



To the Town Council
Town of Stratford, Connecticut

In planning and performing our audit of the financial statements of the Town of Stratford, Connecticut (the Town), as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

We noted the following matters involving the internal control over financial reporting and its operation that we offer as constructive suggestions for your consideration as part of the ongoing process of modifying and improving accounting controls and administrative practices.

Accounting Procedures Manual

It was noted that both the Town's finance office and the finance office of the Board of Education do not have a formalized accounting procedures manual. During the year, the Town finance department experienced a sudden, significant turnover of personnel. This contributed to a delay in issuing the audit. Had the department had such a manual, it could have helped in the transition process.

Recommendation - As recommended in prior years, we recommend that both the Town and the Board of Education consider the development of a comprehensive accounting procedures manual for their finance offices. A comprehensive accounting procedures manual would include, but is not limited to, the documentation of formalized control policies and procedures relating to daily, weekly, monthly and year-end procedures. It would also address year-end closing processes and financial statement presentation. This manual may be used to provide guidance to employees regarding their delegated responsibilities and allow for smoother transitions if turnover occurs.

Management's Response - The Town has detailed policies for accounting functions such as accounts payable, payroll, purchasing, cash receipts, etc. but does not have these consolidated in a comprehensive manual. We agree with this recommendation and will work towards completing the manual.

Board of Education's Response - The Board of Education's Finance Department has detailed procedures for accounting functions such as accounts payable, payroll and purchasing. Finance personnel are cross trained to ensure coverage of work in the case of absence or personnel turnover. Though procedures are documented, the Finance Department will work towards formalizing them into a Finance Procedure Manual.

Segregation of Duties

As part of the annual audit, we are required to obtain an understanding of the Town's internal control environment in order to assess the overall risk of material misstatement in the financial statements. We recommend the Town strengthen its segregation of duties whenever feasible. Cross training in key

areas of the internal control structure can be valuable in providing cross examinations where needed and eliminating disruption when turnover occurs. Specifically, in the Town finance office, we noted journal entries that were prepared and posted by the same individual and numerous journal entries that were posted without a second level of review. In addition, the capital asset entries are being prepared by one employee without any review. Cross training in key areas of the internal control structure can be valuable in providing cross examinations where needed and eliminating disruption when turnover occurs.

Recommendation – We recommend that the Town look at the processes and controls in the finance office to ensure that all areas have appropriate segregation of duties.

Management's Response - Since fiscal year 2021, the Town's journal entries are entered and posted by separate individuals. Staff are cross trained on accounts payable, payroll, purchasing, and treasury functions. The Town will work on cross training for fixed assets as well, and second review and approval prior to posting assets.

Interfund Balances

Interfund balances are currently very large as the amounts recorded between funds are not being netted.

Recommendation – We recommend that interfund balances should be analyzed and, where possible, funds should reimburse amounts owed to other funds. Due to/from activity should be used for temporary borrowing of funds from one fund to the other and not for the purpose of long-term financing of activities.

Management's Response - The Town will work with our audit team on best practice on how to resolve due to/due from balances in the Town's financial system.

Fund Deficits

The Workers' Compensation Fund, Short Beach Golf Course and Emergency Medical Services Fund all have deficit fund balances/net position.

Recommendation – We recommend the Town analyze the activity and establish a long-term plan to fund these deficits.

Management's Response - The Town is in agreement and is currently working on long term plans for these fund deficits.

Pension and OPEB Trust Funds

The Town did not record the fiscal year investment activity for Pension and OPEB Trust Funds on their financial management system. Developing strong controls and procedures regarding the information posted within the financial management system ensures the Town that the information is being accurately presented, allowing the governing body to make sound financial decisions on a timely basis. Although they did provide the information for the audit, it was difficult to reconcile with the information the actuaries were reporting in calculating the Net Pension and OPEB liabilities and related disclosures. These amounts were corrected during the audit, and the corrected figures were presented in the Town's financial statements. The Town should record all trust fund activity within their financial

management system and provide accurate and timely information to the actuaries for financial statement reporting.

Recommendation - We recommend that the Town review the Pension and OPEB investment statements and post journal entries to the financial management system on at least a quarterly basis.

Management's Response - The Town, since fiscal year 2021, posts the investment activity for Pension and OPEB Trust funds on a quarterly basis when statements are reconciled.

Cash Account Maintenance

During the audit, we noted Police Asset Forfeiture accounts that the Treasurer/Finance Department did not have access to. The Chief of Police was the only signor on these accounts.

Recommendation - We recommend the Treasurer be an additional signor on these accounts and that the statements are sent to the Treasurer/Finance Department on a monthly basis.

Management's Response - The Finance Director will work with the Police Department on adding the Treasurer as a signor on the asset forfeiture account and post activity in the Town's financial system on a quarterly basis.

Encumbrance Policy

The Town's Finance Department does not currently have a formal encumbrance policy.

Recommendation - As recommended in the previous years, the Town should develop a formal encumbrance policy that includes a definition of a properly executed encumbrance to ensure that encumbrances, when utilized, are properly recorded.

Management's Response - The Town will use the example provided by the audit team to create an encumbrance policy.

This letter should be read in conjunction with our report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated March 30, 2021.

This communication is intended solely for the information and use of management, Members of the Town Council, others within the organization, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



West Hartford, Connecticut
March 30, 2021