

TOWN OF PLYMOUTH, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2008



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To the Honorable Board of Selectmen
Town of Plymouth, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Plymouth as of and for the year ended June 30, 2008, 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 an opinion on the Town's financial statements, but not for the purpose of expressing our opinions 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The Treasurer's cashbook was not reconciled to the bank statements in a timely manner, the cashbook was not reconciled to the general ledger in a timely manner, old reconciling items are being carried, and specific accounts are not being reconciled to the respective general ledger accounts in a timely manner, also the detailed accounts receivable balances were not reconciled to the general ledger in a timely manner during fiscal year 2008.

We also became aware of other matters that are opportunities for strengthening internal controls and enhancing operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning other matters.

This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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

April 29, 2009

TOWN OF PLYMOUTH, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2008

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Significant Deficiency

SIGNIFICANT DEFICIENCY

Comment

The majority of the Town's transactions are processed and originated by the Treasurer/Collector's Office (the "Office") and subsequently processed by the Town Accountant's Office. Throughout the fiscal year, management relies on the information generated by the two Offices to make decisions that affect Town strategy in developing and meeting its short-term and long-term financial goals.

Management must be confident that the information they base their decision on is complete and accurate. This confidence is gained when management is assured that the internal control structure over cash, receivables, revenues and expenditures is of sound design and functioning as intended.

The Treasurer/Collector's role in the Town's internal control structure is to establish and maintain procedures that 1) properly safeguard the Town's cash, investments and receivables and 2) assure that all receipts and disbursements are reported accurately and timely.

The Town Accountant's role in the Town's internal control structure is to establish and maintain procedures that 1) assure that all the Town's receipts and disbursements are recorded in the general ledger accurately and timely and 2) assure that all journal entries are supported by proper documentation.

During fiscal year 2007 and 2008 the Town hired an outside consultant to assist the reconciliation of cash both to the bank statements and to the general ledger. Some progress was made and the Town is also planning on implementing a new cash module in fiscal year 2009 with the implementation of a new general ledger package. The internal controls inherent in the new system should assist the Town to develop procedures that allow for daily, monthly and yearly cash reconciliations.

With this in mind, our review of the internal control structure of these two Offices revealed the following deficiencies outstanding as of June 30, 2006, 2007 and 2008:

- The Treasurer's cashbook was not reconciled to the bank statements in a timely manner during fiscal years 2006, 2007 or 2008.
- Each activity that requires a specific bank account has not been reconciled with the specific general ledger fund that it relates to.
- The Treasurer is carrying old reconciling items to reconcile the cashbook to the bank.
- The Treasurer's cashbook was not reconciled to the Town Accountant's general ledger in a timely manner during fiscal years 2006, 2007 and 2008.
- The vendor account reconciliation is not accurately reporting cancelled checks, stop payments and NSF checks all of which contributed to the overall cash variance.
- The detailed accounts receivable balances were not reconciled to the Town Accountant's general ledger in a timely manner during fiscal year 2008.

Summary

The objective of a system of internal control is to safeguard the assets of the Town and provide assurance that transactions are executed in accordance with management's authorization and recorded properly in the Town's general ledger and subsidiary ledgers. The omission of one or more elements of internal control can compromise the Town's ability to obtain these objectives. We have concluded that the deficiencies noted above represent a reportable condition in the Town's system of internal control under standards established by the American Institute of Certified Public Accountants.

These deficiencies constitute being classified as a significant deficiency because they represent significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Recommendation

In order to eliminate the significant deficiency described above we recommend the entire system of internal controls be overhauled. Each policy, procedure and process must be evaluated. The Town must document the new internal control policies and procedures in a formal manual.

We recommend that the cashbook be reconciled to the individual bank statements monthly.

We recommend that all reconciling items be researched and any deemed old or unsubstantiated be removed and the necessary journal entries be provided to the Accountant and/or the bank.

We recommend that the cashbook be reconciled to the general ledger monthly.

Implementation of these recommendations will alleviate the significant deficiency identified and strengthen the Town's overall systems of internal control.

We recommend that the receivable detail be reconciled to the general ledger monthly.

Action Taken

The new Finance Director along with an outside consultant hired to assist the Town in developing stronger policies and procedures regarding the reconciliation of cash, have brought the bank to book reconciliations current, except for the payroll account, while the book to general ledger reconciliation has lagged behind.

