COUNTY OF BARNSTABLE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2008
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, 2008, 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 February 12, 2009, 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.

February 12, 2009
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COUNTY OF BARNSTABLE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2008

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Comments and Recommendations

Sheriff Off-Duty Detail Fund

Comment

In the prior year Management Letter, we identified deficiencies related to the Sheriff’s off-duty detail fund. The following represents the current status of the off-duty detail fund, as well as additional information identified during the fiscal year 2008 audit:

- Amounts owed from vendors for off-duty details are not forwarded to the County Administration office and recorded on the general ledger. As a result, monthly reconciliations of outstanding accounts receivable cannot be performed between the Sheriff’s office and the general ledger. Proper internal controls require all accounts receivable to be accounted for and recorded on the general ledger.

- Based on information provided to us, the off-duty detail fund appears to have a permanent deficit (i.e., unfunded by amounts owed from vendors). As of June 30, 2008, the County’s general ledger reported a deficit cash balance of approximately $70,000, along with accrued payroll of approximately $7,000. As of June 30, 2008, the accounts receivable for off-duty details as maintained by the Sheriff’s office is approximately $36,000. Therefore, the off-duty detail fund appears to have a permanent deficit of approximately $41,000.

Investigative measures must be taken to identify the cause of the apparent deficit and to ascertain the precise amount of the deficit. Once the investigation is completed, corrective action must be taken to fund the permanent deficit (if one exists).

Recommendation

We recommend that County Administration and the Sheriff’s office:

- Implement a process whereby all billing and collection activity related to off-duty details is forwarded to the County Administration office (monthly) so a receivable can be recorded and maintained on the general ledger

- Implement procedures to reconcile the general ledger receivable to the Sheriff’s office receivable monthly

- Investigate the cause of the deficit in the off-duty detail fund. While the most likely cause is uncollectible accounts receivable billed in prior years, additional factors that may have contributed to the apparent deficit include, but are not limited to:
  - Payroll expenditures charged to the off-duty detail fund in error
  - Off-duty detail receipts not posted to the off-duty detail fund in error

Once the investigation is completed, if it is determined that a permanent deficit exists, the deficit should be funded by the Sheriff’s operating fund through a transfer of funds in the general ledger.
Management’s Response

The Barnstable County Sheriff’s Office has instituted all of the changes recommended by Sullivan, Rogers and Company during their fiscal year 2008 financial audit. In January 2009, the Barnstable County Sheriff’s Office purchased specialized software to record and track all financials related to paid details in the department. Prior to this purchase paid details were handled through paper transactions and were recorded only in Microsoft Excel.

The paid details software will now allow the Barnstable County Sheriff’s Office to forward all billing and collection activity related to details to the County Administration office monthly so that a receivable can be recorded in the general ledger. The system also generates a report of all unpaid details which will also be forwarded to the County Finance Department on a monthly basis.

An investigation was performed and a permanent deficit amount was agreed upon by the Sheriff’s Office and the County Finance Department. It was determined that the entire deficit was comprised of uncollectible accounts receivables. A fund balance transfer from a Sheriff’s Office special revenue fund to the Off-Duty Details fund was posted to the general ledger.
Accounting and Financial Reporting Requirements for Post-Employment Benefits

Comment

The County provides post-employment benefits (i.e., health insurance) to its qualified retirees. Consistent with other Massachusetts municipalities, the County's other post-employment benefits (OPEB) expenditures are financed on a pay-as-you-go-basis from annual appropriations and the County's current financial statements do not report the financial impact of OPEB until the benefits are paid. During fiscal year 2008, the County had approximately 250 retirees that received such benefits. For the year ended June 30, 2008, the cost of these benefits totaled approximately $1,451,000.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes the standards for the measurement, recognition, and display of OPEB expense/expenditures and related assets, liabilities, note disclosures and required supplementary information in the audited financial statements of state and local governments. As part of determining OPEB amounts and disclosures, the Statement requires, at a minimum, a biennial OPEB actuarial valuation (if 200 or more employees and retirees) or a triennial OPEB actuarial valuation (if fewer than 200 employees and retirees).

The County's required implementation date of GASB Statement No. 45 is fiscal year 2009. The County has had an OPEB actuarial valuation performed as of June 30, 2006. This actuarial valuation can be used to implement Statement No. 45 for fiscal year 2009. However, the June 30, 2006 actuarial valuation cannot be used for fiscal year 2010 and subsequent fiscal years.

Recommendation

We recommend that the County take the appropriate action to ensure an updated actuarial valuation is performed that can be used to fulfill the requirements of Statement No. 45 in fiscal year 2010 (at a minimum). The County should begin a biennial valuation "cycle" such that the next valuations are as of June 30, 2008, 2010, etc.

Management's Response

The County will explore the option of having another actuarial valuation performed for June 30, 2008.