

**TOWN OF CARVER, MASSACHUSETTS  
SUGGESTIONS FOR IMPROVEMENT IN ACCOUNTING  
PROCEDURES AND INTERNAL CONTROL  
JUNE 30, 2006**

September 20, 2006

To the Honorable Board of Selectmen  
Town of Carver, Massachusetts

In connection with our audit of the financial statements of the Town of Carver, Massachusetts (the Town) for the year ended June 30, 2006, we are presenting for your consideration, our comments and recommendations regarding internal control and other matters. The purpose and extent of our study and evaluation of the Town's system of internal control is described in our separate report dated September 20, 2006 issued in conjunction with the audit.

The comments and recommendations presented herein are intended to improve the system of internal accounting control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with management to obtain their concurrence before the development of our recommendations for improvement. Matters commented on represent findings during the audit and have not been reviewed subsequent to September 20, 2006.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on many positive attributes of the Town's financial management systems. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex governmental accounting environment.

We would like to commend management and other departmental personnel for their progress in implementing many recommendations on findings presented in previous years. Additionally, we would like to acknowledge the courtesy and assistance extended to us by Town personnel during our audit.

Very truly yours,



Thevenin, Lynch, Bienvenue, LLP



## **STATUS OF PRIOR YEAR COMMENTS**

As part of our audit of the Town's financial statements for the year ended June 30, 2005, we had several comments and suggestions, issued in our report dated November 30, 2005. The Town has acted on some of these comments and suggestions, but additional attention is still needed on our ongoing comments concerning internal control over the cash reconciliation process.

### **Cash reconciliations**

In prior years, we had several comments regarding the Town's cash accounts. We noted reporting of cash receipts through the financial management system was not being completed on a timely basis, and there was a variance in the amount of cash reported by the Treasurer to the amount of cash reported on the Town Accountant's general ledger. Last year we noted several unclaimed checks and recommended these be cleared. We also noted unauthorized bank accounts.

We followed up on these issues in our current audit and noted some improvement in the timeliness and effort in the completion of the bank reconciliation process. However, a variance was noted at year-end. In addition, we noted several unauthorized bank accounts and incomplete reconciliations on certain accounts. The cash variance between the Treasurer's cash and the cash per the general ledger amounted to \$10,320 as of June 30, 2006.

We continue to recommend the Town close all unauthorized accounts, and the Treasurer maintain custody of all authorized accounts. We continue to recommend the Town Treasurer reconcile cash on a timely basis after each month end with the Town Accountant. Finally, we continue to recommend the Town Treasurer clear old, outstanding checks from the vendor and payroll accounts.

### **Improve internal control over the billings and collections of retiree health insurance**

In prior years, we recommended the Town improve internal control over the billing and collection of retiree health insurance by issuing invoices to retirees and by segregating billing and collection duties. We understand these recommendations were considered, but no action has been taken yet. We continue to recommend the Town implement these suggestions.

### **Consider preparing a split-payroll at year-end**

In prior years, as part of our audit we evaluated the need for the town to record accrued payroll at year-end. We noted the Town does not provide for a split payroll where payroll earned in one fiscal year is charged to the year earned instead of the year paid, which is typically higher due to July 1 wage increases.

The Town is implementing this recommendation commencing in FY 2008.

### **Evaluate Potential Component Units and Related Organizations**

Last year, we recommended the Town consider an evaluation of related activities to comply with the Governmental Accounting Standards Board Statement 39 - *Determining Whether Certain Organizations are Component Units*. As part of this evaluation, we recommended the Town go through the determination process and document its conclusions whether or not outside entities (using the tax I.D. number or not) should be included in the Town's reporting entity and perhaps adopt a policy regarding those entities that are not considered part of the Town's reporting entity.

We noted during the audit, there were outside entities using the Town's tax I.D. number. We did not identify any material organizations that are required to be included under the requirements of GASB 39. We continue to recommend the Town go through the determination process and document its conclusions whether or not outside entities (using the tax I.D. number or not) should be included in the Town's reporting entity.



### **Consider a Real Estate Tax Custodian**

Last year, we recommended the Board of Selectmen consider the appointment of a Real Estate tax custodian in accordance with Chapter 60, Section 77B of the M.G.L. In addition, we recommended a list of tax foreclosed properties with the amounts of the foreclosure should be maintained to support the amounts reported on the Town's general ledger.

