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February 12, 2023

Selectboard
Town of Grand Isle, Vermont
9 Hyde Road
Grand Isle, Vermont 05458

We have audited the financial statements of the Town of Grand Isle, Vermont as of and for the year ended June 30, 2022 and have issued our report thereon dated February 12, 2023. 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 Grand Isle, Vermont's internal control over financial reporting (internal control) as a basis for designing audit 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 of Grand Isle, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Grand Isle, 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, as discussed as follows, we identified certain deficiencies in internal control that we consider to be material weaknesses and another that we consider to be a significant deficiency.

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 Grand Isle, Vermont's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations as items 2022-01 and 2022-02 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations as Item 2022-03 to be a significant deficiency.

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 Grand Isle, 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 Grand Isle, Vermont for their assistance and cooperativeness throughout our audit. It has been a pleasure working with you.

Respectfully submitted,

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TOWN OF GRAND ISLE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
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Deficiencies in Internal Control:

Material Weaknesses:

2022-01 Transfer Station Revenues

Criteria:

Internal controls over transfer station revenues should be in place so that no individual can both perpetrate and conceal errors or irregularities.

Condition:

The Town does not have adequate internal controls in place over transfer station revenues. Therefore, the Town cannot be sure that all of the cash collected is being handed over to them by the transfer station employees. In addition, the transfer station does not consistently provide a receipt for all cash collected nor is there a sign that indicates that customers must take a receipt. Furthermore, the transfer station does not verify that the deposits turned over to the Town were deposited in the bank in full.

Cause:

Unknown.

Effect:

The collections at the transfer station are subject to misappropriation.

Recommendation:

Our primary recommendation is that the Town consider selling transfer station coupons off-site at the Town Treasurer's office and/or at local businesses. If sales take place at the transfer station, we recommend that the Town require prenumbered cash receipts to be issued to all customers. We also recommend that the Town place a sign at the transfer station offering incentives to customers if a receipt is not provided by the attendant. Furthermore, the transfer station staff should verify that the deposits turned over to the Town were deposited in the bank in full.

2022-02 Fund Balance Entries

Criteria:

Internal controls should be in place to ensure that all revenues and expenses are recorded correctly. Separate revenue and expense accounts should be utilized to record the Town's revenues and expenses. Fund balances should only be posted to in the event of a correction of an error or change in accounting principle.

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Condition:

The Town posted current year activity to fund balance rather than to separate revenue and expense accounts.

Cause:

Unknown.

Effect:

Adjustments were required to correct the fund balance, revenues and expenses.

Recommendation:

We recommend that the Town implement controls to ensure that all revenues and expenses are recorded correctly.

Significant Deficiencies:

2022-03 Authorization of General Journal Entries

Criteria:

Internal controls should be in place that requires appropriate officials to authorize and review all adjustments to the books of original entry.

Condition:

The Town does not have a policy in place to require authorization or review of adjustments to the books of original entry.

Cause:

Unknown.

Effect:

This deficiency in the internal control structure could allow other working control policies to be circumvented.

Recommendation:

We recommend that the Town enact a policy that requires appropriate officials to authorize and review all general journal entries so as not to circumvent the original approval process.

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Other Recommendations:

Fraud Policy

The Town does not have a fraud policy in place. A fraud policy outlines the Town's position on fraudulent activities and dishonest conduct and sets out procedures for employees to report suspected fraud or misconduct to the appropriate personnel within the Town. This policy should further outline the responsibilities of different positions within the Town in regards to reporting and investigating these claims. It should also discuss the actions that will be taken to investigate the claim and the protection that will be afforded to the person making the claim against retaliation from the accused.

We recommend that the Town implement a fraud policy.

Fraud Risk Assessment

The Town has not performed a fraud risk assessment. A fraud risk assessment is important because it identifies the Town's vulnerabilities to fraudulent activities and whether those vulnerabilities could result in material misstatement of the financial statements. The fraud risk assessment would also identify processes, controls, and other procedures used to mitigate the identified fraud risks.

We recommend that the Town perform a fraud risk assessment reduce the possibility of fraudulent activities.

Diesel Fuel Tank

The Town does not have a system to track their diesel fuel usage. The Town's Highway Department has a diesel fuel tank, however, there is no process in place to ensure unauthorized usage does not occur.

We recommend that the Town develop a process to track fuel usage to ensure unauthorized usage does not occur.

Investment and Banking Policy

The Town does not have a formal investment and banking policy. This policy is extremely important in establishing and maintaining cash management in accordance with Selectboard directives. This policy should include general guidance for the Treasurer in the areas of bank selection, types of investments and policies for minimizing the risk of losses.

We recommend that the Selectboard and the Treasurer work together to establish guidelines for the Treasurer in the areas of cash management and investing.

