

HAMPSHIRE COUNTY GROUP INSURANCE TRUST

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2023

HAMPSHIRE COUNTY GROUP INSURANCE TRUST

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To the Insurance Advisory 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, 2023, 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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 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.

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. Given these limitations, material weaknesses may exist that have not been identified.

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, those charged with governance, and others within the Trust, and is not intended to be, and should not be, used by anyone other than these specified parties.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including those overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Marcum LLP

Greenfield, MA
July 30, 2024

HAMPSHIRE COUNTY GROUP INSURANCE TRUST

RECOMMENDATIONS

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 create financial statements that are in accordance with GAAP, 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 material adjustments were also 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 take 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 recognizes that the implementation of an automated general ledger accounting system would provide a more sophisticated level of control for the Trust's Executive Committee. The Executive Committee has discussed the accounting and treasury function of the Trust in the period of time leading to and following the dissolution of the Hampshire Council of Government's role as trustee. The Executive Committee is satisfied with the volume and transparency of financial data being provided to it by the current cash basis accounting system. The cost of purchasing a fully automated accrual accounting system and/or hiring an outside vendor would outweigh the benefits derived from such. The Executive Committee agrees to revisit this management suggestion from time to time.