

**TOWN OF CARVER, MASSACHUSETTS**  
**SUGGESTIONS FOR IMPROVEMENT IN ACCOUNTING**  
**PROCEDURES AND INTERNAL CONTROL**  
**JUNE 30, 2008**



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June 22, 2009

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, 2008, 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 June 22, 2009 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 June 22, 2009.

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,

A handwritten signature in cursive script that reads "Malloy, Lynch, Bienvenue LLP".

Malloy, Lynch, Bienvenue, LLP

## **STATUS OF PRIOR YEAR COMMENTS AND SUGGESTIONS**

As part of our audit of the Town's financial statements for the year ended June 30, 2007, we had several comments and suggestions, issued in our report dated May 14, 2008. 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**

During prior year audits, we made several comments surrounding the Town's cash accounts. We noted cash reconciliations not prepared timely, cash receipts not reported timely in the financial management system and several unclaimed checks from previous years. Although we noted some improvement, cash reconciliations continue to be prepared untimely and the Treasurer is not fully utilizing the financial management system for reporting cash receipts.

We continue to recommend the Treasurer work towards reporting cash receipts and complete cash reconciliations through the Town's financial management system, timely. We also recommend all unclaimed checks be cleared in accordance with procedures outlined by 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 Town evaluate its treatment of post-closure landfill costs and associated reimbursements. Currently, these transactions are reported in fiduciary funds. We feel they would be better classified as special revenue or capital project funds. We also noted a deficit balance of approximately \$135,000 remains unchanged as of June 30, 2008 in connection with these transactions. The Town expects to ultimately be reimbursed for these costs. We continue to recommend the Town evaluate the treatment of transactions relating to post-closure landfill costs and reimbursements.

### **Student Activity Funds**

In prior years, we recommended the Town implement administrative practices of student activity funds in accordance with Massachusetts General Law, Ch. 71, S. 47. During fiscal year 2009, we were engaged to complete a review of the Town's student activity funds and made several recommendations. It is our understanding that these recommendations will be implemented during fiscal year 2009.

### **Outstanding payroll checks**

Last year we noted approximately \$19,000 of outstanding checks on the reconciliation of the payroll bank account. Upon request, a detailed list of outstanding checks was not available for review. The amount of outstanding checks decreased to approximately \$17,000 during fiscal year 2008 and a detailed list was not available for review. We continue to recommend the Town maintain detailed list of outstanding checks.

### **Improve procedures for collecting departmental receipts**

Last year, we reviewed the Town Clerk's office collection procedures. We recommended the Town implement the use of pre-numbered receipts and distinguish between cash and checks received on turnover sheets remitted to the Treasurer. The Clerk's office now uses a cash register, which produces a receipt for all customers and is balanced daily. Types of monies are noted on turnovers, as well.

## Reconciliation of Police detail receivable

Last year, we recommended a detailed list of police details be maintained and reconciled to the general ledger on a monthly basis. This year we noted that sufficient reports are not remitted timely to the Town Accountant and continue to make this recommendation.

## NEW COMMENTS AND SUGGESTIONS

### Recording Departmental Receivable Activity

During our audit, we noted activity and balances of certain receivables (state highway aid, ambulance, etc.) are not recorded on the Town's general ledger. We recommend the Town make provisions for reconciling departmental receivable activity and balances.

### New auditing standards – "Risk Assessment"

Auditing standards, collectively called the "risk assessment standards" became applicable to entities in fiscal year 2008. These standards continue to stress management's responsibility for financial statements and internal control in comparison to work required to be performed by an outside independent auditor. Increasingly, emphasis has been placed on reaffirming management's responsibility for the financial statements, financial reporting, and implementing and monitoring an appropriate level of internal control surrounding the entity's financial reporting to not only to safeguard assets, detect and prevent financial reporting misstatements, but also to prevent and detect fraud.

It has become more important for entities to routinely review established internal control policies and procedures, and periodically performing a risk assessment, and document it. Absent formalized risk assessments by entities, auditors may have to issue a modified report to reflect this, depending upon the surrounding facts and circumstances.

While many departments have policies which are generally followed, the need to more formally document these policies and procedures has increased. While each department may have characteristics unique to itself, a consensus of certain requirements (i.e. reporting, cutoff periods, etc) should be standardized.

Recently, the Town has been documenting and formalizing various financial policies and procedures. We will continue to inform and assist the Town to ensure it meets the requirements of these recently issued standards.

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