

July 23, 2021

To the Board of Selectmen  
Town of Littleton, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Littleton, New Hampshire for the year ended December 31, 2019, we considered the Town's internal control structure to determine audit procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. We previously reported on the Town's internal control structure in our report dated July 23, 2021. This letter does not affect that report or our report on the basic financial statements dated July 23, 2021.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, perform an additional study of the matter, or to assist you in implementing the recommendations.

The purpose of this letter is to provide constructive and meaningful recommendations to you.

Sincerely,

*Vachon Clukay & Company PC*

Vachon Clukay & Company PC

## DEBT MANAGEMENT

### **Observation**

During our audit, we noted that the Town authorized the issuance of debt through its Annual Town Meeting to fund certain equipment purchases. It was noted that while the equipment was purchased, the Town did not execute a corresponding lending agreement to fund the purchase.

### **Implication**

When significant purchases are budgeted to be funded through lending arrangements and those arrangements are not executed it can place unanticipated strain on the Town's cash position. Over time, and through repeated failings to execute these arrangements, the Town's cash and fund balance position could be weakened to a point that requires the Town to engage in short-term borrowing that might otherwise be avoided.

Furthermore, by not borrowing to fund these purchases, the entire purchase cost is incurred as a current period expenditure, instead of a single year's debt service payment. This could contribute to the Town over-expending its statutorily adopted budget.

### **Recommendation**

We recommend the Town evaluate its annual appropriations on an ongoing basis to ensure that equipment acquisitions are properly funded in a timely manner. Optimally, lending arrangements should be secured in advance or simultaneously with the acquisition of the equipment.

## CREDIT CARD PURCHASES

### **Observation**

As part of our audit procedures, we examined monthly statements for all credit cards held by the Town and compared charges on the statements to supporting documentation. In performing these procedures, we noted that there was a lack of supporting documentation for several purchases.

### **Implication**

Controls over the disbursements of the Town are weakened, as a lack of sufficient supporting documentation to substantiate purchases increases the likelihood of misuse or abuse of credit cards.

### **Recommendation**

We recommend that all charges on the monthly statements contain proper supporting documentation which indicates the date, amount and details of the purchase. Furthermore, we recommend the Town review its policy for timely submission of supporting documentation from the individual card holders to the finance department. Additionally, we recommend that the Town communicate the importance of adhering to the Town credit card policy to all card holders.