

TOWN OF ROCKLAND, MASSACHUSETTS
SUGGESTIONS FOR IMPROVEMENT IN ACCOUNTING
PROCEDURES AND INTERNAL CONTROL
JUNE 30, 2007

December 18, 2007

To the Honorable Board of Selectmen
Town of Rockland, Massachusetts

In connection with our audit of the financial statements of the Town of Rockland, Massachusetts (the Town) for the year ended June 30, 2007, we are presenting, for your consideration, our comments and recommendations regarding internal control and other matters. The purpose and extent of our study and evaluation of the Town's system of internal control is described in our separate report dated December 18, 2007, issued in conjunction with the audit.

The comments and recommendations presented herewith in are intended to improve the system of internal accounting control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with management to obtain their concurrence before the development of our recommendations for improvement. Matters commented on represent findings during the audit and have not been reviewed subsequent to December 18, 2007.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on many positive attributes of the Town's financial management systems. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex governmental accounting environment.

We would like to acknowledge the courtesy and assistance extended to us by Town personnel during our audit.

Very truly yours,



Thevenin, Lynch, Bienvenue, LLP

STATUS OF PRIOR YEAR COMMENTS

As part of our audit of the Town's financial statements for the year ended June 30, 2006, we had several comments and suggestions, issued in our report dated November 21, 2006, except for capital assets which are dated December 14, 2006. The status of the comments are noted below, as applicable.

Maintenance of ambulance receivable detail listing and reconciliation to the general ledger

Last year, we had several recommendations in relation to the Town's ambulance billing. We have been informed that certain improvements have been made facilitate the reconciliation process in the current year. In addition, other recommendations regarding formalizing policies and procedures, inclusive of abatements and write-offs, are still applicable in the current year. We continue to recommend the Town evaluate the use of a third-party servicer.

Processing of payroll before the period ends

Last year, we recommended the Town require all submissions of payroll to be approved and submitted subsequent to the end of the period. The Town has taken corrective action in the current year.

Research unrecorded bank accounts

Last year, we recommended the Treasurer periodically send requests to local financial institutions to identify any accounts that may have been improperly opened in the Town's tax identification number. During the current year, we noted certain accounts have been properly recorded in the Town's general ledger. However, we noted one non-Town related account newly established in the current year under the Town's identification number. We continue to recommend management periodically review accounts with local financial institutions.

Reconciliation of assessment for participation in the Retired Municipal Teachers Program

Last year, we recommended that a listing be received by the Town for assessed enrollees in the Commonwealth of Massachusetts' Retired Municipal Teachers Program health insurance program (RMT) and be reconciled to Town records. All reconciliations should be reviewed and approved by appropriate supervisory personnel. This recommendation is still applicable in the current year. The Town's current year assessment was approximately \$1,189,414.

Trust Funds

Last year, we recommended that the record keeping for trust funds maintained by the Treasurer be reviewed and updated to be more comprehensive on reporting between cost and market value summary totals. This recommendation is still applicable as of this writing.

Tax Collector generating detail outstanding receivable lists at year-end

Last year, we recommended a separate detail outstanding list for each type of tax be generated at year-end. Separate detail lists were generated for each type of tax at June 30, 2007. See current year comment.

Implementation of formal investment policy in consideration of GASB 40 "Deposit and Investment Risk Disclosures"

Last year, we recommended the Town establish formalized policies and procedures in accordance with the provisions of GASB 40; furthermore, we recommended the information required to be disclosed be prepared prior to the commencement of the audit. We have been informed that an investment policy has been drafted.

Implementation of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions"

Last year, we informed the town of the need to begin planning for implementation of the requirements of another new accounting standard, GASB 45 in FY2009. This recommendation is still applicable in the current year.

Implementing an internal audit plan/program and departmental turnovers

Last year, we recommended the Town implement an ongoing, formalized internal program, including the collection of cash receipts at the departmental level, that evaluates and addresses risks related to, and procedures for, detecting fraud. This recommendation is still applicable in our current year audit. In connection therewith, we recommend that management take a proactive approach in reviewing and updating financial internal control policies and procedures.

Maintenance of detail listings and reconciliation of other receivable balances to the general ledger

Last year, we recommended that personnel review and update the policies and procedures currently in place surrounding the maintenance of detail listings and the reconciliation of receivable balances to the general ledger. This recommendation is still applicable in our current year audit. We noted certain receivables had immaterial variances between the detail listing balances and the general ledger as of June 30, 2007. Furthermore, we noted "tax title" detail listing maintained by the Treasurer had an immaterial variance to the balance reported in the general ledger. Management should review the computerized detail and investigate reason for variances. We continue to recommend management review policies and procedures to ensure balances reported in the general ledger reconcile to detail listings.

Investing public funds in compliance with Massachusetts General Law (MGL)

Last year, we recommended the Treasurer review MGL Chapter 44, Section 55 for limitations placed on public funds (non-trust funds) on deposit. This is still applicable in our current year audit. Included in this provision is that funds cannot be in certificates of deposit that have a maturity from date of purchase of more than one year. As of June 30, 2007, the Town had approximately \$1,805,000 in certificates of deposit maturing more than one year from the date of acquisition. We have been informed by the Treasurer that corrective action will be taken to insure compliance as these certificates of deposits mature.

School Department

Last year, we recommended management take a "proactive" approach and continually review and evaluate internal controls throughout the school department, (inclusive of School Lunch Program, Student Activity Funds, and Community Education Revolving Accounts). including establishing reconciliation, reporting requirements for revolving fund activities, non-accumulation of revolving fund balances, and compliance with Student Activity provisions. This recommendation is still applicable in the current year.

Maintenance of capital asset inventory

Last year, we recommended the Town continue to review its procedures for identifying and tracking capital asset information, inclusive of acquisition cost, depreciation, disposals, and appropriate thresholds for capitalization. We noted procedures have been implemented to address capital asset reporting requirements.

CURRENT YEAR COMMENTS

As a result of our audit for the current year ended June 30, 2007, we make the following comments and recommendations.

Preparation of minutes of Board of Selectmen meetings

During our audit, we noted minutes of the Selectmen's meetings were not prepared. Currently, meetings are available through "audio-tape". We recommend the Town review procedures to insure the preparation of minutes in a timely manner.
