

MINUTEMAN-NASHOBA HEALTH GROUP

SUGGESTIONS FOR IMPROVEMENT IN ACCOUNTING
PROCEDURES AND INTERNAL CONTROL
MAY 31, 2015



Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

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To the Steering Committee
Minuteman-Nashoba Health Group

In planning and performing our audit of the financial statements of the Minuteman-Nashoba Health Group (the Group) as of and for the year ended May 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Group's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

We are also submitting for your consideration comments and recommendations which are not considered to be significant deficiencies but are intended to improve operations and internal accounting control.

The comments and recommendations presented herein are intended to improve the system of internal accounting control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with management to obtain their concurrence before the development of our recommendations for improvement. Matters commented on represent findings during the audit and have not been reviewed subsequent to January 12, 2016.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on positive attributes of the Group's financial management systems. It is also important to understand that it is generally not practical to achieve ideal internal control in the complex governmental accounting environment, and we recognize that practical considerations are an important factor in changing administrative practices and internal control. The Group should weigh the advantages and disadvantages of the suggested changes over the present practices and procedures.

We would like to acknowledge the courtesy and assistance extended to us by management during our audit.

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

Lynch, Malloy, Marini, LLP

Natick, Massachusetts

January 12, 2016

STATUS OF PRIOR YEAR COMMENTS

In connection with our audit of the Group's financial statements for the year ended May 31, 2014, and prior years, we have commented on several issues. The Group has acted on or considered these comments and made changes as considered necessary and cost effective for the Group. The status of prior year comments is noted below.

Segregation of duties – a significant deficiency in internal control

In prior years, we have commented that the lack of segregation of duties over the processing, recording, reconciling and financial reporting of financial transactions represents a significant deficiency in internal control.

Although the Group has reported that they have a second member of the Steering Committee review the Treasurer's Monthly report with all supporting documentation, it is recommended that the individual(s) reviewing the Treasurer's Monthly report and supporting documents annotate with a signature that the document(s) have been reviewed. Such evidence was not present on the documents that we reviewed.

Management's Response: Beginning in November 2012, the Treasurer's Monthly report together with all supporting detail including bank statements and transaction reports, has been submitted to a second member of the Steering Committee for review and proof of reconciliation.

CURRENT YEAR COMMENTS

During the audit, it was discovered that the Group transferred two payments of \$305,658, totaling \$611,316, to a bank account that was not associated with the Group. Opening a bank account that allows direct draws under the Group itself will provide control over the cash.

Management's Response: After discussing this concern with management, management has agreed to open an additional bank account so that transfers to outside entities are not needed.

During the audit, we noted the Group did not maintain a financial accounting system, which would provide for a complete accounting ledger. We recommend the Group to consider implementing a ledger based accounting system (perhaps a simple, off-the-shelf for commercial purposes system, would suffice).

Management's Response: After discussing this concern with management, management has agreed to weigh their options to determine a cost effective measure to correct the issue of maintaining a complete accounting ledger.