The receivable balances were the first transaction class to utilize the new software package. Although there would justifiably be a learning curve associated with the implementation, as a result the receivables were not reconciled until long after fiscal year end. Also the overall receivable variances were brought to immaterial overall variances there was clear indication that transactions were being posted to the incorrect years due to material variances existing in which some were debits and some being credits.

However, the majority of these procedures took place subsequent to June 30, 2008 and therefore the comment is not fully resolved.

Current Status – Partially Resolved

Comments and Recommendations

ABANDONED PROPERTY

Prior Comment

Checks that remain outstanding for a period in excess of one year should be removed from the outstanding check listing and recorded in an account commonly referred to as tailings. During fiscal year 2004 the Treasurer's Office implemented procedures to track at the detail level all checks being put into tailings and has been scanning the outstanding check listing every 90 days.

However, the Treasurer's Office cannot easily produce this detailed information for checks prior to the current fiscal year and also the schedule developed does not provide a snapshot at any given time of the items within the tailing account. The current schedule tracks the activity of the tailings account more so on a revolving basis rather than keeping track of just the population of checks that are accounted for within the tailings account by name, check number, amount and date issued.

The lack of procedures related to tailings is a deficiency in internal control and can have an adverse effect on fund balance and free cash.

Recommendation

We recommend that the current schedule being utilized by the Treasurer's Office be enhanced to provide a detailed listing by name, check number, amount and date issued for all items maintained as tailings.

We recommend that the Treasurer follow the Massachusetts Abandoned Property Laws to bring the unclaimed items back into fund balance.

We also recommend that the Town Accountant and Town Treasurer reconcile tailings on a quarterly basis.

Action Taken

The Treasurers Office has been reconciling current activity to the abandoned property account and recording all pertinent information, however there is still an unreconciled beginning balance which the Town should implement a plan to account for and remove these amounts from the abandoned property account.

Current Status - Partially Resolved

FIXED ASSETS

Prior Comment

With the implementation of GASB #34 in fiscal year 2002, came the responsibility of fixed asset reporting. During fiscal year 2002, the Town hired an outside vendor to conduct the initial fixed asset inventory. Since that time the Town has worked haphazardly to account for fixed asset additions. There has been no effort placed in developing internal control procedures to accurately and timely account for fixed asset additions, deletions, and transfers for both the Town and the School Department. In order to maintain a complete fixed asset listing the Town and School must develop procedures to facilitate accurate fixed asset reporting.

Recommendation

We recommend that the Town and School work to develop policies that address all issues related to fixed asset reporting and work towards maintaining a complete and accurate fixed asset listing by both function and location.

Action Taken

No policies or procedures have been implemented to account for additions, deletions and depreciation in a timely manner for financial statement reporting.

Current Status – *Unresolved*

SPECIAL REVENUE FUNDS ANALYSIS

Prior Comment

The Special Revenue Funds had several accounts that had no fiscal year 2004 activity and others that were in a deficit balance as of June 30, 2004. The periodic monitoring of account balances and activity is a procedure that strengthens internal controls. These situations suggest that the account has been closed out, posting errors remain uncorrected or the accounts were overspent. Continuing to carry forward on the ledgers accounts that are dormant complicates the reconciliation process. The fundamental premise on how Special Revenue Funds operate requires that they are self-supporting. Expenditures can only be approved if there are funds available. The fact that several accounts are in a deficit position indicates that there is a breakdown in internal control in approving expenditures.

Recommendation

We recommend that the Town Accountant's Office and the respective grant managers investigate the status of all dormant accounts. If there are funds remaining and the purpose of the account has been satisfied then the Town should either return unspent grant funds or vote to use the funds for other purposes. The Town must fund permanent deficits in any account.

Action Taken

The Finance Director has been working to clean up the Special Revenue Funds. Numerous corrections were made for the year ended June 30, 2008, however they were made subsequent to year end and therefore this comment is not resolved.

Current Status – *Partially Resolved*

MASS WATER POLLUTION ABATEMENT TRUST DEBT (MWPAT)

Prior Comment

Over the past couple of fiscal years the Town has approved a multitude of projects whose primary funding mechanism are MWPAT bonds. Initially the Town draws-down monies for the project and reports these funds as notes payable. Once the MWPAT has permanently financed the debt the Town receives a debt payment schedule at which time the debt is recorded as a long-term obligation. Generally the Town does not receive all monies related to the obligations initially. Some projects require the funds to be drawn-down as needed, others require the Town to spend their own monies and request reimbursement. These types of funding arrangements

require strong internal controls to maintain an accounting of each project and to know the status of draw-downs and the remaining amounts available for all projects at any given time.

