

**TOWN OF HALIFAX, MASSACHUSETTS**  
**MANAGEMENT LETTER**  
**JUNE 30, 2013**



Lynch, Malloy, Marini, LLP

*Certified Public Accountants & Advisors*

www.lmmepas.com

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, 2013, 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 March 17, 2014.

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 and we recognize that practical considerations are an important factor in changing administrative practices and internal control. The Town should weigh the advantages and disadvantages of the suggested changes over the present practices and procedures.

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.

*Lynch, Malloy, Marini, LLP*

Norwell, Massachusetts  
March 17, 2014



Lynch, Malloy, Marini, LLP  
Certified Public Accountants & Advisors  
[www.lmmcpas.com](http://www.lmmcpas.com)



## **STATUS OF PRIOR YEAR COMMENTS**

As part of our audit of the Town's financial statements for the year ended June 30, 2012, we issued a letter of comments and suggestions dated January 31, 2013, relating to our fiscal year 2012 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 (2012-02) and one significant deficiency: Implement procedures to maintain inventory of capital assets and infrastructure (2012-01).

The Town has taken procedures to address the significant deficiency related to the capital assets and track the additions during the year. While the Town has addressed the significant deficiency, we continue to recommend the Town evaluate procedures to improve the reporting of the capital assets additions and disposals.

There has been no change to the aforementioned material weakness. 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, 2013.

### **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.

### **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 year-end closing process; however, we continue to recommend the Town review processes to improve the year-end closing procedures including timely reconciliations of cash.

### **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.

### **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.



### **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 2012 and 2013. We recommend the Treasurer periodically and regularly reconcile activity and outstanding balances with the Deputy Collector.

### **Reconcile ambulance receivable activity and balances**

During our review of ambulance receivables, we noted several variances between the records of the accountant and collector. We continue to recommend the treasurer/collectors office regularly review the balances in the receivable accounts to have complete and accurate outstanding ambulance receivable detail.

### **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.

## **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 material weakness: Implement procedures to reconcile cash timely (2013-01). Please see that report and accompanying schedule of findings and responses for additional information.

### **Internal control recommendations**

As a normal component of the audit, we obtain an understanding of the Town's systems and controls and complete walkthroughs and testing to validate compliance with the Town's internal controls and compliance with MGL.

During the test of turnovers for 2013, there were some findings related to internal control procedures. There were turnovers selected for testing that did not include signatures (2 of 8) and lacked proper department head authorizations (1 of 8). We recommend the turnover internal control process and procedures be reviewed regularly to ensure internal controls are being followed.

From the inquiry of the tax collector, it was discovered that letters are not sent to delinquent payers regarding tax title until the beginning of the calendar year. We recommend the collector put delinquent tax payers into tax title in a timely manner to improve the collection process on these accounts.

During procurement testing, there was an expenditure selected that did not have a supporting contract agreement for expenditures over \$15,000 during 2013. We recommend the Town evaluate procedures related to compliance with MGL Ch. 30B. In addition, there were a few instances where bids were not kept on file with the contracts. We recommend the Town keep all bids with the associated contracts.

\*\*\*\*\*

