

**BOARD OF SELECTMEN
MINUTES
AUGUST 27, 2012
Slade Building**

Members present: Michael Stauder, Chairman
Christopher Norcross, Clerk

Member not present: Matthew Castriotta, Vice Chairman

Staff present: Brian Bullock, Town Administrator; Elaine Peterson, Town Secretary; Karen Chick, Accountant

Others present: Walter Ducharme, Tom Howlett, Tanya Campbell, Patrice Squillante, Charles Johnson, Cynthia Johnson, William Johnson, Janice Forsyth, Ken Dobie

Meeting commenced at 6:31 pm

Audit for Fiscal Year Ending June 30, 2011

The Board met with Melanson and Heath (Certified Public Accountants) representatives Tanya Campbell and Patrice Squillante regarding the audit for fiscal year ending June 30, 2011. Ms. Squillante reviewed the audit procedure, the management letter and the financial statement. Ms. Squillante stated that auditors work within general auditing standards but in Melanson and Heath's case they go above and beyond the standards. She reported they evaluate Hubbardston's internal auditing controls over financial reporting as a basis for designing their auditing procedures for not the purpose of expressing an opinion on the effectiveness of the Town's internal control.

Ms. Campbell reviewed the current year issues in the management letter. The Town's responses to their comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly they express no opinion on them.

- **Improve Procedures Over Ambulance Receivables**
- **Improve Controls over Pay Rate Documentation**
- **Improve Record Keeping in the Assessors.**
- **Maintain Trust Funds at Market Level**
- **Improve Timeliness of Trust Fund Cash Transfers**
- **Utilize a Tailings Account**

Prior Year Issues

- **Improve Procedures over Community Preservation Fund Activity**
- **Consider Documenting Components of Internal Control**

Note: The management letter with the Town's responses is available at the end of these minutes.

Mr. Bullock pointed out this is a much improved and shorter document than previous years. The Board and Mr. Bullock thanked Ms. Campbell and Ms. Squillante for coming in this evening.

*Board of Selectmen
August 27, 2012*

They exited the meeting. Ms. Chick reported Melanson & Heath have offered to assist her with the CPA documentation for around \$3,000.00. She added CPC Member Dennis O'Donnell has offered to work with Ms. Chick on the accounting from the beginning of the program. Ms. Chick pointed out that Financial Clerk Deb Chamberlain has overseen invoice documentation and for the first time this issue has not been mentioned in the management letter. Ms. Chick wanted to acknowledge Ms. Chamberlain's attention to this and preparation of the warrant. The board thanked Ms. Chick for coming in. Ms. Chick exited the meeting.

Contract Addendum

Mr. Bullock presented a provision that had inadvertently been omitted from the FY' 13-15 Collective Bargaining Agreement between the Town of Hubbardston and the New England Benevolent Association, Inc. Local 092. The provision states that retired officers are eligible for Detail assignments under the following conditions: the Chief of Police shall be the sole arbiter of the fitness of a retired officer to perform Detail assignments. He may require testing and/or medical and other clearances before the retired officer is cleared for Detail duty. The expense shall be the responsibility of the retired officer. The retired officer shall be responsible for all costs of uniforms and equipment required to perform Detail assignments. This was previously approved at another Board meeting. The Board signed the agreement.

The Board reviewed correspondence.

Warrant# 5

Motion: C. Norcross

To approve Warrant # 5 in the amount of \$789, 594.84

2nd: M. Stauder

Vote: All in Favor

Pole Petition Hearing for Simond Hill Road

Mr. Stauder read the pole petition hearing notice.

“To all interested parties-In conformity with the requirements of Section 22 of Chapter 166 of the General Laws (Ter. Ed.), you are hereby notified that a public hearing will be held at the Office of the Board of Selectmen, 7A Main Street (Slade Building) of the Town of Hubbardston, Massachusetts on **Monday, August 27, 2012 7:15 PM**, upon petition of **National Grid** for permission to erect or construct, and a location for, a line of wires, poles and such other fixtures as may be necessary to sustain or protect the wires of the line, for the transmission of electricity, upon, along, across, or under the following public ways of said Town: **Simond Hill Road**
Installation of a new SO Pole beginning at a point approximately 1935 feet NW of the centerline of the intersection of Simond Hill Road and Ed Clark Road”

National Grid representative Ken Dobie explained the need for a support pole for the existing pole directly across the street to keep the line straight along the road. After some clarification with abutters, no further questions were asked.

