

**TOWN OF  
NORTH ATTLEBOROUGH, MASSACHUSETTS**

**Management Letter**

**For the Year Ended June 30, 2010**

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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, 2010, 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 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 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. In addition, because of the inherent limitation in internal control, including the possibility of management's override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

*Additional Offices:*

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

During our audit we became aware of certain other matters that we believe represent 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, and 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  
April 5, 2011

## **STATUS OF PRIOR YEAR RECOMMENDATION:**

### **1. Develop a More Formal Risk Assessment Process**

#### Prior Year Issue:

In the prior year, we recommended 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.

#### Current Year Status:

We understand the Town has begun discussing potential risk areas at department head meetings, has established a draft employee fraud policy, and has begun drafting formal accounting policies and procedures.

#### Further Action Needed:

We recommend that the Town continue to discuss and address risk areas with department heads and complete the process of formally adopting a fraud policy and accounting policy and procedure manual. This will help to minimize the risk of fraud and/or material errors occurring and going undetected.

#### Town's Response:

The Town had been meeting regularly to review and upgrade its Risk Assessment Process and is finalizing a new Fraud Policy.

## **CURRENT YEAR RECOMMENDATIONS:**

### **2. Reconcile Landfill Receivables**

The Town has had difficulty in reconciling landfill receivable balances between the general ledger and detail customer balances. At June 30, 2010 the general ledger balance was \$ 51,627 lower than the detail receivable records.

We recommend the Solid Waste Department temporarily maintain an Excel spreadsheet to track all actual receivable activity (e.g., beginning receivables,

billings, collections, abatements, and ending receivables). This spreadsheet should be used to reconcile to the detail receivable records maintained by the Solid Waste Department. Once reconciled internally this spreadsheet should be proven to the general ledger receivable records. All differences should be identified to determine the cause and be corrected. Once the reconciling issues have been resolved, the Solid Waste Department could discontinue maintaining this spreadsheet, however, continue reconciling with the general ledger on a monthly basis.

Town's Response:

The Solid Waste Department currently maintains an Excel spreadsheet tracking all receivable activities and this spreadsheet is reconciled with the detail receivables records on a monthly basis. When differences arise between these sheets and the general ledger, the department will work with the Accounting Office to identify the source (cause) of these differences and endeavor to correct the problems.

**3. Prepare for New Accounting Standard GASB 54**

Beginning in fiscal year 2011, the Town will need to implement a new accounting standard, called the *Governmental Accounting Standards Board (GASB) Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes new criteria of special revenue funds, and new classification of governmental fund balances. Certain Town-established funds, such as stabilization, will no longer be reported separately, but instead be reported in the general fund for the year end audited financial statements. In addition, the classifications of reserved, designated and unreserved fund balances will be replaced with new classifications of nonspendable, restricted, committed, assigned, and unassigned fund balances.

We recommend the Town begin planning for the implementation of GASB 54, which includes gaining an understanding of the new requirements and training to internal users of the audited financial statements. We could provide the Town with training resources on GASB 54, if requested.

Town's Response:

The Town both acknowledges and understands the above comment and will take the necessary measures to implement as mandated.