During fiscal year 2004 approximately \$95,000 was received from such a project and was incorrectly recorded as general revenue. These monies should have been recorded as a note payable until the Town received the long-term payback schedule. Also with many more related projects taking place the Town Treasurer and the Town Accountant must develop procedures to accurately track and monitor each project in which draw-downs and reimbursements are being sought. A correcting entry has been recorded.

Recommendation

We recommend that the Town develop procedures too accurately and timely account for all MWPAT projects including the total available project, status of permanent financing, draw-down or reimbursement request status and total monies spent related to each individual project.

Action Taken

During fiscal year 2008 the Town properly accounted for all MWPAT financing.

Current Status – Resolved

AIRPORT GRANTS

Prior Comment

The Airport has various construction projects that are funded by both State and Federal grants in which the funds are disbursed on a reimbursement type basis. The Airport is responsible for filing the reimbursement requests and submitting all the required information to the Town Accountant's Office needed to maintain receivable balances within the general ledger. We noted that there are no reconciliation procedures in place that occur timely between the Airport and the Town Accountant's Office. All receivable balances on the general ledger required adjusting.

Recommendation

We recommend that the Town Accountant's Office and the Airport reconcile all grant activities including receivables on a monthly basis. We also recommend that when the Airport receives grant funds that a copy of the reimbursement request along with the receipts turnover be provided to the Town Accountant so that the proper receivable can be adjusted.

Action Taken – The proper correcting entries were made to the general ledger in fiscal year 2008.

Current Status – Resolved

STUDENT ACTIVITY FUNDS

Prior Comment

The Treasurer's Office and the Town Accountant's Office periodically reconcile the Student Activity accounts. Adjustments are made on a semi-annual basis to transfer funds from the Student Activity Savings account to the depository account to fund replenishments. However, in order to properly reflect the cash in the Student Activity accounts, this process must be done on a quarterly basis.

Recommendation

We recommend that the Treasurer's Office reconcile the Student Activity bank accounts at least quarterly to the general ledger and transfer the necessary funds to cover replenishments and properly state the Student Activity cash balances.

Action Taken

No action was taken to resolve this comment during fiscal year 2008. With implementation of the new cashbook expected in fiscal 2009 procedures will be implemented to assure that necessary transfers are made in a timely manner.

Current Status – Unresolved

CHAPTER 90 SPECIAL REVENUE FUND

Prior Comment

Chapter 90 is administered on a reimbursement basis in which the Town must submit paid invoices to the Commonwealth for reimbursement. Under this type of program, the fund balance in the Chapter 90 account should be zero or have a deficit equal to expenditures incurred but not yet reimbursed.

Recommendation

We recommend that an internal audit of the Chapter 90 account be done and if a permanent deficit is found to exist, a plan to fund the deficit must be put in place. Reconciliations should be performed on a monthly basis between the Town Accountant's Office and the Department of Public Works to assure the proper flow of information and accurate account balances.

Action Taken

As of June 30, 2008, the fund is reporting a surplus of approximately \$19,000 and no reconciliation procedures have been implemented.

Current Status – Unresolved

SCHOOL DEPARTMENT COMPENSATED ABSENCES

Prior Comment

The School Department's system of determining and reporting the available sick and vacation balances to the Town Accountant's office for the preparation of the compensated absence accrual is inefficient. The School Department does not maintain an automated perpetual balance of each school department employee's sick and vacation balance. Therefore, the calculation of this accrual at fiscal year-end (and at any time during the year) is time consuming and holds up the preparation of the fiscal year-end basic financial statements.

These balances are not only essential in the preparation of the Town's basic financials statements, but they are essential in attendance control.

Recommendation

We recommend the School Department develop an automated system or purchase one of the of the shelf programs capable of maintaining the sick and vacation balances of all school employees. This system should record the available sick and vacation balances for each employee and should include the daily wage rates and the buy-back allowances as well.

Action Taken

No action was taken to resolve this comment during fiscal year 2008.

Current Status – Unresolved

DEVELOP WRITTEN DISASTER RECOVERY PROCEDURES

Prior Comment

The Town does not have well-defined, written disaster recovery procedures. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities.

