

TOWN OF LEE, MASSACHUSETTS

MANAGEMENT LETTER

June 30, 2013

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Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

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To the Board of Selectmen
 Town of Lee, Massachusetts

Dear Members of the Board of Selectmen:

In connection with our audit of the financial statements of the Town of Lee as of June 30, 2013, we have made a review of the Town's accounting procedures and internal control. While the primary objective of such a review is to afford us a basis of determining the scope of our audit procedures, it nevertheless presents us with an opportunity to submit, for the Town's consideration, suggestions for changes in procedures, which in our opinion, would strengthen internal control or contribute to the improvement of operating efficiency.

The comments and recommendations in this letter are based upon observations made in the course of such review. The review was not designed for the purposes of expressing an opinion on internal accounting control, and it would not necessarily disclose all weaknesses in the system.

Please indicate in the "Action Taken" space of the letter, what corrective measures the Town intends to implement with regard to each recommendation, which will be part of the final letter. After you have had an opportunity to consider our comments and recommendations, we shall be pleased to discuss them further with you.

We would like to express our thanks and appreciation to the Town and its personnel for the cooperation given us during the course of our examination.

Sincerely yours,

Adelson & Company PC
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February 3, 2014

Comments and Recommendations

1. Currently the Town does not prepare the following *Governmental Fund* type financial statements in accordance with the modified accrual basis of accounting. These reports are required statements in the Town's annual audit.
 - Balance sheet for the general fund and all non-major funds (special revenue funds, trust funds and capital projects funds).
 - Statement of Revenues, Expenditures and Changes in Fund Balances for the general fund and all non-major funds.
 - The Town should also include a reconciliation of these statements to the general ledger.

Recommendation:

The Town Accountant should prepare the above mentioned financial statements at the end of each year. Also, the Town Accountant should also include a document which reconciles the statements to the general ledger.

Action Taken:

The Town Accountant is willing to transition to this with some training over the next few years.

2. The Town is currently using Excel to track fixed asset purchases and to calculate depreciation expense. During our audit, we noted that the Excel workbook contained formula errors and didn't properly calculate the current year depreciation expense for reporting in the Town's financial statements.

Recommendation:

The Town should purchase software that will report all the Town's fixed assets and automatically calculate depreciation expense. We recommended the Town purchase Asset Keeper.

Action Taken:

Asset Keeper has been purchased and will be utilized starting in fiscal year 2014.