MELANSON

CITY OF DOVER, NEW HAMPSHIRE

Management Letter
For the Year Ended June 30, 2021

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To the Mayor and City Council
City of Dover, New Hampshire

In planning and performing our audit of the financial statements of the City of Dover, New Hampshire (the City) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Dover's internal accounting control over financial reporting (internal control) as a basis for designing our auditing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of the inherent limitation in internal control, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The City's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. This communication is intended solely for the information and use of

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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management, Mayor and City Council, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

Melanson

Merrimack, New Hampshire
January 25, 2022

STATUS OF PRIOR YEAR RECOMMENDATIONS:

1. Resolve Deficit Fund Balances

Prior Year Comment:
In the prior year, the City maintained several special revenue and capital project funds in a deficit position at year end. We recommended that the City develop a written plan to identify which revenues or reimbursement will be used to eliminate the deficits. Furthermore, we recommended that a formal accounting of authorized unissued bonds and/or Capital Reserve Fund reimbursement be established and regularly updated.

Current Year Status:
This recommendation was not fully implemented in fiscal year 2021.

Further Action Needed:
We continue to recommend that the City develop a written plan identifying which revenues or reimbursement will be used to eliminate the deficits and a formal accounting of authorized unissued bonds and/or Capital Reserve Fund reimbursement be established and regularly updated. Ideally, the reporting on special revenue and capital project funds deficits should become an integral part of the City's monthly financial statements.

City's Response:
The City concurs with the recommendation. The Finance Department has a formal accounting of authorized unissued bonds, reporting those amounts annually in the City's Capital Improvements Plan and Proposed Operating Budget documents. The system implemented during fiscal year 2020 to account for capital project expenditures and correlating capital reserve fund(s) reimbursements has ensured proper transfers from capital reserve accounts have been made for respective expenditures. The City has implemented through the annual operating budget to incrementally reduce the operating deficit in the Tolend Landfill Closure Fund. The City Council authorized in FY2021 a General Fund operating transfer that addressed most of the deficit in the Tolend Landfill Closure Fund. Those capital project funds that are completed and can be closed out, which have a deficit balance with no identified source of revenue, will be closed through an operating transfer. During fiscal year 2021, the City Council acted upon a resolution to approve operating transfers for closure of the 2004 and 2005 capital project funds. Subsequent to fiscal year end, the City issued bonds which resolved the deficits in the CIP FY21 and CIP FY20 Funds. The City has an existing Clean Water State Revolving Loan Fund for the Broadway Railroad Culvert project and reimbursements received subsequent to fiscal year end have resolved the deficits in the CIP FY17 and CIP FY16 Funds. Prior to end of fiscal year 2022, the City will provide the City Council with a resolution for operating transfers for closure of additional older years' capital project funds.

2. Ensure Receivables Agree to the Underlying Accounting Records

Prior Year Comment:

The City reconciles tax receivables on a monthly basis; however, in the prior year there was an unidentified variance of approximately $54,000 between the City's general ledger and the tax collector. Additionally, there were unidentified differences between Infinite Visions and MS Govern of approximately $47,000 and $133,000 for water and sewer receivables, respectively. The City does not perform formal reconciliations between the general ledger (Infinite Visions) and the billing software (MS Govern) for utility receivables.

Current Year Status:

Although the City was able to identify and resolve some of the variances in fiscal year 2021, the variances between Infinite Visions and MS Govern have increased to approximately $54,000 and $125,000 for water and sewer, respectively.

Further Action Needed:

We recommend the City establish procedures to reconcile receivable balances between the general ledger and utility billing software on a monthly basis. This will improve control over City receivables and will reduce the likelihood that errors or irregularities could occur and go undetected. Furthermore, we recommend that the City resolve the differences between balances in the general ledger and Tax Collector/Utility billing software.

City's Response:

The City concurs with the recommendation. The City Tax Collector and Finance department personnel perform monthly reconciliations of Water and Sewer utility billing software transactions to the General Ledger transactions. The City learned during fiscal year 2021 that reports for the billing software are produced in two formats, creation date and entry date. This impacts year end reports based upon when June 30th payments are posted into the billing software. The June 30th payments are reflected in General Ledger as that fiscal year's activity. The City will be discussing with the utility billing software vendor how to obtain year end reports for water and sewer receivable details since the utility billing system is a balance forward reporting format versus date certain reporting like property tax billing system.

The City has also identified that the way the utility billing software is handling overpayments is resulting in transactions that are making the reconciliation process very cumbersome. The City is following up with the billing software vendor to obtain a better understanding of how payments resulting in overpayments on customers' accounts are processed by the software. The City's goal is to determine if in lieu of using one overpayment account for all billing functions that a better way exists to have overpayment transactions processed by the software.