

**TOWN OF ASHBY, MASSACHUSETTS**

**Management Letter**

**For the Year Ended June 30, 2011**

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To the Board of Selectmen  
Town of Ashby, Massachusetts

In planning and performing our audit of the financial statements of the Town of Ashby, Massachusetts as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Ashby'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.

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 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, Board of Selectmen, and others within the Town, 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.*

Greenfield, Massachusetts  
January 18, 2012

## **CURRENT YEAR ISSUES:**

There are no current year issues.

## **PRIOR YEAR ISSUES:**

### 1. CONSIDER INTERNAL CONTROL IMPROVEMENTS AT TRANSFER STATION

Our inquiry regarding internal controls at the Town's transfer station revealed the following weaknesses:

- Cash and checks are accepted at the transfer station for disposal fees.
- Receipts are not always provided to customers upon payment.
- A receipt log is not maintained.

These weaknesses result in the lack of an appropriate audit trail over receipts, diminished internal controls over receipts and increases the risk of errors or irregularities occurring.

We recommend the Town review the current receipt process in place at the transfer station and implement changes in order to strengthen internal controls. One change to consider is implementing a trash bag or sticker system with the sale of these items occurring at a location other than the transfer station. Implementation of this recommendation would provide a segregation of duties, as the cash receipt function would be separate from the service function provided at the transfer station.

#### Town's Response:

The Town Accountant intends to work with the department to review receipt procedures.

### 2. RECONCILE OVERLAY ACCOUNT BALANCES IN ASSESSORS' OFFICE TO TOWN'S GENERAL LEDGER

The Assessors' Office overlay log is not reconciled with the overlay accounts (allowance for abatements and exemptions) reported in the Town's general ledger for levy years prior to 2009.

A regular reconciliation of key accounts is integral to a strong internal control system. The lack of reconciliation increases the risk that abatements may not be recorded (or recorded accurately) in the general ledger, thereby misstating both accounts receivable and overlay balances. Misstatement of the Town's

overlay balances could result in the appearance of an overlay deficit which would be required to be raised through the Town's tax levy.

We recommend the Assessors' Office reconcile their overlay log (on a levy year basis) to the Town's general ledger on a regular basis. Implementation of this recommendation will ensure the accuracy of the Town's receivable and overlay balances and ensure that only legitimate overlay deficits are raised.

Town's Response:

The Town Accountant and Assessor have reconciled the overlay balances for levy years 2010 forward.