

June 16, 2020

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, 2019, 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 June 16, 2020 on the financial statements of the Town of North Salem. Our comments are summarized as follows:

Certain matters involving the internal control structure and its operation, of a more routine nature, have been discussed verbally with the appropriate administrative personnel.

CONTROL ACTIVITIES

During our review of the General Fund escrow balances, we noted variances between the schedules compiled by the various departments and the amount reported in the general ledger. We tested the activity posted during the year and noted two misclassifications between escrow types, which were corrected by the Director of Finance. It appears that the remaining variances, which are not material to the financial statements, were the result of transactions prior to 2019. We recommend that the Town review the individual project balances in the Planning, Engineer and Wetlands escrow accounts to determine the actual amount being held by the Town for existing ongoing projects.

Management's Response - The Town Supervisor and Director of Finance along with the Departments responsible for escrow accounts are reviewing the process of accounting for and recording escrow accounts to better manage and account for these funds.

PREVIOUS RECOMMENDATIONS

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 recommend that the Town identify the source of these funds and disperse as required.

Management's Response - The Director of Finance and the Director of Planning and Building Department are currently reviewing outstanding escrow balances to determine the status of the old accounts.

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,



Cooper Arias, LLP