



**Bill Fraher, CPA**

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**CAPE COD MUNICIPAL HEALTH GROUP**

MANAGEMENT LETTER

June 30, 2019



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The Steering Committee  
Cape Cod Municipal Health Group

Dear Steering Committee Members:

In planning and performing my audit of the financial statements of the Cape Cod Municipal Health Group for the year ended June 30, 2019, 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 Cape Cod Municipal 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 February 26, 2020. 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 Steering Committee is not intended and should not be used by anyone other than these specified parties.

Bill Fraher, CPA  
February 26, 2020

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**Section I - 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).

***I-A. Material Weaknesses***

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

***I-B. Significant Deficiencies***

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

As discussed in last year's management letter and 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 several mitigating controls including detailed monthly review of group financial statements and reports; review of monthly changes in cash report documenting reconciling items; Steering Committee approval of group expenditures; mailing and monitoring of duplicate bank statements to a board member; as well as an on-going risk assessment process.

Despite these mitigating controls, 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.

***I-C. Control Deficiencies***

***I-C-1. COBRA Prepayments***

The general ledger account for COBRA prepayments at June 30, 2019 carries a balance of \$32,000. This balance appears to be significantly overstated as it is unlikely that the Group has that much in prepaid COBRA funds at year end. Also, there is no reconciliation of this account balance to a list of individuals who have prepaid for COBRA.

The Group should consider having COBRA on a billing system like Quickbooks or other software that can track prepayments by individual. Overpayments (unused prepayments) need to be returned on a timely basis or turned over to the State Treasurer's Office per Massachusetts General Laws.