

TOWN OF WAYLAND, MASSACHUSETTS

Management Letter

For the Year Ended June 30, 2011

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To the Board of Selectmen
Town of Wayland, Massachusetts

In planning and performing our audit of the financial statements of the Town of Wayland, 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 Wayland'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.

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. In addition, because of inherent limitations 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. However, as discussed below, we identified a deficiency (comment 2) in internal control that we consider to be a significant deficiency.

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.

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

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.

During our audit, we also 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.

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

November 22, 2011

CURRENT YEAR RECOMMENDATIONS:

1. ESTABLISH ADDITIONAL RECEIVABLE ACCOUNTS IN THE GENERAL LEDGER

The Town bills and collects for various activities that are not accounted for in the general ledger. As a result, a lack of segregation of duties exists as one department handles all aspects of these transactions. The activities that we identified where this internal control deficiency exist are: ambulance, police outside detail, water liens, and sewer and street betterments.

We recommend that the Town establish additional receivable accounts in the Accountant's general ledger in order to provide the necessary oversight of these activities. Specifically; ambulance, water lien, and betterment billing and collection activity should be provided to the Accountant for recording in the general ledger. We also recommend that the Town separate the billing and collections function of police outside details by transferring the collection function to the Treasurer's office. Implementation of these recommendations will strengthen controls over these transactions and reduce the risk of error and irregularities occurring and not being detected on a timely basis.

2. EXPAND TRUST FUND ACCOUNTING

During our audit of the Town's trust funds, we noted that the general ledger maintains only one fund for all trust fund types. As a result, the general ledger does not segregate the various types of funds (i.e. other Post-Employment Benefits, Stabilization, or Insurance Reserves). We also noted that the permanent funds are not segregated into expendable and non-expendable portions. We consider this issue to be a significant deficiency, as defined at the top of page 2.

We recommend that the Town expand trust fund reporting to include separate funds for other Post-Employment Benefits, Stabilization, or Insurance Reserves. We further recommend that the Town expand Permanent funds between the expendable and non-expendable portions. Recently the Town reviewed the cemetery perpetual care activities over the last three years and segregated the non-spendable portion. We recommend the Town continue this analysis beyond three years. This will result in compliance with generally

accepted accounting principles and will improve accountability over expendable and non-expendable portions of trusts.

3. POST REVENUE BUDGETS IN THE GENERAL LEDGER

Budgeted revenues for fiscal year 2011 were not posted to the general ledger, and, as a result, the Town was unable to use the ledger to monitor actual revenues compared with the budget throughout the year. Management does monitor collections, however, by preparing several spreadsheets.

We recommend that the Town incorporate budgeted revenue amounts in the general ledger in order to utilize the automatic variance analysis function. This will provide for a more efficient process to analyze monthly revenues and to identify unexpected trends and variances. It is our understanding that the revenue budgets were entered into the general ledger for fiscal year 2012.

4. IMPROVE CAPITAL PROJECT FUND YEAR-END CUT-OFF PROCEDURES

Generally accepted accounting principles require that all expenditures be charged to the fiscal year in which the transactions occur. In our testing of year-end invoice processing, we found certain capital project invoices for services provided in fiscal year 2011 that were charged to fiscal year 2012. As a result, liabilities and expenditures for the capital project funds (non-general fund) were understated.

We recommend that the Town apply the same year-end cut-off procedures as used for general fund expenditures to all other funds to ensure that all expenditures are charged to the appropriate fiscal year. This will result in more accurate reporting of liabilities, expenditures and related fund balances and capital assets.