Recommendation

We recommend that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

1. Location of, and access to, off-site storage.
2. A listing of all data files that would have to be obtained from the off-site storage location.
3. Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing. (Management should make arrangements for such backup with another organization, a computer vendor, or a service center. The agreement should be in writing.)
4. Responsibilities of various personnel in an emergency.
5. Priority of critical applications and reporting requirements during the emergency period.

Action Taken

The Town has procedures in place to backup critical data. The Town has appropriated the funds and is in the planning phase of developing a comprehensive written disaster recovery program.

Current Status – Partially Resolved

STATEMENT NO. 45 OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Prior Comment

In July of 2004, the Governmental Accounting Standards Board (the GASB) issued Statement No. 45 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement improves the relevance and usefulness of financial reporting by (a) requiring a systematic, accrual-basis measurement and recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

For financial reporting purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more, or at least triennially for plans with a total membership of fewer than 200. The projection of benefits should include all benefits covered by the current substantive plan (the plan as understood by the employer and plan members) at the time of each valuation and should take into consideration the pattern of sharing of benefit costs between the employer and plan members to that point, as well as certain legal or contractual caps on benefits to be provided. The parameters require that the selection of actuarial assumptions, including the healthcare cost trend rate for postemployment healthcare plans, be guided by applicable actuarial standards. Failure to obtain an actuarial valuation will result in a qualification to the independent auditors' opinion on the basic financial statements.

Net OPEB obligations, if any, including amounts associated with under- or overcontributions from governmental funds, should be displayed as liabilities (or assets) in government-wide financial statements. Similarly, net OPEB obligations associated with proprietary or fiduciary funds from which contributions are made should be displayed as liabilities (or assets) in the financial statements of those funds.

An employer's net OPEB obligation is defined as the cumulative difference between annual OPEB cost and the employer's contributions to a plan, including the OPEB liability or asset at transition, if any. (Because retroactive application of the measurement requirements of this Statement is not required, for most employers the OPEB liability at the beginning of the transition year will be zero.) An employer with a net OPEB obligation is required to measure annual OPEB cost equal to (a) the annual required contribution (ARC), (b) one year's interest on the net OPEB obligation, and (c) an adjustment to the ARC to offset the effect of actuarial amortization of past under- or overcontributions.

This Statement generally provides for prospective implementation—that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The Town is required to implement this statement in fiscal 2008 although earlier implementation is encouraged.

Recommendation

We recommend that management take a proactive approach to the planning and implementation of GASB Statement No.45. The most important consideration in the planning process is obtaining an actuarial valuation.

Action Taken – The Town has received the required actuarial valuation.

Current Status – *Resolved*

FRAUD RISK ASSESSMENT

Prior Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

- What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.
- What assets of the Town are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.
- How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

Recommendation

We recommend that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Action Taken

The Town has not conducted a fraud risk assessment of critical areas.

Current Status – *Unresolved*

FORMAL ACCOUNTING POLICIES AND PROCEDURES HANDBOOK

Prior Comment

We noted that there are limited written policies and procedures for key administrative and financial functions of the Town. Because of the fact that there is a limited number of staff supporting key positions, a formal manual that identifies and documents key areas of administration and operations would reduce the risk to the Town in the event that personnel have extended absences.

Recommendation

We recommend that the Town document all key managerial functions in a manual that includes, among other items, 1) job descriptions; 2) daily, monthly, and yearly work procedures; and 3) other specific information relative to the function being documented.

Action Taken

The Town is in the process of implementing a new general ledger package and will be developing formal accounting policies and procedures subsequent to the implementation.

Current Status – *Unresolved*

FEDERAL GRANT EXPENDITURES

Prior Comment

As part of the Town's Single Audit, they are required to prepare a Schedule of Expenditures of Federal Award Programs and file this report with the Federal Audit Clearinghouse and the Department of Revenue. To do so they must compile information on all Federal Awards received; what Agency the funds were received from, the Catalog of Federal Domestic Assistance number (CFDA #) of each grant, and the amount of funds expended in the fiscal year under audit. The Town was unable to provide this information for the fiscal year ended June 30, 2006 as a result of not having a system in place to capture this information accurately and timely.

As a result there is a risk that the Town's would not be able to meet filing requirements related to this information and that the information reported within the Report on Federal Award Programs could be inaccurate or not include all of the grants required to be reported. For the fiscal year ended June 30, 2006, we assisted the Town Accountants Office to in compiling the necessary information to meet all federal and state reporting requirements.

