

**TOWN OF HALIFAX, MASSACHUSETTS**  
**MANAGEMENT LETTER**  
**JUNE 30, 2009**



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June 3, 2010

To the Honorable Board of Selectmen  
Town of Halifax, Massachusetts

In planning and performing our audit of the financial statements of the Town of Halifax, Massachusetts (the Town) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal accounting 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.

*A deficiency in internal control* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *significant deficiency* is a 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. A *material weakness* is a deficiency, or combination of deficiencies, in internal control 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are also submitting for your consideration comments and recommendations which are not considered to be significant deficiencies but are intended to improve operations and internal accounting control.

The comments and recommendations presented herewith in 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 3, 2010.

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 department 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.

This communication is intended solely for the information and use of management, the Board of Selectmen, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Malloy, Lynch, Bienvenue, LLP*

June 3, 2010

## **STATUS OF PRIOR YEAR COMMENTS**

As part of our audit of the Town's financial statements for the year ended June 30, 2008, we issued a letter of comments and suggestions dated August 14, 2009, relating to our fiscal year 2008 audit. The Town has considered these comments. The status of our prior year comments is presented below.

### **Improve capital asset accounting and reporting**

In a prior year we recommended a review of capital asset additions should be done by the Town to ensure the projects have commenced or been completed and that the Town should implement procedures to properly record capital asset information. This has been identified as a material weakness (2009-01) in our current year report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with *Government Auditing Standards* dated June 3, 2010. See that report for more information.

### **Record all cash accounts on the general ledger**

In a prior year we recommended the Town provide for recording all cash accounts through the general ledger. Specifically, we identified the Deputy Collector and Tax Collector's accounts. The Town has considered this recommendation, and will be taking action in future years.

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

We previously recommended the Town prepare for the implementation of the requirements of GASB 45. The Town had the required actuarial valuation performed to calculate the amount of this liability.

### **Develop policies and procedures to ensure the charging of indirect costs**

Last year we recommended the Town to review its practices of charging indirect costs to enterprise funds. With the issuance of an enterprise fund manual by the Department of Revenue, we continue this recommendation.

### **Improve year-end closing process**

For fiscal year 2008 the Town required additional assistance to close its financial ledgers and to submit year-end financial reports to the Massachusetts Department of Revenue. For fiscal year 2009 the Town closed its books on its own; however, additional closing entries were required by the DOR to adjust receivable balances prior to preparing the required year-end financial statements for submission to the Bureau of Accounts for certification of free cash.

### **Perform monthly reconciliations**

As part of our prior audit we reviewed the process and procedures the town has in place to safeguard its assets and ensure accurate financial reporting. One of the Towns key internal control procedures is the monthly reconciliation of the general ledger cash and receivable accounts to the amounts reported by the Treasurer and Collector. This has been identified as material weaknesses (2009-02 and 2009-03) in our current year report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with *Government Auditing Standards* dated June 3, 2010. See that report for more information.

## **CURRENT YEAR COMMENTS AND SUGGESTIONS**

### **Perform required property inspections**

As we understand it, every property on the tax rolls must be inspected at least once within a 9 year period. In our testing we noted 2 properties out of a sample size of 10 had not been inspected within the last 9 years. We recommend the Town perform property inspections in accordance with applicable guidelines.

### **Material weaknesses identified during our current year audit**

Our current year report on internal control over financial reporting and on compliance and other matters based June 3, 2010 contained 3 material weaknesses as follows: Implement procedures to maintain inventory of capital assets and infrastructure (2009-01); Implement procedures to reconcile cash timely (2009-02); and Improve calculation, recording, and reconciliation of certain receivable accounts (2009-03). Please see that report and accompanying schedule of findings and responses for additional information.

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