



HAMPSHIRE COUNTY GROUP INSURANCE TRUST

Management Letter
For the Year Ended June 30, 2021

CONTENTS

	<u>Page</u>
INTRODUCTORY LETTER	1
PRIOR YEAR ISSUES:	
1. Establish a General Ledger Accounting System (Material Weakness)	3
CURRENT YEAR ISSUES:	
2. Other Recommendations	3



To the Executive Committee
Hampshire County Group Insurance Trust

In planning and performing our audit of the basic financial statements of the Hampshire County Group Insurance Trust (the Trust) 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 Trust's internal 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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.

Material weaknesses are noted in the table of contents and comment headings.



During our audit we also became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

The Trust'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 them.

This communication is intended solely for the information and use of management, the Trust, and others within the Trust, and is not intended to be, and should not be, used by anyone other than these specified parties.

Melanson

Greenfield Massachusetts
March 14, 2022



PRIOR YEAR ISSUES:

1. Establish a General Ledger Accounting System (Material Weakness)

The Trust uses spreadsheets to track and record revenues and expenses flowing through the operating checking account. The Trust also uses QuickBooks, but it is currently only utilized to pay vendor invoices. Since the spreadsheet is maintained on the cash basis, it does not provide a complete account of all the activities of the Trust. In order to perform the audit, a complete account of all Trust transactions on the accrual basis of accounting is needed, which includes the recording of accounts receivable and accounts payable. A large number of adjustments were required as part of the audit process to record balances maintained in the separate spreadsheets and other records provided by the Trust.

The implementation of a general ledger accounting system will provide the Trust with a complete account of all transactions on the accrual basis of accounting and improve controls and oversight over the Trust's activity. We recommend the Trust takes the necessary steps to get this system up and running and consider hiring an internal bookkeeper or outsourcing this service through an accounting firm.

Trust's Response:

The Trust believes the current accounting practices and review of its financials by the Executive Committee is adequate from a control aspect. Trust internal accounting is generally on a cash basis. We will look to expand our use of QuickBooks to assist in accrual accounting entries if and when time permits. The Trust does not feel at this time that hiring an accounting firm for monthly bookkeeping is warranted at this time.

CURRENT YEAR ISSUES:

2. Other Recommendations

Formally Document Review and Approval of Disbursements

The monthly disbursements are presented to the Executive Committee for review and approval at each meeting. While the approval is recorded in the minutes of the meeting, we recommend a coversheet be utilized to formally document the review and approval of the disbursements.

Trust's Response:

The Trust monthly meeting agenda, minutes, and all meeting material (including disbursement report) is maintained in the Trust office and also posted on the Trust website. We believe this adequately documents the approval of disbursements.

Establish a Separate Bank Account for OPEB Trust

An OPEB Trust Fund was established in fiscal year 2021, however, the cash is still comingled in the general bank accounts. We recommend a new bank account be established for the OPEB Trust Fund, as Massachusetts General Law requires this fund to retain the interest earned on investments.

Trust's Response:

The Trust established a separate bank account at Easthampton Savings Bank for the sole purpose of funding its OPEB obligation. Account was opened in February, 2022 with a deposit of \$300,000.