

NEW HANOVER TOWNSHIP

Communications with Governance at the Conclusion of the Audit

Year Ended December 31, 2016


Barbara Akins
certified public accountant
relationships. service. integrity

February 16, 2017

To the Board of Supervisors and Jamie Gwynn, Township Manager
New Hanover Township
2943 North Charlotte Street
Gilbertsville, PA 19525

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Hanover Township for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 14, 2016. Professional standards also require that we communicate to you the following information related to our audit.

No Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by New Hanover Township are described in Note #1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by New Hanover Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 16, 2017.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the nonmajor governmental fund and fiduciary fund financial statements, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We were engaged to report on the budgetary comparison for the general fund and schedules of funding progress and employer contributions – retirement plans, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America. The information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In our professional judgment, the following are significant and relevant to those charged with governance in overseeing the financial reporting process:

- 1) During our audit we noted a lack of segregation of duties. The following procedures are ALL performed by the Township Treasurer/Finance Officer:
 - a. Prepares deposit (usually weekly).
 - b. Takes deposit to bank.
 - c. Records deposit in QuickBooks.
 - d. Reconciles bank statements.

Good internal controls dictate that a different person should be preparing the deposit slip and taking it to the bank from the person who is recording it in QuickBooks. Also the person preparing the bank reconciliation should be different from the person recording it in QuickBooks/taking the deposit to the bank.

- 2) Township receipts are placed in the Treasurer's/Finance Officer's bin. At the end of the day, the Treasurer/Finance Officer takes the receipts to the locked safe. When the Treasurer/Finance Officer is on vacation, the receipts stay in the Treasurer's/Finance Officer's bin.

We suggest that when the Treasurer/Finance Officer is on vacation that the Township Manager takes the receipts to the locked safe at the end of each day.

- 3) The Township has a related party - Phil Agliano, Township Supervisor, is the father of the Township Treasurer/Finance Officer, Kaleena Breitbarth. During our audit we noted no instances where checks were signed by both Phil and Kaleena. Only the Township Supervisors and Township Manager are check signors. *The Township Treasurer/Finance Officer, who prepares the checks is not a check signor. This is in accordance with good internal control practices.*

- 4) The Township Tax Collector does NOT perform a bank reconciliation and also does NOT keep a balance in the checkbook register.

We suggest that the Township Tax Collector keeps a balance in the checkbook register AND prepares monthly bank reconciliations, to ensure that funds received by the Tax Collector are remitted to the correct taxing authorities and that duplicate payments received are refunded. Checkbook register balances and bank reconciliations are used to prove that the Tax Collector account is a "zero balance" account.

- 5) During the 2016 audit we noted that EDU's (Tapping Fees) purchased per the Township Authority Administrative Clerk, did not agree to the receipts and accounting records kept by the Township. The Authority Administrative Clerk is pursuing to get the (1) EDU that was not paid for.

We suggest that the Authority Administrative Clerk and Township Treasurer/Finance Officer compare EDU lists at least twice a year to ensure that there are no discrepancies.

- 6) In 2016, a newly appointed Supervisor's wage was incorrectly included as PA unemployment taxable wages. The payroll service has been made aware of this and it being correctly reported in 2017.

- 7) During the examination we noticed that (2) Police Officer's did not have pension withheld on their longevity pay for 2016. Also, the Police Chief's pension withheld in 2016 was incorrectly calculated. Per the contract, 5.00% should have been withheld. In 2016, the Police Chief had 4.74% withheld for pension. All of the other Police Officer's had 5.00% withheld for pension in 2016. *This has been corrected in 2017.*

- 8) During our random cash disbursements testing we noticed that the Township is paying sales tax to Comcast and Met Ed. *The Treasurer/Finance Officer is working on getting past sales tax refunded and current sales tax removed.*

- 9) The General Fund balance sheet has Due from Developer \$233,490 at December 31, 2016. This amount owed to the General Fund represents (49) Developers.

10) During the audit we noticed that vehicle and equipment insurance coverage additions/deletions are not always being made timely.

- a. 2015 Ford vehicle purchased 2/10/15 was not added to the insurance policy until 3/2/16.
- b. 2015 trailer purchased 4/23/15 was not added to the insurance policy until 5/9/16.
- c. 2015 car-mate purchased 4/18/15 was not added to the insurance policy until 5/9/16.
- d. 2000 International sold 6/9/15 was not deleted from the insurance policy until 5/9/16.
- e. 2001 International sold 6/9/15 was not deleted from the insurance policy until 5/9/16.
- f. 2006 GMC sold 6/15 was not deleted from the insurance policy until 5/9/16.
- g. 2005 International sold 1/15 was not deleted from the insurance policy until 5/9/16.
- h. Leeboy grader purchased in 2015 was not added to the insurance policy until 11/7/16 and then was deleted from the insurance policy on 12/5/16. The Township Treasurer/Finance Officer is looking into why the NEW Leeboy grader was not added to the current insurance policy and why the OLD Leeboy grader was never deleted from the insurance policy.
- i. The 2011 John Deere Gator purchased on 6/15/16 was not added to the insurance policy as of the date of this report (2/16/17).

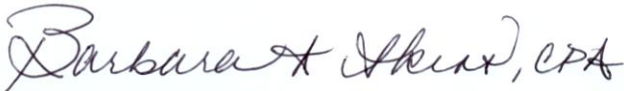
The Township Manager and Treasurer/Finance Officer are working on developing better procedures to ensure that the assets of the Township are safeguarded timely.

- 11) On April 25, 2014 the Township deposited \$25,000 from a Comcast EG Capital Support Grant "to be used in support of the production of local EG (Educational and Government) programming". As of the date of this report (February 16, 2017), \$0 of the grant money has been spent.

Restrictions on Use

This information is intended solely for the use of the Board of Supervisors and management of New Hanover Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



BARBARA A. AKINS, CPA