



*Proven Expertise and Integrity*

October 16, 2013

Board of Selectmen  
Town of Fair Haven, Vermont  
Municipal Building  
3 North Park Place  
Fair Haven, Vermont 05743

We have audited the financial statements of the Town of Fair Haven, Vermont, for the year ended June 30, 2013.

In planning and performing our audit of the financial statements of the Town of Fair Haven, Vermont as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered The Town of Fair Haven, Vermont's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, 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's internal control.

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, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A control deficiency 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 misstatements on a timely basis. However, as discussed below, we identified a certain deficiency in internal control that we considered to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in design exists when:

- A control necessary to meet the control objective is missing; or
- An existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

A deficiency in operation exists when:

- A properly designed control does not operate as designed; or
- The person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a significant deficiency, or combination of deficiencies, 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 significant deficiency is a control deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

These matters do not modify our opinion on the financial statements for the year ended June 30, 2013, where we expressed an unqualified opinion on our independent auditors' report dated August 29, 2013.

**Significant Deficiency:**

**Cash Receipt Posting– Town Wide and Transfer Station:**

In performing our test work for the above mentioned year audited, we reviewed the controls at the Town. We noticed the transfer station was still not making daily deposits and that there was really no formal process in collecting cash inside the transfer station. The Town should continue to review its transfer station cash collection policies and adjust where necessary. The Town should also post all cash receipt activity daily and perform more frequent deposits and consider a safe or another more secure method to keep the cash in at the transfer station.

**Staples Credit Card:**

While performing the audit for the above mentioned year end, we noticed the Town Staples card still has the name of a previous Town Manager. We recommend the Town update the Staples Card account.

**Accounts Payable Warrant:**

While performing the audit for the above mentioned year end, it appears a check written to Rutland Recreation was cashed before the warrant was approved. We recommend that all checks written to vendors are held on to by the Town until the warrant is approved at a publicly held meeting.

**Credit Card Policy:**

While performing the audit for the above mentioned year end, it was noticed that the Town uses numerous charge cards for its everyday business. Some include Wright Express, Citgo, Staples, Home Depot (2 cards maintained by Town Clerk). We recommend the Town establish a formal; credit card policy to be adhered to by all Town employees and consider eliminating one of the Home Depot Cards.

**Cash Receipting – Town Clerk:**

While performing the audit for the above mentioned year end, it was noticed that the Town Clerk does not receipt everything through the Town's bookkeeping system. It should also be known that postal money orders are being purchased by the Town Clerk to remit monies collected by the Town due to the State of Vermont. The Town should review this process and see if a better practice is available.

**Material Weakness:**

**Cross Training:**

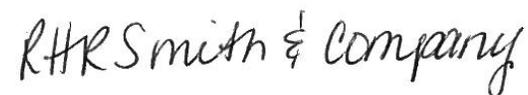
Currently, the Town still has no back up for some of the fiscal duties being performed by the Town Accountant. An unanticipated absence of certain key personnel could leave the Town unable to maintain basic fiscal operations. We believe that ability to maintain key fiscal operations during an employee's absence is vital to the Town. The Town should train and cross train existing personnel within the Town office to each be knowledgeable and have abilities to perform additional financial functions.

The letter is intended solely for the information and use of management, those charged with governance, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank Herb, Jenny, Suzanne and all of the staff at the Town for all of their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,

A handwritten signature in cursive script that reads "RHR Smith & Company".

RHR Smith & Company, C.P.A.'s