Cash Reconciliations

During the current audit and as communicated in the prior year audit, we noted that the Town did not perform periodic reconciliations on various major accounts (i.e., accounts receivable, accounts payable, interfund receivables and payables). It is important to reconcile subsidiary ledgers or supporting schedules to the general ledger to ensure the accuracy of financial information and minimize the risk of misstatement or misappropriation. We strongly recommend that a policy be implemented, whereby all subsidiary ledgers and/or supporting schedules are reconciled to the general ledger on a monthly basis. We also recommend that appropriate management-level personnel review the reconciliations for accuracy and then document evidence of their review for audit purposes.

Reconciliations of interfund activity should be performed on a monthly basis. This will help to ensure that activity is being reimbursed timely and will also help to reduce the chance of duplicate activity occurring. Untimely reconciliations could lead to inaccurate requests, or duplicate requests occurring. Activity may also not be posted to the proper accounting period. This could also cause financial reports (such as budget to actual expenditures) for the water and sewer funds to be misleading or inaccurate as they do not correctly reflect costs initially paid by the general fund. We recommend that interfund activity be reconciled monthly and that interfund reimbursements be made on a monthly basis.

Management's Response:

There is now a plan in place to perform monthly reconciliations. These reconciliations will be performed by the town's Bookkeeper in consultation with management and will be reviewed by a contract CPA. While at present Sewer and Water Funds are being managed separately by a second CPA Bookkeeper, the town will consult its contract CPA on future treatment of those funds.

A significant deficiency is a deficiency, or a 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. We consider the following deficiency in internal control to be significant deficiencies:

Cash Receipts/Disbursements

There is a lack of segregation of duties over the processing of cash receipts when the Administrative Assistant is absent, as the Town Clerk's office disburses mail and processes all deposits. The Town does not utilize purchase orders and there is a lack of evidence that the Town is following their purchasing procedures. Many contracts and bids are lacking backup documentation. We recommend that the

Town designate a different department to receive and disburse mail when the Administrative Assistant is absent, in order to alleviate the segregation of duties conflict. We further recommend that the Town ensure its established purchasing policy be followed and all supporting documentation for contracts, bids and other documents be maintained at the Town Hall.

Management's Response:

Management previously had partially complied with the recommendations of previous audits in this category, and will work towards better adherence going forward. A specific hierarchy for mail collection and disbursement will be adhered to, that includes redundancy to adhere to the recommended segregation of duties. Similarly, since November 2021, the town has begun following its previously adopted purchasing policies more closely, but the filing of purchase orders and appropriate support information to document adherence has been inconsistent – often done in separate files or locations. Going forward, the Town will file all invoices or expenditures with their enabling purchase orders. Support documentation, such as contracts, bidding documents, or proof of Select Board override votes, will be filled centrally in one place, and copies will be retained with the relevant invoices whenever feasible. Management will also review existing purchasing policies and work on better training all relevant staff members on adherence.

Tax Collections & Warrants

The property tax receivables per the Tax Collector should be reconciled to the general ledger on a monthly basis. When the general ledger does not maintain an accurate record of tax receivables, management of the Town may be using inaccurate information in their decision making. This also causes a lack of appropriate monitoring of the receivable balances. We recommend that the Finance Office reconcile with the Tax Collector's receivable balances to the general ledger on a monthly basis.

In addition to lack of reconciliations, warrants were not posted to general ledger correctly, creating significant audit adjustments to reconcile to actual balances. Financial statements presented during interim periods were misleading and inaccurate.

Management's Response:

This is being addressed with the town's new reconciliation and approval process put in place since the summer. Backup review will be provided by the town's new contract CPA position.

Recycling Center

Review of the Town's recycling center identified the following conditions:

Deposits are only being made once a week. There are no procedures in place on the sale of scrap metal. The scrap metal is taken from the recycling center without a slip on what was taken so there is no way to determine if everything that was taken has been paid to the Town.

Controls should be in place so that timely deposits are being made. In addition, there should be procedures in place to track the sale of scrap metal. Finally, there should be a monthly reconciliation of the recycling center revenue to the general ledger to avoid potential misstatement of funds. These processes can cause potential loss of funds. In addition, there could be a misstatement of revenue which could go undetected.

We recommend that deposits be made more frequently. Finally, procedures should be established and followed over the sale of scrap metal. When the vendor takes scrap metal from the Recycling Center a slip should be given to the Recycling Center Manager for what was taken and then a copy should be given to the Finance Officer so that when payment is received from the vendor it can be matched up to the slip and checked to make sure they have been properly reimbursed. If payment is not received, then the Town can go after payment on these slips for which payment has not been received.

Management's Response:

At this time, staffing and operations at the Recycling center make guaranteeing depositing more than once a week difficult or even impossible. Management will work with department staff on possible solutions or mitigating practices alongside best practices recommendations from the town's contract CPA and auditors. The sale of scrap metal process will be reviewed with department staff to

Town of Wilton
Independent Auditor's Communication of Material Weaknesses and Significant Deficiencies
Page 4

adjust the practice in line with the auditor's recommendations.

The Town of Wilton's response to the findings identified in our audit are described above and the Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them. This communication is intended solely for the information and use of management, Board of Selectmen, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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