

Updates on Progress Towards Addressing Management Letter Comments FY08

Preschool Revolving Fund

Recommendation

We recommend that procedures be implemented to ensure that all expenditures (direct and indirect) of the preschool revolving fund are properly recorded and allocated to those funds.

We recommend that the Pre-School program's fee structure be designed to recover all program costs (direct and indirect).

Management's Response

The School Department has implemented the necessary procedures to ensure that all expenditures (direct and indirect) of the preschool revolving fund are properly recorded and allocated to the preschool revolving fund.

The fee structure of the Pre-School program is approved by the School Committee and is determined after comparison with similar pre-school programs in the area. Expenditures from the preschool revolving fund in normal years are slightly less than the total revenues for that year.

Update

The School Department has adhered to the implemented procedures to ensure that all expenditures (direct and indirect) of the preschool revolving fund are properly recorded and allocated to the preschool revolving fund.

While expenditures from the preschool revolving fund in normal years are slightly less than the total revenues for that year, for the FY2009 year the expenditures were \$16,382.35 more than revenues. This is due to the inclusion of all of the appropriate expenditures. For FY2010 annual fees have been increased to help offset the increase in expenditures now being captured. (Response Prepared by School Department)

Student Activity Funds

Recommendation

We recommend that procedures be implemented to reconcile the total individual student activity fund balances (as maintained in CAP software) to the Town's general ledger balances monthly.

We recommend that procedures be implemented to investigate and resolve all variances no later than 30 days after the end of the previous month.

Management's Response

The School Department has implemented procedures to reconcile the total individual student activity fund balances (as maintained in CAP software) to the Town's general ledger balances at the end of the month.

The School Department has implemented procedures to investigate and resolve all variances as soon as possible, and no later than 30 days after the end of the previous month.

Update

The School Department has been sending a reconciliation report to the town treasurer each month. (Before the audit these were sent yearly at the end of June.) This report includes a copy of the checking account statement and the savings account statement. Each cleared check and deposit is verified, as is the savings account ending balance. In addition, copies of the outstanding checks and all the separate school accounts with transactions and balances for the month are provided along with a general ledger report. All variances are addressed immediately. (Response Prepared by School Department)

Treasurer's Office – Vendor Bank Account Reconciliation

Recommendation

We recommend that the Treasurer/Collector's office implement procedures to investigate and resolve all reconciling items, no latter than 30 days after the end of the previous month.

Management's Response

In the future we will resolve these (make necessary transfers) in a timelier manner

Update

The Treasurer/Collector has made all of the 2008 cash reconciliation transfers during fiscal 2009 and has been making all necessary transfers in a timely manner going forward. (Response prepared by Treasurer/Collector's Office)

Treasurer's Office – Old Outstanding Checks

Recommendation

We recommend that the Treasurer/Collector's office implement monthly procedures to investigate and resolve outstanding checks greater than three (3) months old. Implementation of this recommendation will strengthen internal controls over cash disbursements.

Managements Response

Going forward, with checks that our on our new accounting system, we will send out letters on a quarterly basis to vendors as well as employees so that we put an end to this problem.

As for checks that have been outstanding for greater that three years, we plan on following MGL Ch. 200A S 9A for abandoned property. These procedures include: sending a letter to the last known address, publishing the list and sending the list to the state treasurers' office.

Update

The Treasurer/ Collector's Office has sent out the first round of letters to vendors/employees that are in the Budget Sense accounting system. We have started accumulating that data for the second round of letters for older checks. Progress has been impeded due to the KVS server crashing. (Response prepared by Treasurer/Collector's Office)

Payroll Testing

Recommendation

We recommend that procedures be implemented to ensure that timesheets are signed by the appropriate parties.

Management's Response

We will implement a mandate to all departments that all timesheets/timecards are to be signed by both the supervisor and employee.

Update

Biweekly monitoring of payroll confirm that all time sheets are signed, if not they are returned to the department for signatures. (Response prepared by Town Accountant's Office)

Board of Health

Recommendation

We recommend that the Department prepare a formal, detailed financial policies and procedures manual for the Department's activities.