Mr. Bullock requested Mr. Dobie inform private contractors working for National Grid tree removal about a tree was only partially removed at the corner of Kruse Road and Williamsville Road leaving a butt in the air. Mr. Bullock requested in the future that the entire tree be removed Rather than leave a 15 foot high stump.

Motion: C. Norcross

To approve the installation and placement of the pole on Simond Hill Road

2nd: M. Stauder

Vote: All in Favor

Charles Johnson, Cynthia Johnson, William Johnson, Janice Forsyth, and Ken Dobie exited the meeting.

Demolition Permit Application

Mr. Norcross reported a signature on the demolition permit for the structure located at 36 Iroquois Road was required from the Chairman in order to remove the derelict building as the Town now has a lien on the property.

Motion: C. Norcross

2nd: M. Stauder

To authorize the Chairman to sign the demolition permit for 36 Iroquois Ave

Vote: All in Favor

The Board reviewed the background information for the proposed transfers scheduled at Special Town Meeting on August 29th with Mr. Bullock.

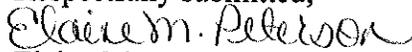
Motion: C. Norcross

2nd: M. Stauder

To adjourn the meeting at 7:39 PM

Vote: All in Favor

Respectfully submitted,



Elaine M. Peterson

Town Secretary

Approved: September 24, 2012.

TOWN OF HUBBARDSTON, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2011

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To the Board of Selectmen
Town of Hubbardston, Massachusetts

In planning and performing our audit of the financial statements of the Town of Hubbardston, Massachusetts as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Hubbardston's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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 deficiencies, significant deficiencies, or material weaknesses. In addition, because of the inherent limitation in internal control, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 Town's written responses to our comments and suggestions have not been 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 Town, and is not intended to be and should not be used by anyone other than these specified parties.

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

Melanson Heath + Company P.C.

Greenfield, Massachusetts
June 26, 2012

CURRENT YEAR ISSUES:

1. IMPROVE PROCEDURES OVER AMBULANCE RECEIVABLES

The Town contracts with an outside company to bill and collect for ambulance services provided by the Town's Fire Department. The outside company also maintains the database and reports amounts billed, collected and owed to the Town. All payments for ambulance services are received by the billing company who periodically (approximately every two weeks) wires the funds collected directly into a Town bank account. The Town Accountant records receipts based on a monthly report of turnovers from the Treasurer while accounts receivable activity is based on a monthly schedule provided by the outside billing company.

To enhance internal controls, we recommend the Town Accountant (monthly) compare turnovers provided by the Treasurer to billing company reports to ensure that receipts were remitted and posted timely and intact. This will allow a reconciliation between actual amounts received and the outside billing company's monthly report.

In addition, as of June 30, 2011, approximately \$ 118,000 of the total receivable balance of \$ 149,000 was over 120 days old. Upon inquiry, we found there are no formal procedures for recognizing an ambulance receivable account as uncollectible and the subsequent "write off" of the delinquent account.

We also recommend the Town formalize a policy for abating uncollectible ambulance receivables. This may be accomplished by requiring the outside billing company and the Town Administrator to provide a list of uncollectible accounts to the Board of Selectmen with a recommendation to abate. The Selectmen could then formally abate the receivables by a vote of the Board.

Implementation of these recommendations will improve internal controls as applied to ambulance service receipts as well as ensure the accuracy of revenue and collectability of accounts receivable reported in the Town's general ledger.

Town's Response:

The Town Accountant will monthly review the turnovers from the Treasurer and compare them for accuracy and timeliness against the report developed by the outside billing company, Comstar. Furthermore the Accountant will record deposits and adjust the receivable based on actuals and not from the Comstar report.

The Fire Chief will review what other towns have for policies for ambulance write-offs and form a policy for the Town Accountant and Board of Selectmen to review. This is targeted to be presented in early July 2012.

2. IMPROVE CONTROLS OVER PAY RATE DOCUMENTATION

In our testing of twenty-five payroll transactions, we noted two instances where the pay rate for the wiring inspector fees and site visits could not be appropriately supported. This increases the risk of inappropriate salaries and wages being paid.

