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In Memoriam  
Gerald R. Anderson  
1948-2007

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To the Town Board  
Town of Wascott  
Wascott, WI 54890

In planning and performing our audits of the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Town of Wascott, as of and for the years ended December 31, 2007 and December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Wascott's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify deficiencies in internal control that we consider to be a material weakness, as defined above. This weakness is defined as follows:

1. Limited Segregation of Duties-

An essential part of internal control is that procedures be properly segregated and the results of their performance be adequately reviewed. This is normally accomplished by assigning duties so that 1) no one person handles a transaction from beginning to end, and 2) incompatible duties between functions are not handled by the same person. In addition, a review of these completed duties should be performed by an individual independent of those functions. Since the Town has a combined Clerk/Treasurer position, a proper separation of duties is not possible and a lack of internal control exists. This is the reason the State mandates audits of municipalities when such a situation exists.

1. Limited Segregation of Duties (Continued)-

When we began working on the audit we noted there was a lack of controls over the receipting for Town's monies and the former Clerk-Treasurer was able to disburse Town funds without the proper approval of the Town Board. Under the combined Clerk-Treasurer position, the most effective controls lie in the Town Board's knowledge and monitoring of matters relating to the operations of the Town's financial transactions. We recommend that the Town Board continue to review all cash disbursements and review the monthly bank reconciliations to maintain reasonable assurance that monies are being properly handled/reported.

We also noted a deficiency in internal control that we consider a significant deficiency as follows:

1. Oversight of the Financial Reporting Process-

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, and disclosures in the financial statements on a cash basis of accounting. The Town does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented as an other comprehensive basis of accounting. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in Town's of your size and is a result of management's cost benefit decision to rely on our accounting expertise than incurring this internal resource cost.

*OTHER ITEMS*

When we began the audit of 2007 records for the Town of Wascott, we became aware of certain financial procedures that were not being followed and issued a report to the Town Board dated February 16, 2009. Since that time, we are aware that the Clerk-Treasurer position and members on the Town Board have changed so we are including these original control issue findings stated in that letter and are including some additional findings that we noted as the audit fieldwork progressed. These audit findings are from our audit of the years 2007 and 2008 and do not reflect new controls that were implemented since the time the newly elected officials took over in April, 2009. Numerous changes have been made in 2009 and should be reflected in the 2009 audit report.

- 1) Checks/vouchers should be filed in numerical sequence by date order with appropriate supporting documentation. By filing in numerical sequence, you can determine if there are any missing checks. Voided checks should be kept and filed in sequence. We noted certain check/vouchers during the year 2007 and 2008 that did not have adequate supporting documentation attached or had documentation that appeared to be inappropriate for the payee listed.
- 2) No check signing stamps for Town Officials should be used. If necessary, other Town Board members can be authorized as approved signers on checks, so that all checks are manually signed.
- 3) We would advise that some type of stamp be used on the Town's copy of payment vouchers such as: "We approve this claim for payment for Town of Wascott" with a line for Town Chairperson/Supervisors to initial or sign to show they have reviewed and approved the bill for payment.

- 4) Prenumbered receipts (in triplicate) should be used for all monies received by the Town. We noted deposits for miscellaneous revenue and donations during the years 2007 and 2008 that could not be clearly identified. We did not find any receipts documentation for the years 2007 and 2008, as required by state statutes.
- 5) Bank reconciliations for the Town's bank accounts need to be done on a monthly basis, reviewed by a Town Official other than the Clerk-Treasurer, and initialed by the reviewer, and then retained by the Town as part of the financial records.
- 6) When reimbursing Town Employees/Officials for travel reimbursement, the date, number of miles, and reimbursement rates should be filled out and signed by the person requesting payment and then approved by appropriate supervising personnel.
- 7) The Town reports revenue and expenditures on a cash basis for financial reporting. Care needs to be taken that the proper date is used, especially on checks issued. If budgeted expenditures cannot be paid by the end of the budget year, these amounts should be indicated in the Town Board minutes and can be rolled over into the next year's budget, if so approved by the Town Board. Checks should **NOT** be dated back to prior periods.
- 8) Payroll time sheets should be signed by the employee and then reviewed and initialed/signed by the appropriate Town Official. Payroll checks should not be issued prior to the normal payroll date.
- 9) W-2s should be issued to election workers. Also, the Town contributes to the employee's Health Savings Account (HSA). Those contributions must be included in the state wage box of the W-2.
- 10) If Town Officials receive travel advances, this money needs to be accounted for by attaching appropriate receipts and, if necessary, reimbursing unused funds back to the Town.
- 11) The Town needs to follow State Statutes in regard to "Public Contracts and Competitive bidding" on all construction, repair, or improvements of public property and furnishing of materials and supplies. If the contract is more than \$5,000, but not more than \$25,000, a class 1 notice is required and if the contract is over \$25,000, the Town needs to advertise for proposals to perform the contract. Wisconsin Statutes also prohibits any "private interest in a public contract" by Town Officials or employees if the amounts exceed \$15,000 in any calendar year.
- 12) The Town should maintain a list of fixed assets owned by the Town (land, land improvements, buildings, vehicles, and equipment), to adequately safeguard these assets from misuse and make sure they are adequately insured. Also, we recommend the Town establish a policy for a minimum amount (i.e. \$500-\$5,000) that would be used in recording the individual fixed asset items.
- 13) If the Town Board needs to designate a portion of accumulated fund balance for some specific need or use in future years, the amount should be indicated in the Board minutes. Unused appropriations at the end of the year will normally be included in undesignated fund balance unless some designation has been made and approved at a Town Board meeting.


- 14) Cash accounts should be monitored during the year to determine if additional security, such as pledged investments of the financial institutions, is necessary when cash balances exceed specified amounts. Municipalities are insured by the FDIC for \$250,000 for demand deposits and \$250,000 for time deposits. Also, the State Guarantee Fund insures up to an additional \$400,000. There are certain times of the year, especially during the time property taxes are collected, that the Town may have significant cash balances that exceed these limits.
- 15) Signature cards for all cash accounts should be reviewed and updated as needed.
- 16) Purchases for the Fire Department should not be charged sales tax. It was noted on some invoices for the Fire Department that sales tax was charged and paid.
- 17) The Town should have a written policy on accepting donations and document any purpose and/or use restrictions. The Town minutes should indicate amount, nature, and conditions (if any) of the donation.

We have made other minor recommendations to the Clerk-Treasurer and the Town Chairperson as we were working on the audit and these items are not included in this letter as the changes have already been implemented.

We wish to thank the Town Clerk/Treasurer, the Town Chairperson and other Town representatives that helped us during the performance of our examination.

Respectfully submitted,

ANDERSON, HAGER & MOE S.C.

 CPA  
Michael J. Hager, CPA

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