

**TOWN OF SHERBORN, MASSACHUSETTS**

**Management Letter**

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

TABLE OF CONTENTS

	<u>PAGE</u>
<b>INTRODUCTORY LETTER</b>	1
<b><u>CURRENT YEAR RECOMMENDATIONS:</u></b>	3



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

10 New England Business Center Drive • Suite 107

Andover, MA 01810-1096

(978) 749-0005 • Fax (978) 749-0006

[www.melansonheath.com](http://www.melansonheath.com)

To the Board of Selectmen  
Town of Sherborn, Massachusetts

In planning and performing our audit of the financial statements of the Town of Sherborn, 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 Sherborn'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 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, the 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

June 14, 2011

## **CURRENT YEAR RECOMMENDATIONS:**

In the current year we noted the following areas where efficiencies and/or internal controls could be improved. We will be available to discuss these issues with the Town in more detail, if requested.

- Approve Expense Reimbursements – Department heads currently approve their own expense reimbursements. We recommend all department head expense reimbursements be approved by the Town Administrator to improve oversight and control.

### Town's Response:

Currently, the Town does not have a Town Administrator however this will be brought up for review when the position is filled. The Town will suggest however that all expense reimbursements are reviewed and signed off by: (a) the Town Accountant, and (b) the Board of Selectmen in the process of approving the Warrant.

- Approve Credit Card Charges – The Treasurer has a Town credit card that is used to make purchases for all Town departments; however, we noted that charges are not reviewed by another employee. We recommend that controls be strengthened by requiring an independent employee review all credit card billing statements and approved invoices in order to improve oversight and control over credit card purchases.

### Town's Response:

The credit card bills are reviewed and reconciled to the warrants monthly by the Treasurer and from time to time by the Assistant Treasurer. However, we can put in place an additional monthly review by someone other than the Treasurer.

- Perform Audit of Student Activity Funds – The School Department's decentralized student activity funds have not been audited in several years. We recommend these records be audited to help ensure that controls are operating effectively.

### Town's Response:

It is the Town's understanding that when the Student Activity Funds were established there was a requirement in the agreement that an audit would be

performed by the Business Manager of the School. The Town has forwarded your recommendation to the Business Manager with a request that an annual audit be provided in the future.

- Track/Reconcile FSA Account – The Town maintains a flexible spending account for employee health deductions and expenses, however, does not currently have procedures in place to reconcile between the general ledger and Treasurer’s records. We recommend procedures be established to track and reconcile this account to improve oversight and control.

Town’s Response:

As noted at the time of the audit, we were treating this as an imprest account in that none of the funds over and above the imprest amount belongs to the Town. However, we do recognize that they are funds in the Town’s possession and the records will be adjusted to reflect the year-end cash balance (over and above the imprest amount) in that account.