



Town of Longmeadow

FINANCE DEPARTMENT

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TO: Longmeadow Select Board Members
Lyn N. Simmons, Town Manager

FROM: Jennifer C Leydon, Finance Director

DATE: February 7, 2022

SUBJECT: FY20 Town Audit Update on Findings

On January 19, 2021, the Town's contracted outside auditor, Melanson, provided a management letter for the Year Ending June 30, 2020. In it, the following issues and recommendations were made. A remediation to each recommendation is provided to update the Board on how the Town has made corrections.

FY20 ISSUES

1. Review Procedures in Recreation Department

During our review of processes and procedures in the Recreation Department, we noted the following areas where improvements could be made:

- While infrequent, there are instances where overdue balances are written off. When this occurs, the Recreation Director oversees the process, but there is not oversight from outside the department. We recommend that an individual outside of the department formally approve all write-offs.
 - ❖ The Parks and Rec department has formally implemented the Treasurer's collection policy to ensure all if not most account receivables are collected. Furthermore, all write-offs require the signature of the Recreation Director and the Finance Director or their documented designees
- The Recreation Department uses ActiveNet for its online registration platform. As part of the registration process, fees are also collected through ActiveNet and ActiveNet automatically deducts their share of the fee before funds are remitted to the Town. This cost does not get captured in the general ledger, nor is it formally reviewed. We recommend the Town review the cost of using ActiveNet for collections to ensure it is the best and most economical choice for Recreation Department registration collections.
 - ❖ The Town researched and requested quotes from local and national software vendors. Two were selected to move forward with. After research into both companies it was determined ActiveNet was the most dynamic software and met almost of the needs of the department. The ActiveNet contract was then reviewed by the Town's Purchasing Manager as well as the Town's legal council. Issues were brought to light concerning automatic renewal, fee collections and contract termination. These issues were discussed with the vendor and have been vetted through their legal council and subsequently the contract has been updated. Automatic renewals were

Update on FY20 Management Letter 2-7-22

removed, fees will now be passed onto the customer if they choose to pay by credit card. If they choose to pay through an EFT, the revolving fund will absorb the 0.5% cost, which is down from the original 3-6% fee, saving over \$100,000 a year to the revolving fund. All fees will be entered into MUNIS monthly to capture on the general ledger. The contract can now be terminated with a 30 day written request.

2. Other Issues

The following section of the management letter identifies other recommendations for improvements which are reported in a summarized manner.

Re-evaluate Town Bonding Insurance

Periodically the Town should review the performance bond coverage for employees handling cash receipts. Inadequate coverage could place the Town at risk in the event that an irregularity occurs.

We recommend that the Town re-evaluate the insurance bond on a continuing basis and determine if an increase in coverage is required.

- ❖ The Town annually reviews the Department of Revenue's 'Performance Bond Amount Schedule' in order to assure the Town has adequate coverage in case of irregularities of handling cash. The Town has reviewed this with the DLS recommendations and is in compliance.

Send Letters Periodically to Local Banks

Occasionally, quasi-governmental or nonprofit entities (school scholarship, "friends of" or volunteer organizations) use a Town's identification number (EIN) to establish bank accounts without the knowledge or approval of the Town's government. The existence of these accounts increases the risk that inappropriate activity is being conducted under the Town's EIN umbrella.

While we are not aware of any such accounts in the Town of Longmeadow, we recommend the Town take steps to determine if these types of accounts exist. We therefore recommend the Treasurer periodically request local banks to report all bank accounts established using the Town's EIN.

- ❖ On a quarterly basis, the Town Treasurer / Collector is requesting from the local banks a listing of all the accounts listed under the Town's Employer Identification Number (EIN). The list will be compared to accounts utilized by the Treasurer / Collector. At least two accounts have been closed because of this process. There were no funds in those accounts.