

**TOWN OF
NORTH ATTLEBOROUGH, MASSACHUSETTS**

Management Letter

For the Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY LETTER	1
1. Maintain Improved Records of Betterment Receivables	3
2. Improve Capital Asset Records	3
3. Monitor Collateralization of Cash Balances	4
4. Establish FTC “Red Flag” Security Documentation	4
5. Establish Administrative Regulations	5



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 (978) 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, 2008, 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

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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

June 29, 2009

CURRENT YEAR RECOMMENDATIONS:

1. Maintain Improved Records of Betterment Receivables

The Town does not maintain formal policies and procedures for tracking and reconciling water, sewer, and septic betterments receivable. This increases the risk that billing and receivable information could be incomplete or inaccurate, which could result in lost revenue to the Town.

We recommend the Town formalize policies and procedures for accounting and reconciling betterment receivables, as well as future amounts not yet due. This will improve controls and oversight over betterment receivables and revenues.

Town's Response:

The Town is aware of the issues raised and will be taking appropriate action to address the various points.

2. Improve Capital Asset Records

The Town uses a module of its general ledger software system to track the capital asset records which are required to be reported in the annual audited financial statements. For several months after year end the Town still had difficulty in reconciling the beginning of year balances in the system to the prior year audit, and in posting current year additions properly. This contributed to delays in completing the 2008 audit.

We recommend the Town work with the computer software provider to rectify these problems. This will help streamline the year-end closing procedures, and will provide assurance that capital assets are maintained accurately and timely.

Town's Response:

During FY 2008 the Town converted the 10,000-plus capital assets records to integrate with its automated financial system. The conversion file tied back to the FY 2007 audited financials, and these opening balances were reconciled in the new module. There were subsequent difficulties with the software vendor, which we believe have been resolved for FY 2009.

3. Monitor Collateralization of Cash Balances

At June 30, 2008, the Town had approximately \$ 19 million on deposit which was only partially secured by FDIC and DIFM insurance. Since FDIC insurance generally covers only the first \$ 100,000 in each bank, at June 30, 2008, the Town had approximately \$ 10 million on deposit that was in excess of the insurance. In the event of a bank failure, these deposits would be at risk.

We recommend the Town establish formal written cash investment policies, and work with its financial institutions to increase collateralization of major account balances. In order for the additional collateralization to be perfected (enforceable) with the FDIC, the Town must enter into formal agreements with its financial institutions that are in writing, be approved by the financial institution's board of directors or board delegated committee (as recorded in their minutes), and be continuous for the duration of the agreement. Also, it is recommended that pledged collateral equal to at least 102 percent of the Town's deposit level, be held at an independent third party institution, and be controlled by the Town so that any changes in collateral would require the Town's written approval.

Taking these measures will help protect the Town's cash balances from losses during the current period of economic uncertainty.

Town's Response:

For fiscal year 2009, all bank accounts that the Treasurer is custodian of are now fully insured by FDIC, DIF, Repurchase Agreements or Tri-Party Collateral Agreements. In addition, the Town's Investment Policy has been updated for fiscal year 2009.

4. 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 November 1, 2009, 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:

We are in the process of developing an Identity Theft Prevention Program for utilities to be in compliance with the Fair and Accurate Credit Transaction (FACT) Act of 2003 and the final rules and guidelines for the FACT Act issued by the Federal Trade Commission and federal bank regulatory agencies in November 2007.

5. Establish Administrative Regulations

The Town does not maintain formalized regulations to provide departments with documented guidance over administrative policies and procedures. As a result, inconsistencies may exist between departments or individuals with respect to such issues as:

- travel and expense reimbursement
- use of municipal vehicles
- insurance requirements on personal vehicles used on Town business
- use of cellular phones

We recommend the Town develop formal regulations to provide current guidance over administrative policies and procedures. This should result in improved Town-wide consistency over many administrative procedures.

Town's Response:

The Town is aware of the issues raised and will be taking appropriate action to address the various points.