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Procurement Policy

The Town's procurement policy has not been updated to comply with the Uniform Guidance.

We recommend that the Town update its procurement policy to be in compliance with the Uniform Guidance.

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.

Accounting for Marriage and Dog Licenses

The Town currently budgets for the revenue for both the Town and the State's portion of the fees collected and budgets for the remittance of the portion of fees due to the State of Vermont. This ultimately overstates revenues and expenses when recording the issuance and distribution of marriage and dog licenses.

We recommend that the Town budget only for their portion of the receipts collected from the issuance of marriage and dog licenses. We also recommend that the Town record the State's portion of the fees collected as a liability.

Budgeting for School District Reimbursement and Expenses

The local School District reimburses the Town for any school related expenses incurred during the year. The Town currently budgets for the reimbursement revenue, however, does not budget for the expenses incurred. The budgeting process is designed to determine how much money must be derived from taxes in order to cover the expenditures for a given year. Accordingly, all estimated expenditures should be budgeted.

We recommend that the Town revise their budgeting process to include all estimated expenditures as part of their budgeting process in the future.

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Budgeting for Interest on Delinquent Taxes and Highway State Aid

Currently, the Town does not budget for interest on delinquent taxes and highway State aid payments. A budget is used mainly for a planning tool to compare revenue and expenditures to amounts estimated. A balanced budget should be prepared and presented annually. With a budget in place, it is much easier to analyze data from previous years and review estimates for the upcoming year.

We recommend that the Town include the estimated revenue from interest on delinquent taxes and the highway State aid payments as part of their budgeting process in the future.

Accounting and Procedures Manual

The Town does not have an accounting and procedures manual in place. This manual should define duties and responsibilities for current personnel so as to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It will also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees.

We recommend that the Town develop this document for all accounting procedures as soon as possible. Each individual should document their duties and how to perform them. The manual should include examples of forms with descriptions of their use. Once developed, only changes in procedures or forms will require changes in the manual.

We believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

We also recommend that the Town make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

Cemetery Fund

The Cemetery Fund includes revenues received from lot sales and trust arrangements of which a portion is for perpetual care where only the interest earnings can be spent and property taxes appropriated for cemetery upkeep.

We recommend that the Town utilize the General Fund for the cemetery expenses and transfer the interest earnings from the permanent fund annually to this fund.

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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 compliance 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.

We recommend that the Town perform a complete evaluation and documentation 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.

Uninsured Certificate of Deposit

The Town has a certificate of deposit with Northfield Savings Bank which exceeds the federally insured levels. Any amounts in excess of the FDIC insured limits should be covered under a collateralization agreement with the respective bank.

Our primary recommendation is the Town stay aware of the stability of its bank. In lieu of this, the Town should adjust their cash management policy to ensure that cash and certificates of deposit are maintained at levels that are insured by the FDIC or covered by their collateralization agreements.

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Voter Approved Appropriations

The Town only presents articles at Town meeting for the approval of appropriations which have changed from the previous year. For the 2022 fiscal year, the Town raised money in property taxes for the reappraisal and capital equipment reserve appropriations which were approved by the voters at a previous year's Town meeting. It is our understanding that all appropriations be presented to voters annually for approval.

We recommend that all appropriations be presented to voters annually for approval or verify the adequacy of the current practice with the Town's attorney.

Grand Isle Fish Culture Station Road Maintenance

The Town receives an annual payment from the Vermont Department of Fish and Wildlife which includes reimbursement for the road maintenance costs of the entrance and service roads to the fish and culture station. The Town budgets and records the full payment in the General Fund and transfers only a small portion of this to the Highway Fund to cover the road maintenance costs.

We recommend the Town budget and record the portion of the annual payment related to the road maintenance costs in the Highway Fund.

Library Fund

The Town's Library Trustees has designated a separate Treasurer who controls and maintains cash and investment accounts for the Library Fund. It is our understanding that all cash accounts should be under the control of the Town Treasurer. The Town Treasurer could appoint the Library Treasurer as the Assistant Treasurer. Also, expenditures should be approved by the Trustees through the warrant process.

We recommend that the Town verify whether all accounts should be under the control of the Town Treasurer. If so, the Trustees should turn over the money to the Town Treasurer. The Town Treasurer could then appoint the Library Treasurer as the Assistant Treasurer if she chooses to. In addition, we recommend all expenditures be approved by the Trustees through the warrant process.

Tracking Leave Time and Compensatory Time

The Town does not have a consistent system in place for tracking leave time and compensatory time. NEMRC provides a platform that can be used to track all leave time and compensatory time accruals which can be set up in accordance with Town policies.

We recommend the Town utilize the NEMRC platform for tracking all leave time and compensatory time. In addition, we recommend the Town review their leave time and compensatory time policies and ensure the guidelines are aligned with the NEMRC platform.