Management's Response

In June 2007 the Health Department Administrative Assistant created an Administrative Reference Manual. The following list of topics were addressed by that document: Septic Files, Septic System Pumping Records, Septic Logbook, Title V Reports, Assessors Reports, Board of Health Agenda, Website Changes, Cash Receipts Log, Accounts Payable, Binder Files, Department Regulations and Coversheets. Among the topics were financial related items such as "cash receipt log" and "accounts payable". Management will update this manual as needed with any standardized policies or procedures prescribed by the accounting department.

Future plans to create additional manuals for various department positions are being considered for this coming year to assist in better operations of the Health Department.

Update

Accounting Department has received copy of the Health Department Administrative Reference Manual. (Response prepared by Town Accountant's Office)

Performance Bonds

Recommendation

We recommend that the Town implement procedures to reconcile the outstanding balance of performance bond deposits between the Town Accountant (general ledger), Treasurer/Collector and originating departments quarterly (at a minimum). Any discrepancies between the records of these departments should be investigated and resolved in a timely manner. In addition, we recommend that the applicable department head sign off and return the reconciliation to the Treasurer/Collector.

We recommend that the Treasurer/Collector close the individual passbooks and include deposits as part of the Master Trust accounts already established and maintained by the Treasurer/Collector.

We recommend that the Town implement procedures requiring regular monitoring of contractor's compliance with the terms of performance bond agreements, so that the deposits held by the Town can be released when they are legally due.

Management's Response

During fiscal year 2009, the Treasurer sent a copy of the bond balances to each of the departments asking the departments to compare them to their records. The Treasurer then set up a meeting with each department to discuss any variances and to inquire about the possibility of closing out some of the older bonds. Moving forward each month a report listing current bonds and amounts will be forwarded to each department. The department will be required to attest to the accuracy of the report and return to the Treasurer with in 10 days of receipt.

The Treasurer's performance bond balances are directly tied into the general ledger cash balances. So there are no discrepancies between the Town Accountant and the Treasurer.

The Treasurer is not a signer on any of the passbooks and therefore is not authorized to close any out. We will consult with our Auditors on how to address this issue of the old passbooks. Passbooks have not been used a bond securities since 1995.

Update

During fiscal 2009, the Treasurer sent a copy of the bond balances to each of the departments asking the departments to compare them to their records. The Treasurer then set up a meeting with each department to discuss any variances and to inquire about the possibility of closing out some of the older bonds.

In many cases the department agreed to close out bonds after determining if the work had been performed satisfactorily. None of the departments had previously returned bonds unless the applicant requested the funds. Some of the bonds reviewed were quite old (15 plus years) but need to be kept open until the entire project (i.e. subdivision) is complete.

The Treasurer's performance bond balances are directly tied into the general ledger case balances. So there are no discrepancies between the Town Accountant and the Treasurer.

The Treasurer is not a signer on any of the passbooks and therefore is not authorized to close any out. (Response prepared by Treasurer/Collector's Office)

Special Education Program – Form I-9 Employment Verification

Recommendation

We recommend that the School Department implement procedures to maintain Form I-9 Employment Eligibility Verification Forms for all employees. Procedures must also be implemented to ensure that the Form I-9's maintained in the personnel files and supported by adequate identification documentation, as listed on the back of the I-9 forms.

Management's Response

The School Department performed an internal audit and has identified some long-time employees missing I-9 Forms. We have established a procedure to obtain the necessary documentation and correct the deficiency. We now have procedures in place to maintain Form I-9 Employee Eligibility files for all employees. Director of Personnel, we are currently working to assure that every employee's I-9 Form is complete and filed.

Update

The auditors have confirmed that with the receipt of a final requested I-9 form they will be able to remove the comment regarding I-9 Forms from the current year letter. This I-9 has been provided.

