



HAMILTON & MUSSER, PC

Certified Public Accountants • Consultants to Management

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April 13, 2021

Nan Dunford, Borough Manager
The Borough of Hanover
44 Frederick Street
Hanover, PA 17331

In planning and performing our audit of the financial statements of The Borough of Hanover as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered The Borough of Hanover'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 Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 30, 2021, on the financial statements of The Borough of Hanover.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Borough personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Borough Council, and others within The Borough of Hanover, and is not intended to be, and should not be, used by anyone other than those specified parties.

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Summary of Comments and Suggestions

Water Department Inventory

1. During our water distribution/streets inventory observation, we noted that the Water Distribution/Streets Supervisor has unlimited access to the inventory items (custody function) and also has the ability to charge inventory items to projects (recordkeeping function). These conflicting responsibilities could allow for the misappropriation of the inventory items. We recommend that either these duties be separated or that some compensating controls be implemented to offset this risk.
2. We also noted that although the copper storage room is locked, all Department employees have a key and are able to access the storage room. We recommend that one employee be given access to this locked room and that same employee maintain an inventory log of the contents of the copper inventory. As new items are purchased and items are requested from the inventory, the log should be updated. Those requesting items from the storage room should sign the log, indicating their receipt of the items requested.
3. During our inventory observation, we also noted that the Kornerhorn meters in the storage area did not agree with the inventory record of those meters. We understand that this is likely due to a meter being used and not included on the work order. This oversight will cause the inventory records to overstate the number of meters available in the inventory. We recommend that additional care be exercised in assuring that the use of these meters be properly reported and reflected in the inventory records.