

TOWN OF CHILMARK, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2010



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To the Honorable Board of Selectmen
Town of Chilmark, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chilmark, Massachusetts as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Chilmark, Massachusetts'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 Town of Chilmark, Massachusetts's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chilmark, Massachusetts'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, we became aware of matters that are opportunities for strengthening internal controls and enhancing operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

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

October 28, 2010

TOWN OF CHILMARK, MASSACHUSETTS

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JUNE 30, 2010

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Comments and Recommendations

Statement No. 45 of The Governmental Accounting Standards Board

Prior Comment

The Governmental Accounting Standards Board (the GASB) issued Statement No. 45 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement requires that:

1. a systematic, accrual-basis measurement and recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and;
2. information about actuarial accrued liabilities associated with OPEB be reported and whether, and to what extent, progress is being made in funding the plan.

We recommend that management obtain an actuarial valuation and review the different insurance options that may reduce the liability.

Status – The Town, in conjunction with the County of Dukes County, has obtained the required valuation.

Develop a Disaster Recovery Plan

Prior Comment

While there are protocols in place for back-up and protection of data, we are not aware of the existence of formal documented procedures over the back-up, storage, and disaster recovery policies of the Town. We strongly encourage that these processes are documented, tested, and monitored to ensure that critical electronic information is not lost should a disaster occur. 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 facilities.

We recommended that management develop a disaster recovery plan for all departments 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.

Status – A formal document has yet to be developed.

FIXED ASSETS

Comment

With the implementation of GASB # 34 in fiscal year 2004, came the responsibility of fixed assets reporting. During fiscal year 2004 the Town conducted an initial fixed asset inventory. Since that time the Town has relied on the year end audit to account for and classify fixed asset additions.

During this time there has been the development of internal control procedures to accurately and timely account for fixed asset additions, deletions, and transfers has not been accomplished. In order to maintain a complete fixed asset listing the Town should develop procedures to facilitate accurate fixed asset reporting.

Recommendation

We recommended that the Town work to develop and implement policies and procedures to insure the proper accounting for all capital assets and that they also work towards maintaining a complete and accurate fixed asset listing by both function and location.