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January 31, 2024

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, 2023 and have issued our report thereon dated January 31, 2024. 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 a certain deficiency in internal control that we consider to be a material weakness 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 deficiency described in the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations as Item 2023-001 to be a material weakness.

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 2023-002 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,

Sullivan, Powers & Co.

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TOWN OF GRAND ISLE, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
AND OTHER RECOMMENDATIONS
JUNE 30, 2023

Deficiencies in Internal Control:

Material Weaknesses:

2023-001 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.

Significant Deficiencies:

2023-002 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.

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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.

Other Recommendations:

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.

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 2023 fiscal year, the Town raised money in property taxes for the reappraisal and Grand Isle Volunteer Fire Department capital equipment 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.

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Accounting and Procedures Manual

The Town is continuing to complete their accounting and procedures manual. 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 continue to complete 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.

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.