

June 25, 2019

Ms. Julie Costello, Town Accountant  
Town of Stow  
380 Great Road  
Stow, Massachusetts 01775

Additional Offices:

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

Dear Ms. Costello:

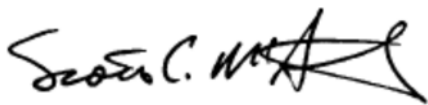
During the course of our June 30, 2018 audit, we identified certain areas where improvements and/or efficiencies could be made that were not included in a formal management letter. The following summarizes these issues very briefly:

- The Town currently has 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 formal policies and procedures can be enhanced to provide more clarity and guidance. The policy does not include examples of the forms the departments should utilize. Furthermore, the policy does not include a methodology for the departments to tie their records back to the general ledger.
- Through our review of the Building Department, we noted the following areas where improvement could be made: Permits are not prenumbered, and checks are not stamped "For Deposit Only – Town of Stow" at the time of receipt. We recommend the Town issue prenumbered permits and turn over checks on a more frequent basis.
- The Assessors' Department does not reconcile the overlay accounts to the general ledger. The lack of reconciliation increases the risk that abatements issued by the Assessors' Office are not recorded in the general ledger, thereby misstating the Town's receivable balances. Additionally, the lack of reconciliation increases the risk that the general ledger overlay balances may contain erroneous entries which cause the appearance of a deficit in those accounts. Overlay deficits are required to be raised through the tax rate and are usually based on general ledger balances. Reconciliation of overlay accounts would therefore provide additional assurance that only legitimate deficits are raised in the Town's tax rate. We recommend the Town reconcile the Assessors' records to the general ledger overlay balances on a monthly basis.
- The Town records activity for the Library Trust Funds, Randall Relief Fund, and Hale Trust Funds on an annual basis. We recommend the Town record the activity on a quarterly basis and reconcile to the underlying supporting documentation.

- The Town did not perform internal audits of departments during the 2018 fiscal year. We recommend the Town develop a methodology and plan for audit departments on a rotating basis.
- Neither the preparer nor reviewer of cash and receivable reconciliations formally signs the reconciliation. In order to improve documented oversight, we recommend both the preparer and reviewer formally sign monthly cash and receivable reconciliations.
- The Town should consider establishing a formal policy for related party transactions and situations involving fraud.
- We recommend the Accountant periodically send letters requesting local banks to report all bank accounts established using the Town of Stow's EIN. In addition, we recommend the Treasurer sign off on these letters.
- The Governmental Accounting Standards Board (GASB) has issued Statement 84 *Fiduciary Activities* that will apply to the Town in fiscal year 2020. Statement 84 changes the way certain Agency Funds are to be accounted for. Currently, Agency 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 for and reports these activities. Specifically, revenue and expenditure accounts may need to be added to the Town's general ledger to maintain the newly required measurement focus. We recommend that the Accounting Department prepare to implement Statement 84. An implementation guide is scheduled to be published soon and should provide guidance including possible revision to the Town's chart of accounts.

We encourage the Town to implement these recommendations in order to improve controls and efficiencies. I will be available to discuss these with you in more detail at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott C. McIntire", with a stylized, looped flourish at the end.

Scott McIntire, CPA  
Principal