

TOWN OF LITCHFIELD, NEW HAMPSHIRE

Management Letter

For the Year Ended December 31, 2014

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Additional Offices:

Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

To the Board of Selectmen
Town of Litchfield, New Hampshire

In planning and performing our audit of the financial statements of the Town of Litchfield, New Hampshire as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Litchfield'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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, 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 response to our comments and suggestions has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Selectmen, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Melanson Heath

July 30, 2015

PRIOR YEAR ISSUES:

1. Prepare Trustees MS-9 and MS-10 Reports More Accurately

Prior Year Issue:

In the prior year we noted that the MS-9 and MS-10 reports were not prepared accurately.

Current Year Status:

During our current year testing we noted that improvements had been made regarding the preparation of the MS-10 report. However, the MS-9 was not prepared correctly resulting in mathematical inaccuracies.

We again recommend that better care be taken when preparing the MS-9 to ensure that it is mathematically accurate.

Town's Response:

The transition to this form of reporting differs from previous years. Parsing the data to fit into the formats is clearer after this year's adjustments. The final form of this year's report should provide a useful template for next year.

2. Write Off Uncollectible Ambulance Receivables

Prior Year Issue:

In the prior year we noted the existence of large past-due ambulance receivables.

Current Year Status:

During the current year, the Town reported an ambulance receivable balance of \$40,849, of which almost \$32,623 was for services rendered prior to January 1, 2014. The existence of large past-due receivables impedes cash flow and, as time passes, increases the risk that these receivables will be uncollectible.

We recommend:

- The Town determine the collectability of these receivables and either write them off or actively pursue them.
- The Town formalize a procedure by which collection of delinquent ambulance receivables are pursued in a timely manner.
- The Town formalize abatement procedures to periodically write off uncollectible accounts. This would simplify the maintenance of the accounting records.

Town's Response:

The Town is investigating overall alternate approaches to ambulance receivables including having the contract vendor handle them entirely rather than having the Town at the end of the billing process with the challenge of inconsistent data and time lags from the billable incident. With several years of more consistent data and experience, the Town will develop a plan to address writing off uncollectable receivables already on the books and identify a strategy for collection of delinquent receivables.