

TOWN OF BRAINTREE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2010



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To the Honorable Mayor and the Town Council
Town of Braintree, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Braintree, Massachusetts for the fiscal year ended June 30, 2010, and have issued our report thereon dated February 15, 2011. Our opinions on the financial statements and this report, insofar as they relate to the Braintree Electric Light Department, are based solely on the report of other auditors. In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Braintree, Massachusetts (Town) as of and for the fiscal year ended June 30, 2010, 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 opinion on the Town's 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town's internal control to be significant deficiencies:

The Treasurer's office has been operating for most of the fiscal year without a full staff. Because of the staffing issues cash receipts were not being posted in a timely manner and monthly reconciliations of cash and accounts receivable were also not being done.

During our audit we also became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

The Town's written responses to the *significant deficiencies and other matters* identified in our audit have not been subjected to the audit 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 Mayor and the Town Council, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Bowers + Sullivan". The script is cursive and fluid, with the plus sign clearly visible between the two names.

Wakefield, Massachusetts
February 15, 2011

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CURRENT YEAR COMMENTS

REVENUE BUDGETS

Comment

During our audit we noted that budgeted revenues are not being maintained in the Fundware general ledger system.

Recommendation

In order to improve internal controls over financial reporting and to improve visibility over this process we recommend that management consider adding the budgeted revenue amounts into the general ledger system.

Management's Response

We agree and are working to put budgeted revenue into the general ledger. We are also working with our software company to generate a monthly revenue report that will roll up to the Massachusetts' Department of Revenue recap revenue reporting categories.

IDENTIFICATION AND REPORTING OF FEDERAL AWARDS

Comment

The Town is required to prepare the Schedule of Expenditures of Federal Awards (SEFA) each year as part of the Single Audit requirements. The SEFA reports the total federal awards expended for the fiscal year being audited, by program name and Catalog of Federal Domestic Assistance Number (CFDA). The SEFA must also indicate if the funds were received directly from a federal agency, or if applicable, the pass-through entity's name. The Town expends approximately \$4.8 million in federal funds each year from a variety of programs. The Town does not have a strong system in place to readily provide the necessary information to complete the Schedule of Expenditures of Federal Awards.

As a result, there is a risk that the Town could unintentionally include a state award, or omit a federal award from being reported on the SEFA.

Recommendation

We recommend that the Town develop policies and procedures that will ensure that all federal awards are identified and that all of the pertinent information is provided to the Town Accountant prior to accounts being setup on the general ledger to account for the programs. A specific sequence of fund numbers should be designated on the Town's general ledger to separately account for federal and state awards. This would provide greater efficiency in the preparation of the report and reduce the risk of error in the reporting of federal awards expended.

Management's Response

We agree and will schedule a meeting with our School Department (our largest recipient of Federal funds) and develop policies and procedures to identify and classify Federal funds received and expended. We will see if it is possible to record the CFDA number in the grant title field. Once we have developed these policies and procedures with the School Department we will be implementing them in all departments receiving Federal funds.

OTHER MATTERS PREVIOUSLY REPORTED

SIGNIFICANT DEFICIENCY

TREASURY OPERATIONS

Previous Comment

During the majority of fiscal year 2009 and continuing into fiscal year 2010, the Treasurer's office has been operating with less than a full staff. The Town Finance Director has been appointed interim Treasurer/Collector and is overseeing the day-to-day operations. Certain tasks have not been completed on a consistent basis including the timely postings of cash receipts to the general ledger and monthly reconciliations of cash and accounts receivables to the general ledger balances and to the Accountant's balances. The department has retained the help of a part-time outside consultant to assist in getting the cash postings and bank reconciliations brought up-to-date but this situation continues to exist.

Continuing Recommendation

In order to strengthen internal controls over financial reporting and to safeguard the Town's assets we recommend that management should take whatever actions may be necessary to ensure that the day-to-day activities of the Treasury Department are being completed on a timely basis and that detailed reconciliations with the general ledger balances and with other departments are occurring on a routine basis as prescribed by management.

Management's Response/Current Status

The Town has hired an experienced Treasurer/Collector who took office the beginning of July 2010. Continued improvements are being made to the cash receipts and reporting system. We are working with the software company on a new treasurer receipts software package that will improve the efficiency of the cash receipts process. Significant improvements have been made in the tax collector's accounts receivables procedures including the direct input of payments over the counter in to the accounts receivable software and more timely reconciliation of the detailed receivables to the general ledger. The goal is to have the detail accounts receivable reconciled to the ledger on a monthly basis.

OTHER MATTERS

INTERNAL CONTROL POLICIES AND PROCEDURES MANUAL

Continuing Comment

We noted that most departments do not maintain a formal internal control policy and procedures manual documenting day-to-day processing and controls. Recently the Town has experienced turnover in the accounting and finance group and has implemented significant operational changes with the public works department and the water and sewer fund. The Town is at risk if critical tasks cannot be completed due to extended or unforeseen absences and for undocumented operational changes such as the implementation of the trash fee and the upgrade of the accounting software for water and sewer billing system. A formal internal control policy and procedures manual would assist each department head with training, documenting, and assuring the continuity of operational policies and procedures that have been approved by management.

Continuing Recommendation

We recommend that each department head develop an internal control policy and procedures manual that includes proper reviews and approvals by management. The document should be written with sufficient detail to allow a new employee the ability to complete the task by reviewing its respective directions. This document should be updated for any system or policy changes. A master manual of all procedures should be maintained and stored in a secure location. In addition, all department heads should be familiar with all policies and procedures within their office and be able to complete all necessary tasks in order to sufficiently train employees.

Management's Response

We agree with the comment as this has been demonstrated by the turnover in key staff positions in certain departments. Management will address this over the next fiscal year.

Informational Comment

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENT #54

Continuing Comment

In February 2009, the GASB issued Statement #54, *Fund Balance Reporting and Government Fund Type Definitions*, which is required to be implemented in fiscal year 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund types, capital projects fund types, and permanent fund types are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

Continuing Recommendation

As it appears that this GASB Statement will significantly impact the fund balance classifications presently reported, we recommend that management begin to study and evaluate these changes for financial statement reporting and disclosure purposes, and to formulate plans to be used in explaining these changes to interested parties within the Town and to the external users of the Town's financial statements.

Management's Response

Management agrees with the recommendation and will be prepared to provide the necessary information to implement the Statement and to explain the changes to our users.