

**TOWN OF STOUGHTON, MASSACHUSETTS  
MANAGEMENT LETTER  
JUNE 30, 2012**

# **R. E. BROWN & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS  
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To the Honorable Board of Selectmen  
Town of Stoughton, Massachusetts

In planning and performing our audit of the financial statements of the Town of Stoughton for the year ended June 30, 2012, we considered the Town's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we 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 regarding those matters. This letter does not affect our report dated May 14, 2013, on the financial statements of the Town of Stoughton.

The accompanying comments and recommendations are intended solely for the information and use by the management of the Town of Stoughton, Massachusetts, and are not intended to be used by anyone other than the specified party.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

*R. E. Brown & Company*

Certified Public Accountants

May 14, 2013

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TOWN TREASURER/SCHOOL DEPARTMENT

STUDENT ACTIVITY FUNDS

**Finding**

The Town/School is not in compliance with Chapter 71, Section 47 of the Massachusetts General Laws with respect to student activity funds.

**Recommendation**

Chapter 71, Section 47 was amended relative to Student Activity accounts and was effective 7/17/96. We recommend that the Treasurer, School Department, and Town Accountant review this law change. This law institutes major changes in the custody of student activity funds, processing of revenues, maintenance of bank accounts and the payment of vendors.

**Management Response**

All parties are aware of the changes in the law. Discussions between the School Department and the Treasurer to implement changes in policies and procedures are ongoing.

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DISASTER RECOVERY PLAN

**Finding**

The Town does not have a disaster recovery plan for financial operations.

**Recommendation**

The Town should consider implementing a disaster recovery plan. This plan would coordinate how the Town business would operate if faced with a major computer failure or natural disaster.

- Identify critical functions and personnel for continued operations and recovery.
- Planning for alternative worksites for critical operations.
- Identify and document manual procedures required in the event of loss of data processing systems.

**Management Response**

The Administrator of Educational Technology addressed the data storage and backup issues in the 2008 management letter. A significant investment was made in the technology infrastructure to improve the disaster recovery capacity. The Town Manager has undertaken discussions for finding alternative worksites; however, no plan has yet been adopted.

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**INTERDEPARTMENTAL RECONCILIATIONS –  
WATER, SEWER & TRASH ACCOUNTS RECEIVABLE**

**Finding**

The interdepartmental reconciliation between the accounting department and the Public Works department for water, sewer and trash accounts receivable balances were not performed on a periodic and timely basis. The cash activity is reconciled and reviewed during the year.

**Recommendation**

The reconciliation of accounts receivable balances is an important internal control. The Public Works control accounts for each accounts receivable balance should be reconciled to the Town Accountant's general ledger on a monthly and timely basis. Any monthly variance should be located and adjusted for in a timely manner.

**Management's Response**

Effective with Fiscal 2014, the Town has installed the KVS Utility Billing module, which will interface with the general ledger. It is expected that, when fully implemented, it will facilitate reconciliation of receivables with the general ledger.

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INTERDEPARTMENTAL RECONCILIATIONS – TAX TITLE

**Finding**

The interdepartmental reconciliation between the Treasurer's office and the Accounting department for the tax title accounts receivable balance was not performed on a periodic and timely basis. The cash activity is reconciled and reviewed during the year.

**Recommendation**

The reconciliation of accounts receivable balances is an important internal control. The Treasurer's control accounts for each accounts receivable balance should be reconciled to the Town Accountant's general ledger on a monthly and timely basis. Any monthly variance should be located and adjusted for in a timely manner.

**Management's Response**

Investigation of the variances, including possible receipt coding problems, is ongoing. We have enlisted the assistance of officials at KVS as well.

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WRITEOFF OF UNCOLLECTIBLE ACCOUNTS –  
AMBULANCE, WATER, SEWER & TRASH

**Finding**

Currently, the write-off for uncollectible ambulance accounts receivable is initiated by the Fire Chief. The write-off for uncollectible water, sewer and trash accounts receivable is initiated by the Public Works Superintendent. The person authorizing the write-off of any accounts receivable balance should not be involved, or have authority over any person that is involved in the billing, collection or maintenance of the related accounts receivable balance.

**Recommendation**

The Fire Chief should recommend the write-off for uncollectible ambulance accounts receivable and submit them for approval to the Board of Selectmen. The Superintendent of Public Works should recommend the write-off for uncollectible water, sewer, and trash accounts receivable and submit them for approval to the Board of Commissioners.

**Management's Response**

During FY2014, we will be proposing that the Board of Selectmen or a subcommittee of the Board will approve all ambulance write-offs and utility abatements.

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GRANTS, CONTRACTS AND AGREEMENTS

**Finding**

The Town Accountant does not possess copies of all contractual agreements, grant agreements, and payroll authorizations.

**Recommendation**

In order to process any vendor or payroll expenditures, the Town Accountant must be provided complete documentation to support the expenditure. In order to process any grant transaction, the Town Accountant should possess a complete copy of all grant agreements. In order to process any payroll transaction, the Town Accountant should possess all labor agreements.

**Management's Response**

Effective with Fiscal 2014, a plan has been implemented to provide the Accountant with a form detailing the name of the grant, the funding source, the C.F.D.A. number (if Federal) and the budget summary. Grant documentation, such as the award letter and application, must be provided with this form prior to general ledger account setup.