

Medford Community Cablevision, Inc

Management Letter

For the Year Ended April 30, 2007

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To the Board of Directors of
Medford Community Cablevision, Inc
Medford, Massachusetts

In planning and performing our audit of the financial statements of Medford Community Cablevision, Inc. as of and for the year ended April 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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 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. Deficiencies constituting material weaknesses are noted in the comment headings.

The Organization's written response to the recommendations identified from our audit has not been subjected to the auditing 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, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

Melanson, Heath + Company P.C.

Andover, Massachusetts
March 10, 2009

INTRODUCTION:

During the audit process we met with the President of Medford Community Cablevision and a newly hired external bookkeeper to share the results of our testing. During that meeting we were informed that they were aware of our findings, and shared our concerns. We were then provided with a policies and procedures manual that went into effect in 2008, but after the date of our procedures.

CURRENT YEAR RECOMMENDATIONS:

1. Improve Segregation of Duties (Material Weakness)

A lack of segregation of duties exists because one individual controls several related areas of the accounting function. Specifically, one individual prepares and sign many of the checks, reconciles the bank statement and is responsible for the bookkeeping. This creates a situation where errors or irregularities could occur and go undetected. Segregation of duties is normally difficult to accomplish within a small organization; however, improvements can be made with the involvement of others within the organization or Board members.

We recommend that the Station Manager be removed as an authorized check signor, the accounting duties be assigned to another individual, and the Board approves all expenditures.

The implementation of this recommendation will improve internal accounting controls, help ensure all transactions are properly authorized, and reduce the risk of the occurrence of errors and irregularities.

Management Response:

While some segregation of duties was lacking, we now have a policy in place that totally segregates these duties as everything goes through our Bookkeeper and our checkbook is NOT housed at the station, but at our Bookkeeper's office. Our Bookkeeper and Station Manager does NOT have check signing privileges.

2. Improve Controls Over Disbursements (Material Weakness)

During our audit we tested a sample of vendor disbursements and found the following issues:

- There was no external supporting documentation such as a vendor invoice or receipt for one out of twenty-five items tested.
- Supporting documentation provided for eleven out of the twenty-five items tested were insufficient to verify the appropriateness of the expenditure. Examples included:
 - Credit card statements;
 - Internal memos;
 - Vendor newsletters,
 - Vendor correspondence.
- There was no clear documented business purpose for many of the items tested.
- Expenditures were not approved by the Board for payment prior to disbursement.
- Over a two-year period, an ATM card was used to make purchases totaling approximately \$ 5,900. Management was only able to provide supporting documentation for \$ 509 of these transactions.
- Expenditures appeared to be inconsistently classified. We noted in one example an ATM charge at a gas station was classified as a fuel expenditure, yet the description stated the expenditure was for snacks.
- Petty cash reimbursements made to employees were in advance of the actual expenditures. In one case, we noted more than a month transpired between the reimbursement and the actual expenditure.
- Time sheets were not maintained and rate agreements were not signed by the employee or by an authorized individual.

- A lack of segregation of duties related to disbursements exists as the same individual that signed many of the checks also approved the disbursements (see segregation of duties comment above).

We recommend that the Organization maintain supporting documentation for disbursements by requiring external invoices or bills and a documented business purpose. A standard check request form should be considered to document this disbursement information, as well as approval and account/program to be charged. We also recommend that the approval of time sheets be documented and rate agreements be signed by both the employee and the authorizing individual, and be referenced to the date of the Board meeting where the rate was approved. The implementation of these recommendations will improve control over disbursements.

Management Response:

Expenditures were approved by the Board of Directors at either monthly or weekly meetings as required by the build-out.

Most ATM card online purchases for software, Mini-DV tape stock and etc. has been sent to Auditor for his review. The balance of the online purchases not provided by the President, were for making of the movie expenses, thereby, we believe that Auditor has those receipts (although we admit that they might not be totally clear that they were ATM purchases). With approx. 18 movies being made and some on location, the Station Manager's ATM card was used when needed. This cost were accounted for, but may NOT have been clear. This situation is one of the past as our Station Manager does NOT have an ATM card and will NOT have one for their use.

With our Bookkeeper looking back and going forward, we are confident that our expenses will be properly classified as everything goes through her for her monthly Board reports using generally accepted accounting principles for non-profit organizations.

Petty cash is important to have on-hand due to the dynamic nature of running a station. We typically provide a check of \$ 100, in advance and as needed for petty cash. All of these expenses are backed up by a receipt and turned into our Bookkeeper for classification and etc. We do not expect our Station Staff to dole out any funds and request reimbursement. We operate similar to a convenience store in some respects as we sell tape stock and DVD's and

etc. that our members purchase so we need cash on-hand for this and other purposes, and always have since our inception in 1984.

