

April 23, 2018

To the Supervisor and the  
Town Board of the Town of North Salem  
266 Titicus Road  
North Salem, NY 10560

In planning and performing our audit of the financial statements of the Town of North Salem as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of North Salem's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements in accordance with *Government Auditing Standards*, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Salem's internal control.

The management of the Town of North Salem is responsible for establishing and maintaining an internal control structure. An internal control system consists of five elements: the control environment, risk assessment, information and communication, monitoring, and control activities. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. This letter does not affect our report dated April 23, 2018 on the financial statements of the Town of North Salem. Certain matters involving the internal control structure and its operation, of a more routine nature, have been discussed verbally with the appropriate administrative personnel. Our comments are summarized as follows:

#### INTERNAL CONTROLS

During our review of the Town's oversight procedures we noted that two compensating controls were not being performed as intended. We recommend that the Town have a second employee review and initial the bank reconciliations and adjusting journal entries on a monthly basis to ensure that the procedures are being performed timely and that any errors or omissions might be identified.

**Management's Response** - It should be noted that bank reconciliations are being done on a timely monthly basis. We will have the Town Supervisor review and initial monthly.

## MONITORING

During our review of the Town's Board Minutes we noted several authorizations by the Board to use fund balance for specific purposes. Although the activity in the accounting records was consistent with the Board's intent, there were no corresponding budget modifications recorded in the accounting records to properly reflect the planned use of additional funds. We recommend that the Board authorize corresponding budget modifications to reflect their intentions, and that the modifications be posted into the accounting records in a timely fashion.

**Managements Response** - The Town Supervisor will establish separate Town Board Resolutions labeled as Budget Modifications and Budget Transfers and have them posted to the accounting records when adopted.

During our review of the Town's Trust and Agency account balances we noted funds being held in escrow with no identifiable project. All escrow balances should have a corresponding schedule that details the individual amounts being held. We were informed that the Town is in the process of identifying the source of these funds and dispersing as required.

**Management's Response** - This refers to the old Wetlands Escrow account which the Planning Board Chairman is currently reviewing to determine the status of any outstanding monies owed.

In conclusion, we would like to thank the Staff who assisted us during our examination, and provided us with all the necessary records.

Very truly yours,

A handwritten signature in cursive script that reads "Cooper Arias LLP". The signature is written in dark ink and is positioned above a horizontal line.

Cooper Arias, LLP