

**TOWN OF CARVER, MASSACHUSETTS
SUGGESTIONS FOR IMPROVEMENT IN ACCOUNTING
PROCEDURES AND INTERNAL CONTROL
JUNE 30, 2007**

May 12, 2008

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 fiscal year ended June 30, 2007, 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 May 12, 2008 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 May 12, 2008.

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

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STATUS OF PRIOR YEAR COMMENTS

As part of our audit of the Town's financial statements for the year ended June 30, 2006, we had several comments and suggestions, issued in our report dated September 20, 2006. 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.

In the current year audit, the cash reported by the Treasurer and the amount reported on the Town Accountant's general ledger were reconciled. In addition, the new Town Treasurer has implemented a cash reconciliation system which includes revised cashbooks, bank reconciliations to cashbooks, and reconciliation to the general ledger. We noted no unauthorized bank accounts. With regard to the cash reconciliations, it is our understanding the reconciliations were completed through October 31, 2007, which has left six months remaining to reconcile. We also noted the reporting of cash receipts through the financial management system were not being performed in a timely manner during the fiscal year.

We recommend the Treasurer continue with the improvements made in the cash reconciliation and work toward completing the reconciliations and reporting of the cash receipts through the financial management system in a timely manner. We also recommend the unclaimed checks be cleared in accordance with the procedures outlined in the Massachusetts General Laws.

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.

Evaluate use of Agency accounts for certain transactions

In prior years 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.

We noted the deficit balance of nearly \$135,000 remains unchanged as of June 30, 2007. The Town is expecting to ultimately be reimbursed for these costs.

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

Student Activity Funds

Last year we recommend the Town consider implementing the administrative practices for the student activity funds as provided under M.G.L Chapter 71 Section 47.

It is our understanding this recommendation will be implemented in fiscal year 2008.

Outstanding payroll checks

Last year we noted the payroll bank account reconciliation listed outstanding checks totaling \$19,860.95. We recommended 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 is planning to implement this recommendation in fiscal year 2008.

NEW COMMENTS AND SUGGESTIONS

Improve procedures for collecting departmental receipts

During the current year audit, we reviewed collection procedures in both the Town Clerk's office and the building department. In reviewing the procedures of both departments, we noted pre-numbered receipts were not issued to all who pay cash. In addition, there was not a distinction between cash and checks on the turnover forms submitted to the Treasurer. In the building department, receipts were not submitted to the Town Treasurer within the weekly time frame allotted by the Massachusetts General Laws. The building department also kept cash and receipts in a locked filing cabinet.

We recommend departments accepting payments in the Town issue pre-numbered receipts to those who pay cash, make timely turnovers to the Town Treasurer, secure checks and cash received, and distinguish between cash and checks received on the turnover sheets submitted to the Town Treasurer.

Documentation of monies received on turnover forms

During our examination of cash receipts, we noted some turnovers lacked sufficient detail. This detail is necessary to identify source and purpose of the funds received. In one instance we found a \$100,000 receipt for a grant with no supporting documentation attached.

We recommend the Town require from departments and keep on file any supporting documentation necessary to identify the source and purpose of funds received.

Reconciliation of Police detail receivable

During the audit we reviewed the detail list of police detail receivable and compared it with the amount reported in the general ledger. The detail list did not reflect the amount reported in the general ledger.

We recommend a detail list be maintained and reconciled with the general ledger on a monthly basis.

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