3. Improve Controls over Receipts (Material Weakness)

During our audit we tested a sample of receipts deposited and found the following issues:

- Management was not able to provide support for any of the deposits requested for testing.
- We noted the following deficiencies with the membership list provided for testing:
 - Twenty-three members were listed as either expired or no information available;
 - Six members were missing dates documenting the year joined or the renewal date due for dues;
 - Six members were missing the amount of dues paid.
- Activity reported as revenue was identified by management with non-revenue descriptions, such as “balance adjustment”.

Management Response:

We understand that our past Station Manager had some organizational weaknesses, which has been improved upon with the appointing of our new Station Manager. He has organized our Facil software package with accurate membership information, dues paid, when dues are due and etc. as well as implementing a full bar-coding system for checking in and checking out of our equipment so we can track usage.

We also admit that some past deposits have been made to our account without an explanation and were bundled together with other deposits such as our quarterly Comcast deposits, but going forward (after our Bookkeeper was hired) we have a full breakdown of deposits as is our new policy.

4. Improve Financial Reporting (Material Weakness)

The Organization's financial statements, and underlying accounting records, are not prepared in a manner consistent with generally accepted accounting principles. Specifically, the financial statements are maintained on the cash basis of accounting and not the accrual basis. Additionally, no accounting for the Organization's inventory of equipment and fixed assets is maintained. Also, we were informed that regular financial reports, which should include budget vs. actual reports, signed bank account reconciliations, and expenditure and revenue reports, were not consistently provided to the Board.

We recommend that the Organization establish accounting records consistent with generally accepted accounting principles for non-profit organizations. Additionally, we recommend that the Board require management to report the financial condition of the Organization on a monthly basis. The reporting should include the reports identified above. The implementation of these recommendations will improve control over the financial reporting of the organization.

Management Response:

With the hiring of our Bookkeeper, we have many policies in place and since their inception have adhered to these policies. We will also be meeting with our CPA to discuss our use of generally accepted accounting principles for non-profit organizations and to determine what more we need to do to adhere to these guidelines.

5. Improve Cash Reconciliation Process

Management's overall cash reconciliation procedures does not include a summarized (one page) report that includes each bank account and the reconciling items to match the Treasurer's cash books, and further matching the cash books to the accounting records. As a result, it is difficult to determine the nature and extent of reconciling items.

We recommend management prepare a one-page cash reconciliation summary proving bank balances to the cash books, and the general ledger on a

monthly basis. We further recommend that the new spreadsheet be signed (to indicate agreement) by the Treasurer and management.

Management Response:

With the hiring of our Bookkeeper, we have many policies in place and since their inception have adhered to these policies. We will also be meeting with our CPA to discuss our use of generally accepted accounting principles for non-profit organizations and to determine what more we need to do to adhere to these guidelines.

6. Formalize Administrative Procedures

Management has not formalized written regulations to provide guidance over administrative policies and procedures. This would result in improved consistency over many routine administrative procedures, such as compensation agreements, inventory control, phone use, travel and expense reimbursement, use of facilities, and insurance requirements on personal vehicles.

We recommend that management formalize written regulations to provide guidance over administrative policies and procedures. This would result in improved consistency over many routine administrative procedures, such as compensation agreements, inventory control, phone use, travel and expense reimbursement, use of facilities, and insurance requirements on personal vehicles.

Management Response:

With the hiring of our Bookkeeper, we have many policies in place and since their inception have adhered to these policies. We will also be meeting with our CPA to discuss our use of generally accepted accounting principles for non-profit organizations and to determine what more we need to do to adhere to these guidelines.

7. Properly Report W-2 Information

We identified two instances where the Organization provided travel allowances to employees throughout the year, but did not include such allowances on the respective employee's W-2's as a source of income. The Internal Revenue Service (IRS) may view these payments as taxable income; as such these amounts should most likely be reported on form W-2 as other income.

We recommend that management review the IRS tax code regarding the preparation of form W-2, and prepare future W-2's in compliance with IRS rules and regulations. We further recommend the Board seek professional guidance on prior W-2's issued, determine the completeness of these forms, and take appropriate action if necessary.

Management Response:

Our Bookkeeper has issued a 1099 form for gas reimbursement to our past Station Manager. We were recently told that this was not the proper form to issue her. This has been discussed with our Bookkeeper and will be resolved in February 2009.