Recommendation

We recommend that the Town Accountants Office work with all Department Heads to develop a comprehensive listing of all Federal awards the Town receives, where they are being recorded in the general ledger and establish procedures to allow for the compiling of this information in a timely manner each fiscal year.

Action Taken

The Town has worked to compile a listing of federal grants that is the source for completing the Schedule of Expenditures of Federal Award Programs.

Current Status – Resolved

REAL ESTATE RECEIVABLES

Prior Comment

Through review of the real estate receivable balances we noted that tax years 2002 through 2006 are reporting credit balances. Through review of the detail we noted that there are approximately \$382,000 of credits that either represent posting errors or actual refunds due to taxpayers. As a result of the credit balances the total real estate receivables are understated. An adjusting entry was recorded for financial statement purposes.

Recommendation

We recommend that the Collector's Office review the detailed records for the years in question and determine if either a correcting entry or refunds are due. We also recommend that a policy be developed that allows for periodic review and more timely issuance of refunds due.

Action Taken – There are still a considerable number of accounts with credit balances as of June 30, 2008. However, due to the fact that the Town has not completed receivable reconciliations and there are significant variances between receivable years it is unclear the accurate value of credit balances.

Current Status – Unresolved

TAX FORECLOSURES

Prior Comment

Through review of the detailed listing of tax foreclosures we noted that the beginning balance of approximately \$1.1 million is unsubstantiated. This balance has been carried for a number of fiscal years. Although there would be no fund balance effect due to the fact that the balance is fully deferred, an inaccurate balance may negatively effect management decisions in the future.

Recommendation

We recommend that the Collector's Office research the beginning balance to determine if the balance can be substantiated or if an adjustment is required.

Action Taken

No action was taken to resolve the unsubstantiated balance during fiscal year 2008.

Current Status – Unresolved

FID CARDS DUE TO COMMONWEALTH

Prior Comment

We noted that the FID Card liability account maintained in the Agency Fund has been steadily increasing each fiscal year. This account should represent the portion of FID Card fees that will be paid to the Commonwealth. Through review of the detail the amounts paid monthly to the Commonwealth do not equal the amount of the deposits. This could be a situation in which the Town's share of the permit fee is inadvertently being deposited into the agency fund. If this is the case an adjusting entry would be required to move the Town's share to the general fund.

Recommendation

We recommend that the Town Accountant's Office work with the Police Department and review the process of depositing monies into this account, establishing procedures to assure that the Town's share is appropriately recorded in the general fund. We also recommend that the Town determine the nature of the current balance and make any necessary reclassifying journal entries.

Action Taken

The general ledger was reviewed and adjusted during fiscal year 2008.

Current Status – Resolved

CURRENT YEAR COMMENTS

PLYMOUTH GROWTH AND DEVELOPMENT CORPORATION COMPONENT UNIT (PGDC)

Comment

The Town's FY2007 financial statements contained an audit opinion qualification for not including the PGDC as a component unit. In FY2008, we were provided the financial statements of the PGDC which were audited by another audit firm. However, upon review of the other auditors report, we noted that it states "The Corporation does not have adequate documentation or internal controls in place during the year to provide reasonable assurance as to the completeness of parking fee revenue, stated in the accompanying financial statements". The serious lack of controls resulted in a determination by the other audit firms that the records were unauditible and no audit opinion was issued.

Among other things, the PGDC manages and operates a parking management program in the downtown and waterfront districts on behalf of the Town. The financial statements report \$777,000 of assets and \$805,000 in revenues. Under the current circumstances the Town cannot rely on these amounts to be accurate.

This significant deficiency, which is considered a material weakness, places the assets at considerable risk. A component unit is accountable to the Town and as such would be expected to operate in a manner that would maintain their records to be auditable. Until this situation is rectified any Town operations managed by the PGDC will continue to have significant financial risk.

Therefore our audit opinion contains a qualification due to the fact that an opinion cannot be rendered on the Town's component unit financial statements.

Recommendation

We recommend that the Town contact the Board of Directors and obtain a corrective action plan from the Board to remedy the internal control deficiencies and enable an opinion on their activities to be rendered.

