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February 2, 2022

Selectboard
Town of Richmond, Vermont
P.O. Box 285
Richmond, VT 05477

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Richmond, Vermont as of and for the year ended June 30, 2021 and have issued our report thereon dated February 2, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in “Government Auditing Standards”, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the Town of Richmond, Vermont’s internal control over financial reporting (internal control) as a basis for designing audit 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 Town of Richmond, Vermont’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Richmond, Vermont’s internal control.

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 material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Town of Richmond, Vermont’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations as Item 2021-01 to be a material weakness.

We have also noted other matters during our audit as indicated in the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations that are opportunities for strengthening internal control and operating efficiency. We have discussed the recommendations with the staff during the course of fieldwork and some of the recommendations may have already been implemented.

This communication is intended solely for the information and use of management, the Selectboard and others within the Town of Richmond, Vermont, and is not intended to be, and should not be, used by anyone other than these specified parties. If you would like to discuss any of the recommendations further, please feel free to contact us.

We would like to take this opportunity to thank the staff of the Town of Richmond, Vermont for their assistance and cooperativeness throughout our audit. It has been a pleasure working with you.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in dark ink and is positioned to the right of the typed name below.

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TOWN OF RICHMOND, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
AND OTHER RECOMMENDATIONS
JUNE 30, 2021

Deficiencies in Internal Control:

Material Weaknesses:

2021-01 Reconciliation of Balance Sheet Accounts

Criteria:

Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation on a monthly basis in order to detect and correct errors in account balances.

Condition:

The majority of the Town's balance sheet accounts were not reconciled to the actual balances at year end which resulted in various adjustments to revenue and expenses.

Cause:

Unknown.

Effect:

The Town's account balances were incorrect.

Recommendation:

We recommend that all balance sheet accounts be reconciled to supporting documentation at least monthly in order to detect and correct errors.

Other Recommendations:

Documentation of Internal Control System

A solid understanding of internal control is essential to a well run organization. An organization must continually assess their internal control systems to evaluate financial health, ensure accurate financial reporting and comply with laws and regulations. As part of this process, management should formally document its control systems.

This will provide management with an understanding of the systems related to financial reporting and the controls over relevant assertions related to all significant accounts, disclosures in the financial statements, antifraud programs and controls over selection and application of accounting policies.

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We recommend that the Town perform a complete evaluation of the internal control process. This should break out the internal control process into the following five areas:

1. Control Environment – Sets the tone of an organization and is the foundation for all other components.
2. Risk Assessment – Identification and analysis of relevant risks to achieve its objectives, forming a basis for how risks should be managed.
3. Control Activities – The policies and procedures that help ensure management directives are carried out.
4. Information and Communication – The identification, capture and exchange of information in a form and timeframe that enables people to carry out their responsibilities.
5. Monitoring – The process that assesses the quality of internal control performance over time.

Uniform Guidance Policies

Sections of the Uniform Guidance require non-federal entities that receive federal awards to have certain written policies and procedures or standards of conduct. Examples of these requirements are listed below:

- Conflict of Interest Policy
- Financial Management Policy
- Payment - Cash Management - Drawdowns and Reimbursement Requests Policies
- Uniform Guidance Procurement Policy
- Compensation Policy
- Relocation Costs of Employees Policies
- Travel Cost Policy

We recommend that all policies be reviewed and amended to include the requirements outlined in the Uniform Guidance.

Cash Accounts

The Town maintains numerous cash accounts which are all designated for different items. This requires considerable work for the accounting and recordkeeping staff.

We recommend that the Town consider combining the accounts into one account with the accounting records separating these different balances. The Town can allocate the interest monthly based on the average balances.

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Allocation of Salaries and Benefits

The Town allocates salaries and benefits related to water and sewer activities with thirty percent allocated to the Water Fund and seventy percent allocated to the Sewer Fund. This allocation should be evaluated annually to ensure costs are being spread appropriately.

We recommend that the Town conduct a time study for employees that split time between water and sewer activities to help determine an appropriate amount of salaries and benefits to charge against the respective fund.

Recreation (Soccer/Tennis) Fund

The Town currently utilizes a special revenue fund to account for various recreation program charges and related expenses. Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts have to be reflected in the General Fund.

We recommend the Town consolidate the Recreation (Soccer/Tennis) Fund with the General Fund.

Reappraisal Fund

The Town currently utilizes a special revenue fund to accumulate resources for a reappraisal. The annual reappraisal grant income provided by the State is currently recognized in the General Fund and a budgeted transfer is made to the special revenue fund. The reappraisal income should be recognized directly in the special revenue fund.

We recommend the Town record the annual reappraisal grant income in the special revenue fund directly.