

Audited Financial Statements

Maine County Commissioners
Association, Inc.

Eighteen Months Ended
December 31, 2013



Proven Expertise & Integrity



Proven Expertise and Integrity

June 9, 2014

Board of Directors
Maine County Commissioners Association
4 Gabriel Drive, Suite #2
Augusta, Maine 04330

MANAGEMENT LETTER

In planning and performing the Audit of the Maine County Commissioners Association for the eighteen months ended December 31, 2013, we considered the Maine County Commissioners Association's internal control. We did so to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for expressing our opinion on the effectiveness of the Maine County Commissioners Association's internal control over financial reporting or compliance.

During our audit we became aware of matters referred to as "management letter comments" that offer opportunities for strengthening internal control and improving operating procedures of the Maine County Commissioners Association. The following pages summarize our comments and suggestions on those matters.

This letter is intended solely for the information and use of the Board of Directors, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

These matters do not modify our opinion on the financial statements for the eighteen months ended December 31, 2013, where we expressed an unqualified opinion on our independent auditors' report dated May 20, 2014.

Cash Disbursement Checks:

While performing our audit and test work for the above mentioned period, we noticed one check was handwritten and one check had only one signature even though it exceeded the \$5,000 limit for duplicate signatures. In addition, the check that was improperly signed was honored by the Association's bank. We recommend for internal control purposes that all checks are issued using the Association's financial accounting software. We also recommend that the Association contact its bank to verify check signing authority and emphasize that checks with only authorized signatures should be honored. In addition, we recommend that the Association review its current cash disbursement policies and procedures and where necessary revise and/or develop and implement policies to improve internal controls.

Invoice Approval:

We noticed during our cash disbursements test work that the Association has all invoices approved by the Executive Director . However, certain invoices were for the Executive Director's travel expenses and other reimbursements. Also, the credit card is used by the Executive Director and therefore, she is approving her own credit card invoices. Generally Accepted Accounting Principles require that there be oversight regarding expenditures made for specific purposes to ensure that proper support and documentation for the expenditures exists. We recommend for internal control purposes that all invoices are approved by the Executive Director or a member of the Board of Directors for expenses incurred by the Executive Director before checks are disbursed to improve internal controls. Further, we recommend that the administrator(s) over cash disbursements at the Association review the current accounts payable policies and procedures and where necessary revise and/or develop and implement policies to meet it needs.

Missing Credit Card Invoices and Receipts:

While performing the audit for the previous and above mentioned fiscal periods, it was noticed that the Association was missing invoices and receipts on certain credit card items selected for testing. As stated above, Generally Accepted Accounting Principles require that there be oversight regarding expenditures made for specific purposes to ensure that proper support and documentation for the expenditures exist. We recommend that the Association establish a credit card policy to include the following: current list of all authorized card users, proper items to be purchased, proper authorization for payment to ensure accountability and reduction of late and finance charges, and spending limits established within the accounts including elimination of all cash transactions. We also recommend that the administrator(s) over accounts payable review the current policies and procedures and where necessary revise and/or develop and implement policies to improve internal controls and ensure sufficient support documentation accompanies all credit card transactions.

Tax ID # Risk Pool & Association

While performing the audit for the above mentioned eighteen months ended, we understood that while recognizing the Risk Pool was an integral part of County Government, it was the intentions of the Association to keep this entity separate from the Association's everyday business. It should be known that the two entities share the same tax identification number. Due to the sharing of the same tax identification number, a single Form 1096 was filed for all Form 1099s for both the Risk Pool and the Association; which caused the Form 1096 to be misstated for the Association. Also, bank accounts for the Risk Pool were combined with the Association's on one bank confirm. The Association should consider reviewing this matter and getting the Risk Pool its own tax identification number.

Written Financial Procedures:

While performing our audit for the above mentioned fiscal period, we noted that the Association has formal financial procedures but they did not always reflect current practice. We recommend that the Association should initiate a review all existing financial policies for adequacy and completeness, with an emphasis on internal controls and create and/or modify where necessary during the next fiscal year. Once completed, they should be given the Board of Directors for approval.

Subsequent to the end of the fiscal period, we understand that all financial procedures are being reviewed and updated.

Federal Depository Insurance:

We noted during the above mentioned fiscal period audited that cash deposits have come close to not having been fully collateralized or otherwise fully insured. Full collateralization minimizes the risk of loss of deposits in the event the financial institution defaults. The Association should review its existing depository cash accounts and discuss with banks possible collateralization of funds that exceed federal depository insurance limits.

Personnel Policies:

While performing our audit for the above mentioned fiscal period we noted that the Association has formal personnel policies, however they are out of date. The Association should review all existing personnel policies for adequacy and completeness, with an emphasis on internal controls, modify as necessary, and have the policies adopted by the Board. We understand that subsequent to the end of the fiscal period, the Association is in the process of reviewing all policies for adequacy.

Bank Reconciliations:

While performing our audit for the above mentioned fiscal period we noted that the Association did perform bank reconciliations in a timely manner. However, we could not determine whether or not they had been reviewed because no signature or date was provided on the bank reconciliation by the preparer or the reviewer over the course of the fiscal period. We consider this area crucial in the Association's processing of accurate financial information and internal controls. We recommend that the Association perform and review all cash reconciliations within 30 days of month end consistently. These reconciliations should also include sufficient supporting documentation and be reviewed, dated and signed by another individual with knowledge of the fiscal operations at the Association to provide complete oversight.

IRS –Tax Exempt Status:

While performing the audit for the above mentioned eighteen months ended, it was notice that the Association, which is organized as a non-profit organization, has never solicited to be recognized as a charitable organization or receive a tax exemption ruling from the Internal Revenue Service (under 501c(3) of the IRS Code). We recommend that the Association apply for tax exempt status to fully realize the benefits of a non-profit organization.

Subsequent to the end of the fiscal period, we understand that the Association has requested a tax exemption ruling from the IRS.

We would like to thank all of the staff at Association for their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,

RHR Smith & Company, CPAs