We noted, the Town has considered this recommendation but did not implement a change during FY 2006. The detail list of foreclosures does not agree with the amount reported on the general ledger. We continue to recommend the Town reconcile the detail list of tax foreclosed properties with the general ledger and consider the appointment of a Real Estate tax custodian in accordance with Chapter 60, Section 77B of the M.G.L.

### **Address deficit in Police Details Agency Fund**

At June 30, 2005, the police details agency fund reported a deficit fund balance. We recommended the Town support implementing a billing system for the Police department using readily available accounting software and we further recommended efforts be made to locate police detail billing records from the beginning of the fiscal year in an attempt to identify the source of the deficit in the police details agency fund.

It is our understanding, the Town has not implemented a new billing system but may do so in the future. The Town has addressed the deficit by funding it in FY 2007 from general funds and will concentrate on proper billing and collection efforts going forward.

We continue to recommend the Town support implementing a billing system for the Police department using readily available accounting software. In addition, we recommend the Town consider a policy to improve the collection process so that details are not being paid without sufficient funds available because of collection problems.

### **Evaluate use of Agency accounts for certain transactions**

Last year, we recommended the costs and any associated reimbursement for post-closure landfill maintenance costs may be more properly classified in either a special revenue fund or capital projects fund. We recommended the Town evaluate the accounting treatment of these transactions.

As part of our audit, we reviewed activity recorded through the town's agency funds. We noted the Town is recording activity related to the landfill capping through an agency account which has a deficit balance of nearly \$135,000 as of June 30, 2006. The Town is expecting to ultimately be reimbursed for these costs.

We recommend the Town further evaluate the accounting treatment of these transactions.

### **GASB 45 "Accounting and financial reporting by employers for post employment benefits other than pensions"**

Last year, we recommended Town management begin its planning now in order to properly implement the requirements of GASB 45 and to evaluate the impact on its financial statements. The Town has begun its planning and we encourage the Town to continue its efforts in preparing for the implementation of the GASB 45 requirements.

**Record reimbursable school building assistance as receivable and self audit the reimbursable project costs**

Last year, we recommended the Town perform a self audit of claimed reimbursable SBA project costs prior to audit from the Commonwealth. A self audit of these costs would prepare the Town for the Commonwealth's audit and would provide an opportunity to plan for a change in the schedule of payments that has been awarded to the Town on an estimated basis, if any.

We continue to recommend this self-audit as we understand the Town has one project yet to be audited.

**Provide copy of departmental turnovers directly to Town Accountant**

Last year, we recommended all turnovers be provided to both the Town Treasurer and Town Accountant directly. The Town Accountant should reconcile the Treasurer's monthly receipt reports against the accounting office copies of turnovers.

The Town has implemented this recommendation in the current fiscal year.

**Operate the "Circuit Breaker" fund in accordance with Department of Revenue (DOR) guidelines**

Last year, we recommended the Town account and operate the circuit breaker fund pursuant to the guidelines issued by the Department of Revenue. The Town has implemented this recommendation.



## **NEW COMMENTS AND SUGGESTIONS**

### **Student Activity Funds**

As part of this year's audit, we performed a cursory review of school operations. It has been the practice of the Town and the school department to not record the amounts in the general ledger.

Massachusetts General Law, Chapter 71, Section 47 provides practices in the administration of these amounts. We recommend the Town consider implementing the administrative practices for the student activity funds as provided under M.G.L, Chapter 71, Section 47.

### **GATRA Reimbursements**

During the testing of cash receipts, we noted the Town posts GATRA reimbursements as revenue subsequent to the month earned. We recommend the Town record a receivable at year end to account for reimbursements not received by year-end.

### **Outstanding payroll checks**

During the audit we noted the payroll bank account reconciliation listed outstanding checks totaling \$19,860.95. There is no detail list for the outstanding checks and it is our understanding the reconciling items have been outstanding for many years.

We recommend the Town make an adjustment noting the outstanding check amount not documented and keep and maintain a list of all outstanding checks going forward. The Town should also research old outstanding checks or test the validity of the outstanding check to determine whether a replacement check was issued.

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