

COUNTY OF BARNSTABLE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2009



Certified Public Accountants

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To the Assembly of Delegates and County Commissioners
County of Barnstable, Massachusetts

In planning and performing our audit of the financial statements of the County of Barnstable, Massachusetts (County) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 a 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.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and recommendations concerning those matters are summarized in the memorandum that accompanies this letter. This letter does not affect our report dated March 12, 2010, on the financial statements of the County.

The County's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

March 12, 2010

Comments and Recommendations

Dredge Enterprise Fund

Comment

The dredge enterprise fund is charged some indirect costs, such as health insurance and pension appropriations. However, the indirect costs charged to the fund does not necessarily represent all indirect costs that *could* be charged to the fund, such as interdepartmental services (purchasing, accounting, payroll, etc.), audit fees, etc.

The Massachusetts Department of Revenue (DOR) issued an "Informational Guideline Release" (IGR 08-101) in April 2008 in which the DOR recommends that every community with an enterprise fund establish a written, internal policy regarding indirect cost allocation, to be reviewed annually. IGR 08-101 also recommends that local financial officials should understand and agree on what indirect costs are appropriated as part of the general fund operating budget and what percentage of these costs should be allocated to enterprise funds.

We believe it would be prudent for the County to follow the DOR recommendations in IGR 08-101 for its dredge enterprise fund.

Recommendation

We recommend the County implement the recommendations of the DOR as identified in IGR 08-101 by establishing a written, internal policy regarding indirect cost allocation, to be reviewed annually. In addition, as part of the annual budgeting process, County officials should understand and agree on what indirect costs are appropriated as part of the general fund operating budget and what percentage of these costs should be allocated to the dredge enterprise fund.

Management's Response

→ The County will familiarize itself with "Informational Guideline Release" (IGR 08-101) to determine if additional indirect costs should be allocated to the dredge enterprise fund.

Dredge Fund

as of 3/31/15

<u>5100 Salaries Available Budget</u>	83,638.81
04/10/15	(12,000.00)
04/24/15	(12,000.00)
05/08/15	(12,000.00)
05/22/15	(12,000.00)
06/05/15	(12,000.00)
06/19/15	(12,000.00)
07/03/15	(12,000.00)
07/17/15 (20%)	(2,400.00)
Estimated FY15 Indir Costs ADJ	(15,000.00)

Over Budget Projection (17,761.19)

5120 Overtime Available Budget 16,092.52

04/10/15	(2,700.00)
04/24/15	(2,700.00)
05/08/15	(1,600.00)
05/22/15	(1,600.00)
06/05/15	(1,600.00)
06/19/15	(1,600.00)
07/03/15	(1,600.00)
07/17/15 (20%)	(320.00)

Under Budget Projection 2,372.52

SubTotal (15,388.67)

Total Group 1 Resolution Request 20,000.00