

MANAGEMENT COMMENT LETTER

Town Board
Town of Dryden
Dryden, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Dryden (the Town) 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's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the 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.

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 Town'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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our current year audit, we became aware of opportunities for recurring operating efficiencies. This letter summarizes these comments and recommendations regarding these matters. This letter does not affect our report dated [Date] , 2022 on the financial statements of the Town of Dryden.

Other Matters

Prior Year Findings Resolved

Segregation of Duties Over Cash Collection, Deposits, and Reconciliation

Finding:

As a part of the Town's cash collection process, department level staff receive cash receipts which are then compiled and given to one finance level staff person. The department level staff do not place restrictive endorsements on the checks received or maintain a log of cash receipts. The finance level staff person prepares the bank deposit slip, takes the deposit to the bank, records the transaction in the accounting system, and reconciles the monthly bank statement.

Resolution:

During our current year audit, we noted that the Town implemented restrictive endorsements as per our recommendation. Additionally, the department level staff responsible for receiving cash and deposits maintains a log of such receipts which is reconciled to the bank deposits and provided to management for review.

Encumbrances

Finding:

The Town recorded encumbrances without corresponding purchase commitments.

Resolution:

During our current year audit, we noted that encumbrances were only recorded with the existence of a corresponding purchase commitment.

Modified Accrual Accounting

Finding:

The Town recorded transactions primarily on the cash basis. Therefore, financial reports may not accurately reflect all activity.

Resolution:

During our current year audit, we noted that accounts receivable and accounts payable were recorded monthly and reconciled to a subsidiary ledger.

Backdating of Checks

Finding:

Subsequent to the end of the fiscal year, the Town compiles invoices received that relate to the preceding fiscal year and brings them before the Board for approval during the January meeting. All of these items are compiled within Abstract 13. Once the expenditures in Abstract 13 are approved for payment, the checks are cut the following day (in January) with a check date of 12/31 of the preceding fiscal year. Therefore, financial reports may not accurately reflect accounts payable and cash balances at period end.

Resolution:

During our current year audit, we noted check runs were dated on the date they were run and transactions from Abstract 13 were recorded as accounts payable rather than outstanding checks.

Discussion Item

Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

- GASB has issued Statement No. 87, “Leases,” effective for the year ending December 31, 2022.
- GASB has issued Statement No. 96, “Subscription-Based Information Technology Arrangements,” effective for the year ending December 31, 2023.

The Town should consider the impact this pronouncement may have on its financial statements and implement it as applicable and when material.

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

Respectfully submitted,

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
[Date] , 2022

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