



Bill Fraher, CPA

MINUTEMAN-NASHOBA HEALTH GROUP

MANAGEMENT LETTER

May 31, 2018



Bill Fraher, CPA
1313 Washington Street
Unit 225
Boston, MA 02118
Tel: 617-699-2877
Fax: 617-830-9393
bfraher2877@aol.com

The Board of Directors
Minuteman-Nashoba Health Group

Dear Steering Committee Members:

In planning and performing my audit of the financial statements of the Minuteman-Nashoba Health Group for the year ended May 31, 2018, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, during my audit, I noted certain matters involving the internal control structure and other operational matters that I am presenting for your consideration.

My consideration of the internal control structure was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that would be considered reportable conditions under standards established by the American Institute of Certified Public Accountants. In addition, because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected by such control structure.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of Minuteman-Nashoba Health Group's financial statements will not be prevented or detected and corrected on a timely basis. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, as discussed in the following report, I identified a deficiency in internal control that I consider to be a significant deficiency

Other matters involving the internal control structure and other operational matters are presented in the following report. These matters were considered in determining the nature, timing and extent of the audit tests applied in my audit of the financial statements, and this report does not affect my report on those financial statements dated March 21, 2019. I have not considered the internal control structure since the date of my report.

This report is intended solely for the use of the Board of Directors and is not intended and should not be used by anyone other than these specified parties.

Bill Fraher, CPA
March 21, 2019

MINUTEMAN-NASHOBA HEALTH GROUP
MANAGEMENT LETTER
JUNE 30, 2018

Control Deficiencies

Under auditing standards, there are three categories of internal control deficiencies and other matters that can be identified during an audit. These three categories are material weaknesses, significant deficiencies and control deficiencies. Any items that are identified as material weaknesses or significant deficiencies require modification of the auditor's report on internal control and compliance (which is presented in the report on the financial statements).

A. Material Weaknesses

There were no material weaknesses noted during this year's audit.

B. Significant Deficiencies

B-1. Accounting and Financial Reporting Controls – Significant Deficiency

Consistent with how Massachusetts joint purchase groups typically operate, the Group has placed significant control over the accounting and financial reporting functions in the hands of the Group Treasurer. The Treasurer performs or supervises all functions and controls that initiate, record and process accounting transactions and financial reporting. These functions include posting cash transactions, controlling unused checks, processing cash receipts and cash disbursements, preparing financial reports and reconciling monthly bank statements.

The Group has instituted a mitigating control in that an assistant to the Treasurer performs certain functions. However, the potential internal control risks have not been reduced to an appropriate level. Thus, the combination of duties assigned to the Treasurer constitutes a significant deficiency. I understand the Group has considered these aspects of its internal control and currently feels there is an acceptable level of risk which would not warrant additional expenditures at this time. The Group will continue to monitor and evaluate these aspects of its internal control annually as part of its risk assessment program.

C. Control Deficiencies

C-1. Monthly Warrant

A monthly warrant is prepared for the Group. These warrants do not list the weekly claims payments to insurers. These payments make up most Group expenses (in terms of dollar amounts).

In order for the warrant to capture all items, it is recommended that the warrant list the prior month weekly invoices. The Group may also wish to implement a written approval process by the Steering Committee for the warrants which could include, at a minimum, approval in the minutes.

C-2. Written Policies and Procedures/Risk Assessment

The Group does not have a documented set of policies and procedures relating to the financial operations.

A set of policies and procedures, addressing all key aspects of the Group's financial operations, should be developed. This process should include a risk assessment process to identify areas of risk to the Group, which can then be used to develop appropriate policies and procedures.

C-3. COBRA Tracking

The current system to track COBRA payments does not provide ongoing balances by person. This means if someone prepaids and decides to opt out of COBRA early, the amount due back must be researched through transaction history.

The Group should implement a system where individual COBRA balances are tracked on an ongoing basis.

C-4. General Ledger Posting

The Group does not post all activity to the general ledger – some activity is not posted at all and some is posted in summary rather than in detail. The general ledger should reflect the detailed transactions for the Group, not only for audit purposes but as a permanent record of Group activity. Some of the items not posted or posted as monthly summary entries are:

- Bank of America Fallon in/out sweep activity not posted to the cash account;
- COBRA activity not posted;
- COBRA balances for prepaid contributions and amounts at GBS not recorded; and

The Group should post transactions, particularly the items impacting bank accounts, on a daily basis to reflect actual bank transactions.