

TOWN OF SHERBORN, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2014

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Additional Offices:

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

To the Board of Selectmen
Town of Sherborn, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Sherborn, Massachusetts as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 over financial reporting.

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 a 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 material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we also 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 responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Melanson Heath

March 6, 2015

STATUS OF PRIOR YEAR RECOMMENDATIONS:

1. Improve Payroll Documentation

Prior Year Issue:

In the prior year, we recommended the Town utilize personnel action forms to formalize and enhance controls over employee positions and pay rates.

Current Year Status:

The Town does not currently use personnel action forms.

Further Action Recommended:

We continue to recommend the Town improve payroll documentation by using personnel action forms to formally document each employee's position and pay rate. These forms should be signed by the employee, a department head, and the Town Administrator, should be updated whenever the employee's position or pay rate changes, and should be retained in the employee's permanent personnel file.

Town's Response:

The Town concurs with the auditor's recommendation. The Town plans to implement the use of personnel action forms within the 4th Quarter of Fiscal Year 2015.

2. Improve Oversight of Library Trust Funds

Prior Year Issue:

In the prior year we recommended that the Library Trustees improve internal controls over the management of the Library's endowment and capital contribution funds. We also recommended the Town improve its accounting and oversight of these funds.

Current Year Status:

The Library Trustees implemented the recommended improvements to their internal controls in fiscal year 2014. The Town has not yet implemented any changes to the accounting and oversight of these funds.

Further Action Recommended:

We continue to recommend the Town improve its oversight of the Library's trust and capital contribution funds. Specifically, we recommend the Town perform periodic internal audits of the activity and balances of all funds in the custody of the Library Trustees. This will help to ensure that the amounts reported in the Town's general ledger are accurate and complete.

Town's Response:

The Town concurs with the auditor's recommendation. The Town Accountant, either with or without a third-party consultant, will work collaboratively with the Library Trustees to perform an internal audit on at least two intervals throughout the fiscal year.

CURRENT YEAR RECOMMENDATIONS:

3. Monitor Tenant's Compliance with Terms of Leland Farms Ground Lease

In 1999, the Town entered into a long-term ground lease with the Sherborn Community Housing Corporation (SCHC) for the Leland Farms housing development. Under the terms of this agreement, SCHC is required to make monthly contributions to a Maintenance Reserve Fund to cover the costs associated with the maintenance, repair, and replacement of the Leland Farms facilities and roadway. The initial monthly contribution rate was set by the terms of the lease and was to be adjusted annually by any increase in the Consumer Price Index. However, our review of revenues posted to this fund in fiscal year 2014 indicates that the monthly contribution rate has not been adjusted as required.

We recommend the Town monitor SCHC's compliance with the terms of the Leland Farms Ground Lease. This will help to ensure that the correct amount is contributed to the Maintenance Reserve Fund each year as required.

Town's Response:

The Town concurs with the auditor's recommendation. The Town Accountant will provide quarterly updates to the Town Administrator and Board of Selectmen on the status of Leland Farms compliance with the ground lease between the Town and the Sherborn Community Housing Corporation (SCHC).

4. Improve Controls Over Departmental Receipts

During our testing of internal controls over departmental receipts, we noted the following areas where improvements can be made:

School Lunch

- Checks and cash are maintained in an unlocked drawer under the cash register during working hours. We recommend that all receipts be kept in a locked drawer until the daily close-out. This will help to enhance the physical security of the daily receipts.
- The Accountant's copy of the daily turnover form is being given to the Assistant Treasurer to bring to the Town Accountant. We recommend the

Accountant's copy of the daily turnover form be forwarded directly to the Town Accountant by the appropriate School Lunch personnel. This will help to ensure that there is an adequate segregation of duties between the Town's treasury functions and the general ledger.

- The School Lunch Director does not currently sign off on the Pine Hill School turnover forms. We recommend the Director sign off on these forms when she does her weekly review as a formal acknowledgement of her approval of the School's accounting for its daily food service receipts.

Recycling Center/Transfer Station

- The Recycling Center/Transfer Station does not receive a monthly revenue report from the Town Accountant. We recommend the Town Accountant provide the Recycling Center/Transfer Station Director with a monthly revenue report to reconcile to his departmental receipt records. This will help to ensure that revenues are posted accurately in the general ledger.

Town's Response:

The Town concurs with the auditor's recommendation on both the School Lunch program and Transfer Station. The Town Accountant and Treasurer will work collaboratively with the School Business Office to strengthen internal controls for the School Lunch program by the end of fiscal year 2015.

The Town Accountant currently plans to provide monthly revenue and expenditure reports to all Town departments, including the Transfer Station, by the second week after the prior month has closed. This initiative will begin in March 2015.

5. Plan for Audit of Pine Hill School Student Activity Fund

In 2014, the Massachusetts Department of Elementary and Secondary Education (DESE) published audit guidelines for student activity funds. These accounts, which are established and administered under Chapter 71, Section 47 of the Massachusetts General Laws, are required to be audited annually in accordance with DESE guidelines.

We recommend the Town plan for an audit of the Pine Hill School student activity fund in accordance with DESE guidelines. This will help to ensure that the Town is in full compliance with Massachusetts General Laws.

Town's Response:

The Town concurs with the auditor's recommendation. The Town Accountant will work collaboratively with the School Business Office to conduct an internal audit of the Student Activity fund within the upcoming fiscal year 2015 audit cycle.