

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF HATFIELD, MASSACHUSETTS**

Management Letter

Year Ended June 30, 2022





**ROSELLI, CLARK & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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Select Board  
Town of Hatfield  
Hatfield, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hatfield, Massachusetts (the “Town”), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated June 6, 2023.

### **Internal Control Over Financial Reporting**

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined above.

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

*Roselli Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
June 6, 2023

## **I. INFORMATIONAL ITEMS**

### **Network Security (annual reminder)**

We continue to remind our clients to remain vigilant in the fight against cybercrime. Municipal entities have and continue to be targets for cyber fraud, phishing schemes, ransomware, etc.

This has become very important as the recent pandemic has opened up opportunities to work remotely, and while this is efficient, the equipment used to facilitate these processes could also become targets if not protected adequately.

While the Town has a very strong and robust security system in place, we recommend that the Town continue to monitor the changing cybersecurity landscape and maintain its security systems and employee training accordingly.

### **Risk Assessment and Fraud Identification Measures (annual reminder)**

We continue to caution our municipal clients regarding the risks of fraud and theft. In recent years, we have seen such activity increase significantly. The Town should be well aware of this increased risk, and accordingly should evaluate and enhance measures to better safeguard the Town's cash and other assets.

Fraud can include theft, the misappropriation of assets such as cash or easily marketable equipment like computers, the execution of transactions with related parties that are not disclosed and not completed "at arm's length," or the modification or fabrication of financial records to protect job security.

The Town must increase its focus and awareness of fraud risks throughout all areas of local government. Suspicious or unusual activity, particularly in cash handling areas, should be promptly investigated.

### **Long-Term Obligation (update)**

An area that has not been given much attention but will become very important over time is the area of long-term liabilities; namely OPEB and Pension. These are real liabilities and addressing these should be part of the Town's long-term strategic plan. Given the Town has been dealing with other much more pressing challenges over the last decade, it is understandable that these financially important areas have not been addressed; but now is a very good time to begin the thought process.

The most recent actuarial valuations place the Town pension liability at about \$4.4 million and the OPEB liability at about \$7.8 million. Recent GASB pronouncements have forced Towns to recognize these liabilities in their financial statements and thus have brought to light these significant amounts more readily than in the past.

The Town is a member community of the Hampshire County Regional Retirement System and the System has a funding schedule in place to address this liability over the next 15 years

or so. However, there is currently no funding process in place for the OPEB liability. We recommend that a committee is created to begin to address this.

**Investment Income (alert)**

Recent actions by the Federal Oversight Market Committee to raise the rate on borrowings significantly have begun to have a similar impact on investment yields. Many short-term instruments are currently approaching 5% or more in yields and are liquid and legal borrowings in Massachusetts.

This comment serves as an alert to the Town that investment strategies not available to the Town in at least 20 years are beginning to present themselves and could be financially beneficial.

### **III. FINDINGS AND RECOMMENDATIONS**

#### **Cash variance (update)**

In the prior year, we reported that the Town's bank accounts were greater than the cash book by approximately \$28,000. This was a continuation of the variance that had existed for several years, which at times approached \$50,000. We urged the Town to continue to review the reconciliation process and make adjustments as deemed appropriate.

In the current year, the Town's General Ledger was greater than the cash book by about \$19,000 and the Treasurer's cash book was lower than the bank balance by about \$46,000.

The Town should make every effort to diminish this variance at the fiscal year 2023 close of the books. If these efforts do not yield productive results, since the variance is positive, it should be adjusted to miscellaneous income to remove the variance and then reconcile the records monthly. This will help remove this floating variance that has been on the books for several years.

#### **Tax Recap (repeated from prior year)**

The Town continues to record the indirect costs inconsistently between the Enterprise Fund, the General Fund and the tax recap. Catch up entries were made subsequent to year end to correct this activity. The Town should make efforts to report this correctly before the close of the books in fiscal year 2023.

#### **Student Activities (repeated from prior year)**

The student activity balance per the general ledger reflected a balance of \$56,396 while the student activity bank account reflected a balance of \$65,829. It does not appear as if the general ledger is reconciled to the student activity accounts at the school or the bank account. These accounts should be reconciled periodically. This was a finding as part of the student activity audit.

#### **Payroll Withholding Balances (repeated from prior year)**

The Town's payroll withholding balances do not appear to be reconciled to subsequent payments made. Currently, the Town carries nine balances. Two of the balances are identical to the prior year, three are carried as deficits, and none of them are consistent with subsequent payment activity. This has been an observation for several years. We suggest a process is put in place to reconcile these accounts on a go-forward basis.

### **Tailings**

The recorded amount of tailings in the general ledger has not changed in years. Although the amount is minor, the existing amount reflects old balances that were advertised years ago and thus should be adjusted to miscellaneous income. New tailings should be initiated by the Treasurer for any stale checks greater than one year's old.

### **Assessor Overlay Balances**

The allowance for abatements, which is commonly referred to as overlay, exceeds property taxes receivable. Additionally, the Assessor's office indicated to us that there is only one case pending at the ATB that has an exposure of about \$6,200.

With about \$173,000 in overlay balance as of June 30, 2022, it appears to be overstated at this point and an analysis should be performed to determine how much of the overlay needs to be released. The release of unnecessary overlay amounts may lessen the property tax burden on taxpayers in a future period.