

**TOWN OF
NORTH ATTLEBOROUGH, MASSACHUSETTS**

Management Letter

For the Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY LETTER	1
 <u>CURRENT YEAR ISSUES:</u>	
1. Develop a More Formal Risk Assessment Process	3
2. Maintain Receivable Control Records	3
 <u>PRIOR YEAR ISSUE:</u>	
3. Establish FTC “Red Flag” Security Documentation	4



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

10 New England Business Center Drive • Suite 112
Andover, MA 01810-1096
(978) 749-0005 • Fax (987) 749-0006
www.melansonheath.com

To the Board of Selectmen
Town of North Attleborough, Massachusetts

In planning and performing our audit of the financial statements of the Town of North Attleborough, Massachusetts 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 of North Attleborough'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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

The Town's written response to our comments and suggestions has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, 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.

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

Melanson, Heath + Company P.C.

Andover, Massachusetts

March 24, 2010

CURRENT YEAR RECOMMENDATIONS:

1. Develop a More Formal Risk Assessment Process

The Town informally performs its own risk assessment for possible fraud or material misstatement through various policies and procedures and regular reviews of trends in the financial statements. Risk assessment is a management function designed to identify where an organization may be vulnerable to errors and/or irregularities. A complete risk assessment process involves a written description of risk areas identified by those charged with governance (management and elected officials) and a description of how the organization intends on responding to the risks.

We recommend that the Town implement a more formal risk assessment process that includes written identification of areas where potential fraud or material misstatements to the basic financial statements may occur. Regular Department Head meetings could be used as a starting point for such risk assessment discussion.

Town's Response:

It is the Town's intent to formally address a risk assessment process concerning potential fraud or material misstatements to the basic financial statements.

2. Maintain Receivable Control Records

The Town currently has difficulty in reconciling receivable balances between the general ledger and the Tax Collector's detail records. Often the differences are caused by timing differences that are not easily identifiable because the tax system reports are presented on a cumulative life-to-date basis, however, the general ledger reports on a monthly and annual basis.

We recommend the Tax Collector maintain a spreadsheet to track receivable activity (e.g., commitments, abatements, refunds, collections) on a monthly basis. This will provide a documented methodology to be used to reconcile to general ledger receivable accounts, thereby improving controls over the Town's receivable balances.

Town's Response:

The Tax Collector's office has always maintained spreadsheets to track monthly activity as follows:

1. Monthly receipt entry proof spreadsheet by levy year – This report is created utilizing the daily batch proof reports.
2. Bank Deposit spreadsheet – A separate spreadsheet is maintained which includes daily deposits by corresponding bank.

These two reports are completed by two (2) different staff members for audit control purposes and segregation of duties as part of the daily reconciliation.

3. Tax adjustment spreadsheet to track monthly adjustments by levy year such as abatements, tax bill adjustments, refunds, and NSF reversals.

Another change has taken place as of November 2009 that has helped with tracking monthly receipts to the General Ledger. Payments are now posted to the G/L on the date received, not by the date deposited. By following this process, the timing of posting receipts to Tax Receivables and to the G/L is consistent.

It is my opinion that to maintain an additional spreadsheet would be redundant in light of the reconciliation tools that are currently in place within the Tax Collector's Office. However, if the methods used by the Town Accountant's Offices do not allow for the reconciliation of the Tax Receivables to the General Ledger, it is easy enough for me to follow the auditor's recommendation by maintaining an additional spreadsheet, which will merely be making use of reformatted data from the existing spreadsheets listed above, to meet their request.

PRIOR YEAR RECOMMENDATION:

3. Establish FTC "Red Flag" Security Documentation

To combat the growing problem of identity theft, the Federal Trade Commission (FTC) issued new "Red Flag" rules that apply to all municipalities that have utility accounts such as water, sewer or electricity. Municipalities have

until June 1, 2010, to have written programs to identify, detect, and respond to patterns, practices, or specific activities – known as red flags – that could indicate identity theft. Examples of red flags include alerts, notifications, or warnings from a consumer reporting agency, forged or inconsistent customer identifying information, as well as many other examples described in the FTC rules.

We recommend the Town establish the Red Flag documentation to assure compliance with this new Federal requirement.

The rules can be found at:

www.ftc.gov/os/fedreg/2007/november/071109redflags.pdf

Town's Response:

This has been completed as of October 2009 for Water and Sewer, and Electric department.