We recommend the Town review the fees paid for services performed to ensure they are properly authorized. We further recommend that procedures be established to maintain up-to-date documentation of all pay rates in employee files. This will help ensure that proper wages are paid for all employees.

Town's Response:

The Town Accountant will send notification to all boards and committees that they will need to submit for wage authorization for all employees, and fee based individuals for the Board of Selectmen authorization. This will put all services on the same pay grid.

3. OTHER ISSUES

The following section of the management letter identifies several other recommendations for improvements which are reported in a summarized manner. We will be available to discuss these with Town management and the Board of Selectmen in more detail to assure that there is a clear understanding of the issues and recommendations.

Improve recordkeeping in the Assessor's office

During our audit, the Assessor's office was unable to locate all the excise tax abatements issued during the fiscal year.

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 and locatable.

Town's Response:

There was a transition in office personnel during the latter part of Fiscal Year 2011, and was the cause for the inability to locate prior documents. Going forward, all filings are clearly labeled and in one central location so that any future turnover in office staff will go smoothly.

Maintain trust funds at market value

The Town presently reports trust fund investments on a cost basis. Generally accepted accounting principles (GAAP) require governmental entities to report investments at fair market value.

We recommend the Town begin to report trust fund investments at fair market value. Implementation of this recommendation will help ensure compliance with GAAP.

Town's Response:

The Treasurer and Town Accountant will make a journal entry at the close of the fiscal year to adjust the trust funds to market value. Going forward (the next fiscal year) we will maintain balances with Market Value.

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 balances.

This resulted from an approved transfer from the Town's trust funds 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 \$ 190,000.

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 between the Treasurer and the Town's general ledger.

Town's Response:

The Town Treasurer will start to make the transfers in a timely fashion.

Utilize a tailings account

The outstanding check lists for the Town's checking accounts include outdated (stale) checks totaling \$ 21,388 which are over a year old, with some dating back as far as 2000. Including these stale checks in each month's bank reconciliation increases the time required to perform the

reconciliation. In addition, inclusion of these checks reduces the Town's available cash balance.

We recommend the Town establish a tailings account and add these stale checks (outstanding more than one year) to the account. In addition, we recommend that procedures be implemented to clear these old outstanding checks as required by MGL Chapter 200A.

Town's Response:

The Town will establish a tailings account and follow the procedures outlined in MGL Chapter 200A Subsection 9A to handle the unclaimed vendor account checks older than one year.

PRIOR YEAR ISSUES:

4. IMPROVE PROCEDURES OVER COMMUNITY PRESERVATION FUND ACTIVITY

The Community Preservation Act is Massachusetts legislation designed to enable cities and towns to exercise control over local planning decisions. The Act provides for funding sources in the areas of (1) acquisition and preservation of open space, (2) creation and support of affordable housing, and (3) acquisition and preservation of historic buildings and landscapes. The Act requires that amounts allocated for these uses be accounted for in a designated fund.

Community Preservation fund activity is required to be recorded in accordance with generally accepted accounting principles (GAAP) and state guidelines. While improvements were made since the fiscal year 2010 audit, adjustments were still needed in order to report balances and activity accurately and in compliance with these guidelines.

We recommend the Town properly account for Community Preservation fund activity in order to comply with GAAP and state guidelines.

Town's Response:

With the assistance of the Auditors the Town Accountant will review all activity of the CPA Fund from the inception. Once establishing the accuracy of the town votes over the past few fiscal years and adjustment will be made, again with the assistance of the Auditors.

5. CONSIDER DOCUMENTING COMPONENTS OF INTERNAL CONTROL

In order to establish an effective system of internal controls, the Town should document the policies, procedures and controls over key financial transactions, including cash, tax/excise/utility receivable activity, departmental

receipts, purchasing, vendor disbursements, employee benefit/payroll disbursements, and general ledger maintenance. This documentation could be used by departments as guidance to help safeguard assets, properly record transactions, and provide a basis for continuing operations when turnover occurs in key financial departments. Although the Town maintains certain policies and procedures, they are not complete, or distributed to all applicable departmental personnel.

Town's Response:

The Town Accountant with the assistance of the Town Treasurer and Town Administrator will begin to establish policies and procedures and controls over key financial transactions. The Auditors have provided some templates that the Accountant can modify to meet the needs of the Town. Once established and approved by the Board of Selectmen they will be distributed and reviewed with the departments, boards and committees.