PLYMOUTH REGIONAL ECONOMIC DEVELOPMENT FOUNDATION, INC (PREDF)

Comment

The Town's FY2007 financial statements contained an audit opinion qualification for not including the PREDF as a component unit. As we did in past, we requested information on the PREDF from Town management but no documents were readily available. We ultimately obtained only the PREDF's tax return and did not receive any articles of organization, by-laws and similar documents. We were informed that no audited financial statements are available. The tax return reported \$192,000 in revenues mainly from grants from the Town and other organizations; \$156,000 in expenses; \$900,000 in assets; and \$475,000 of notes payable.

Based on our limited understanding of the PREDF, it appears that they would be considered a component unit of the Town. However a final determination cannot be made until we are able to review additional information. The tax return reported a number of the board of directors to be Town employees or officials. The minor activity of the PREDF allowed us not to qualify our FY2008 audit opinion and not include the PREDF in the Town's financial statements; however, we feel it should be included.

Information on these types of organizations should not be this difficult to obtain considering that Town employees and officials are on the board of directors and the Town provides funding to them. In addition, Chapter 477 of the Acts of 2004, created the Town of Plymouth Economic Development Fund and allows expenditures without further appropriation after a majority vote of the PREDF board of directors. It also requires the PREDF to make an annual report on all expenditures from the fund on a date to be determined by the Town Manager. The Act states that the PREDF should submit all yearly filings with the Secretary of State to the Town Manager. We are

not aware of any reports filed with the Town Manager and are not aware of any internal control procedures in place to insure compliance with the Act.

The Town and PREDF are not in compliance with the legislation and Town funds may be at risk if proper reporting is not available for review.

Recommendation

We recommend that the Town contact the Board of Directors to review the activities of the PREDF, receive the required reports, establish control procedures of the expenditure of funds and determine if the PREDF should be included as a component unit of the Town in future financial statements.

POTENTIAL COMPONENT UNITS (PCU)

Comment

The Town does not have procedures in place to evaluate whether organizations established to assist the Town in various capacities are to be included as component units of the Town. We inquired with Management about the existence of any additional PCU's and they were not aware of any. During our review of the Secretary of State's website for information regarding the other component units, we found Plymouth Education Foundation, Inc was established on December 5, 2008. This would be considered a PCU and should be evaluated by the Town to determine if it is a component unit. The Town should be aware of all organizations that are established to benefit the Town of Plymouth and should contact these organizations, review their tax filings and financial statements to ensure that all component units are included in the Towns financial statements.

Recommendation

We recommend that the Town research the Plymouth Education Foundation, Inc and all other foundations or non-profit corporations that have been setup to benefit the Town directly or indirectly determine if they should be included as a component unit of the Town.

DEPOSIT AND INVESTMENT POLICY

Comment

GASB Statement 40 requires financial statement disclosure of key policies affecting the management of cash deposits and other long term investments of the Town. Current disclosures indicate that there are no specific policies in place to ensure that deposits and investments are managed prudently or that such items are not subject to extraordinary risk.

Recommendation

We recommend that the Treasurer adopt a deposit and investment policy that addresses key areas of the GASB Statement 40. Among other items, the policy should address collateralization of uninsured cash deposits and limits placed on the ability to invest in certain debt or equity issuers.

WITHHOLDING ACCOUNTS

Comment

The payroll withholding liability accounts do not appear to be reconciled on a monthly or quarterly basis. The balance in each withholding liability account should represent amounts withheld from employees but not yet paid out. This is usually one week to one month worth of withholding, depending on the type of withholding. These accounts should be reconciled on a regular basis to that ensure all withholdings are being properly paid out and properly charged to the withholding account. As of June 30, 2008 the payroll withholding accounts are reporting an overall debit balance of approximately \$7,500.

Recommendation

We recommend that the procedures be implemented to ensure that correct amounts are paid from the withholding accounts and that the accounts are reconciled in a timely manner.

ACCOUNTING FOR ENTERPRISE FUND CAPITAL PROJECTS

Comment

Currently the Town is commingling the grant revenues and expenses related to Enterprise Fund capital projects within the Governmental Funds. This makes the accounting for Enterprise activity and the additions to fixed assets more complicated and time consuming. All activity related to Enterprise Funds should be recorded in an Enterprise Fund. A correcting entry has been recorded for financial statement purposes.

Recommendation

We recommend that the Town establish new funds within the general ledger to account for Enterprise Fund capital projects and move all prior year activity related to such projects out of the Governmental Funds.