

**TOWN OF STOUGHTON, MASSACHUSETTS
MANAGEMENT LETTER
JUNE 30, 2013**

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, 2013, 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 March 17, 2014, 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

March 17, 2014

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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

The Town's general ledger and utility billing function are on two separate software systems, which have made periodic reconciliation difficult. The Town has recently signed a contract to purchase MUNIS financial software, which will integrate the utility billing module with the general ledger. It is expected that this will facilitate reconciliation of the outstanding utility receivable balances 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

An alternative means of approval of these write-offs is under discussion.