

TOWN OF HALIFAX, MASSACHUSETTS
MANAGEMENT LETTER
JUNE 30, 2012



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January 31, 2013

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, 2012, 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 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 January 31, 2013.

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,

MLB CPA, LLP

January 31, 2013

STATUS OF PRIOR YEAR COMMENTS

As part of our audit of the Town's financial statements for the year ended June 30, 2011, we issued a letter of comments and suggestions dated June 25, 2012, relating to our fiscal year 2011 audit. The Town has considered these comments. The status of our prior year comments is presented below.

Material weakness and significant deficiency identified during our prior year audit

Our prior year report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* contained one material weaknesses: Implement procedures to reconcile cash timely (2011-02) and one significant deficiency: Implement procedures to maintain inventory of capital assets and infrastructure (2011-01).

There has been no change to the aforementioned material weakness and significant deficiency for 2012. The items are explained in more detail on the schedule of findings and responses accompanying our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2012.

Record all cash accounts on the general ledger

We continue to recommend the Town record the Deputy Collector and planning board accounts in the Town's general ledger.

Improve year-end closing process

Last year we recommended the Town implement procedures for a more thorough closing process at year end. The Town has made improvements in its yearend closing process; however, the closing process was delayed because cash accounts were not timely reconciled as described above.

Improve organization of Treasurer and Collector's office

In prior years we recommended the Treasurer's office adopt internal procedures to improve office organization. This has been done as office personnel implement elements of the new FMS.

Proration of health insurance premiums between employers

As part of the Municipal Relief Act procedures were authorized whereby employers now have the ability to prorate the cost of health insurance premiums paid to retirees between multiple employers. We continue to recommend Town management implement procedures to ensure that it can timely and properly assess other governmental units for prorated retiree health insurance costs, as well as verify costs prorated to it from other governments.

Improve internal control over Treasurer's signature

Last year we recommended the Treasurer maintain control over the signature stamp and provide access to the Assistant Treasurer only when necessary. The Treasurer implemented this procedure during fiscal year 2012.

Implement reconciliation procedures with the Deputy Collector

As part of audit procedures we understand there were no reconciliations performed between the Treasurer's records and those of the Deputy Collector during fiscal year 2011 and 2012. We recommend the Treasurer periodically and regularly reconcile activity and outstanding balances with the Deputy Collector.

CURRENT YEAR COMMENTS AND SUGGESTIONS

Significant deficiency and material weakness identified during our current year audit

Our current year report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* contained one significant deficiency: Implement procedures to maintain inventory of capital assets and infrastructure (2012-01) and one material weakness: Implement procedures to reconcile cash timely (2012-02). Please see that report and accompanying schedule of findings and responses for additional information.

Implement segregation of duties or monitoring of health insurance self pay individuals

From our inquiry of procedures of individuals (retirees or COBRA) who reimburse the Town for health insurance, we understand one person is responsible for billing (when necessary), taking receipts, recording and tracking receipts, and preparing schedule of department receipts (turnover). We recommend procedures be implemented to segregate some of the duties and/or monitor the transactions and records.

Reconcile ambulance receivable activity and balances

When the Town changed its financial software during fiscal year 2011, individual ambulance account transactions (history) were not brought into the new software. As such the detail ambulance records and balances for fiscal years 2010 and prior are no longer being updated since the Town is no longer using that software. Fiscal year 2011 and 2012 activity is recorded in the Town's new financial software.

Separately, the fire department maintains a history of all ambulance accounts. We understand certain abatements and other transactions recorded by the Town have not been recorded to the fire departments records. The Town has begun to reconcile the activity and account balances between the various records in order to have a complete picture of the ambulance receivable balances outstanding. We agree with this course of action and our available to offer assistance if needed.

Implement reporting procedures for student activity funds

We inquired of the Town Treasurer about the reporting activity of student activity funds of the Town's elementary school. The Treasurer was unable to provide us with an accounting of student activity funds from the school. We recommend the Town Treasurer and Town Accountant implement procedures in accordance with Massachusetts General Law Chapter 71, Section 47 to obtain an accounting of the student activity funds.