The School Department has been able to correct more than 80% of the current employees who were identified in the internal audit, and is in the process of following up with the remaining employees with the goal of 100% compliance by the end of September, 2009. (Response Prepared by School Department)

Risk Assessment and Monitoring

Recommendation

We recommend that management develop and implement a risk assessment program to periodically anticipate, identify, analyze, and manage the risk of asset misappropriation. The risk assessment program should be formally documented and become part of the Town's financial policies and procedures manual.

We recommend that management develop and implement a monitoring program to periodically evaluate the operational effectiveness of internal controls. The monitoring process should be documented in order to facilitate the evaluation of controls and to identify improvements that need to be made.

Management's Response

Management is working on developing and implementing a fraud risk assessment program.

Update

The Accounting Department is in the process of soliciting sample risk assessment policies which can be used in the drafting of a policy for North Andover. (Response prepared by Town Accountant's Office)

Financial Policies and Procedures Manual

Recommendation

We recommend that management develop and implement a formal financial policies and procedures manual.

Management's Response

Management presently has in place the following procedure manuals:

- Accounts Payable
- Payroll

In fiscal year 2010 we will work on completing the financial policies and procedures for the following:

- Accounts Receivable
- Cash Receipts

Update

The Accounts Receivable and Cash Receipts manual is complete. We are continuing to work on a combined procedure manual which will outline all accounting department procedures along with the complete year end process. (Response prepared by Town Accountant's Office)

Financial Systems Disaster Recovery Plan

Recommendation

We recommend management develop and implement a financial systems disaster recovery plan. The disaster recovery plan should be documented and at least one copy stored in a secure, off-site location. We suggest that the documentation include the following:

- A list of key contacts, including all employees and their emergency contacts, insurance companies, key suppliers and customers, and important professional services such as restoration specialists.
- A current schematic showing how the computer system is designed and connected.

- A current, complete set of documentation for all of the operating systems and application software (including version numbers).
- A copy of the schedule for the off-site storage and backup data and programs.
- A list of safety and community services that might be needed.
- A list of pre-arranged temporary alternative work sites.
- A list of probable equipment and supplies that would be needed for recovery operations and related vendors.

The disaster recovery plan should be reviewed, updated, and tested at least annually. The will allow the disaster team members to assess the plan's continued appropriateness and feasibility in light of current conditions and to become familiar with implementing each step of the plan so that they could act more quickly and decisively at the time of the disaster.

Management's Response

The Department of Information Technology conducts regular backups of all system data to external media for remote storage. These operations are tested at least semi annually to ensure data is properly written and can be correctly restored.

The Department will document system design, backup processes, applications, and operating systems in use. The Department will engage with Management and other stake holders to collect and document the personnel, processes and resources recommended to develop a living continuity of operations plan.

The School Department has a tape backup, and backs up the data on the network drive daily and stores the tape back up in a safe in the business office.

Update

Information technology has made substantial progress in this area including:

Implementation of new data storage and backup technology, the replacement of outdated systems at Town Hall, incorporation of automated, hourly backups and installation of synchronized, redundant equipment at North Andover High School has substantially enhanced the town's preparedness.

Mutual Aid: Discussions have begun with the City of Haverhill, which used the same financial system, to develop and implement a mutual aid agreement. Such an agreement could extend access to space and resources in the event of a crises.

Due to vacancies in the department, equipment change overs, system failures and the consolidation effort with the School department, work still needs to be done on this

comment. It is anticipated that work will be completed by November 1, 2009. (Response prepared by Information Technology Department)

New Accounting and Financial Reporting Requirements for Other Post-Employment Benefits (OPEB)

Recommendation

We recommend that management familiarize itself with the requirements of GASB Statement No. 45 and prepare for its implementation.

Management's Response

We have presently issued a contract with Alliance Benefit Group to complete GASB Statement No. 45 implementation prior to the close of fiscal year 2009.

Update

Actuarial report completed, which was presented previously to the Board of Selectmen, will be incorporated into the FY09 financial statements thus making the town in compliance with GASB 45. (Response prepared by Town Accountant's Office)