

TOWN OF MILLBURY, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY LETTER	1

CURRENT YEAR RECOMMENDATIONS:

1. Initial Invoices to Indicate Review and Approval	3
2. Process Deputy Collector Fees Through Warrant	3
3. Consider Audit of Student Activity Funds	4

Melanson Heath & Company, PC

Certified Public Accountants
Management Advisors

10 New England Business Center Drive Suite 112
Andover, MA 01810

Tel (978) 749-0005 Fax (978) 749-0006
www.melansonheath.com

To the Board of Selectmen
Town of Millbury, Massachusetts

In planning and performing our audit of the financial statements of the Town of Millbury, 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 Millbury'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, 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
December 29, 2009

CURRENT YEAR RECOMMENDATIONS:

1. Initial Invoices to Indicate Review and Approval

During our testing of the vendor disbursements, we noted that certain invoices did not include department head signatures indicating approvals. Even though the department heads sign the sub warrants and the Accounting Department reviews the invoices, documented oversight would be improved if individual invoices were signed by the department head indicating approval.

We recommend that the department heads initial individual invoices to improve documented oversight, and to minimize the risk of unauthorized payment of invoices.

Town's Response:

The Town recognizes the need for proper departmental oversight regarding the payment for goods and services provided to the Town. The Town has communicated to all Department heads the need to ensure that they are signing the individual invoices as well as the sub warrant. The Finance Department has implemented an additional step in the review process to ensure that all required signatures are on the invoices. Any invoices without signatures will not be processed until they have been approved by the appropriate department head.

2. Process Deputy Collector Fees Through Warrant

In our review of internal controls related to the Tax Collector's Office, we noted that fees earned by the Town's Deputy Tax Collector are deposited in a separate Town bank account, and the Town disburses the money to the Deputy through this account. Additionally, as a result of this practice, the audit trail over the collection of currency and checks to the actual bank deposit is not clear.

While this practice is allowable under Massachusetts General Laws, we recommend the Deputy Collector's fee be processed on a Town warrant. This would provide greater control over the disbursement from the Deputy Collector's bank account and enhance the internal controls currently in place in the Tax Collector's Office. Implementation of this recommendation would

also result in an improved audit trail over the collection of currency and checks.

Town's Response:

The Town of Millbury agrees that this recommendation will enhance the internal controls that are currently in place in the Tax Collectors office. The Town is in the process of confirming with DOR's division of local services as to what type of account is needed to satisfy this recommendation. The Town's goal is to have this implemented during FY10, however depending on the DOR recommendation; the implementation may be delayed until July 1, 2010.

3. Consider Audit of Student Activity Funds

Student activity funds represent amounts held in custody for various school groups to be used by the students. The Millbury School Committee has accepted State legislation which provides for the maintenance of most student activity fund cash balances with the Town Treasurer, while allowing the School Principal to maintain a checking account for operating purposes.

We recommend the School consider an audit of the decentralized funds to ensure appropriate internal controls are functioning properly. We further recommend the School adopt policies whereby internal audits of these accounts are performed periodically throughout the school year.

Town's Response:

The School Department recognizes the need to periodically have an outside firm conduct an audit of the decentralized funds. Therefore, the School Department will contract for an outside audit of the student activity funds during the next three year auditing cycle.

The School Department will continue to conduct internal audits of these accounts throughout the school year.