

CITY OF STAMFORD, CONNECTICUT
FEDERAL AND STATE FINANCIAL
AND COMPLIANCE REPORTS
YEAR ENDED JUNE 30, 2011

City of Stamford, Connecticut
Federal and State Financial and Compliance Reports
June 30, 2011

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CITY OF STAMFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED June 30, 2011

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Entity Identifying Number</u>	<u>NON ARRA</u>	<u>ARRA</u>	<u>Total Federal Expenditures</u>
Department of Agriculture					
Pass -Through Programs From:					
Connecticut State Department of Education					
Child Nutrition Cluster:					
School Breakfast Program (SPB)	10.553	12060SED6437020508	\$ 475,028	\$ -	\$ 475,028
National School Lunch Program (NSLP)	10.555	12060SED6437020560	2,489,279	-	2,489,279
National School Lunch Program (NSLP) - Commodities	10.555	12060SED6437020560	160,829	-	160,829
Total Child Nutrition Cluster			3,125,136	-	3,125,136
Pass -Through Programs From:					
Connecticut Department of Public Health					
Special Supplemental Nutrition Program For Women, Infants and Children (WIC) - Non Cash					
Infants and Children (WIC)	10.557	Non - Contract	3,599,660	-	3,599,660
Infants and Children (WIC)	10.557	12060DPH4887220892 - 2010	293,048	-	293,048
Infants and Children (WIC)	10.557	12060DPH4887220892 - 2011	570,073	-	570,073
Pass - Through Program From:					
Connecticut Department of Agriculture					
Farmer's Market	10.557		1,536	-	1,536
Total Department of Agriculture			7,589,453	-	7,589,453
Department of Housing and Urban Development					
Direct Programs:					
CDBG Entitlement Grant Cluster:					
Community Development Block Grants Entitlement Grants	14.218		1,069,960	-	1,069,960
Community Development Block Grant ARRA Entitlement Grants (CDBG-R)	14.253		-	61,467	61,467
Total CDBG Entitlement Grant Cluster			1,069,960	61,467	1,131,427
HOME Investment Partnerships Program	14.239		392,588	-	392,588
Pass -Through Programs From:					
Connecticut Department of Economic and Community Development					
Neighborhood Stabilization Program (NSP)	14.218	12060ECD4640022324	1,239,767	-	1,239,767
Total Department of Housing and Urban Development			2,702,315	61,467	2,763,782
Department of Justice					
Direct Programs:					
Violence Against Women Office:					
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		180,171	-	180,171
JAG Program Cluster - Direct					
Edward Byrne Memorial Justice Assistance Grant Program	16.738		116,596	-	116,596
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Grants to Units of Local Governments	16.804		-	80,463	80,463
JAG Program Cluster - Indirect					
Pass - Through Program From:					
Connecticut Office of Policy and Management Criminal Justice Policy & Planning Division					
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Grants to States and Territories	16.803	12060OPM2035029002	-	36,277	36,277
Total JAG Cluster			116,596	116,740	233,336
Public Safety Partnership and Community Policing Grants Office of Community Oriented Policing Services	16.710		94,140		94,140
Pass - Through Program From:					
The Connection Inc., Project Safe Neighborhoods					
	16.609		15,862	-	15,862
Total Department of Justice			406,769	116,740	523,509
Department of Transportation					
Direct Programs:					
Federal Transit Cluster					
Federal Transit - Capital Investment Grants	20.500		4,912,895	-	4,912,895
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		1,184,841	1,100,000	2,284,841
Total Federal Transit Cluster			6,097,736	1,100,000	7,197,736

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED June 30, 2011

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Entity Identifying Number</u>	<u>NON ARRA</u>	<u>ARRA</u>	<u>Total Federal Expenditures</u>
Department of Transportation (Continued)					
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		\$ 908,782	\$ -	\$ 908,782
Pass - Through Programs From:					
Connecticut Department of Transportation					
Federal Transit -Capital Investment Grants - Local Bridge Program	20.500	12062DOT5700022108	5,940	-	5,940
State and Community Highway Safety - DUI Enforcement	20.600	12062DOT5734322091	53,744	-	53,744
<i>Total Department of Transportation</i>			<u>7,066,202</u>	<u>1,100,000</u>	<u>8,166,202</u>
Environmental Protection Agency					
Direct Programs:					
Healthy Communities Grant Program	66.110		6,344	-	6,344
Congressionally Mandated Projects - Harbor Point Water & Waste Improvement Initiative	66.202		485,000	-	485,000
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		76,165	-	76,165
Congressionally Mandated Projects - Mill River Storm Water Management	66.202		147,537	-	147,537
<i>Total Environmental Protection Agency</i>			<u>715,046</u>	<u>-</u>	<u>715,046</u>
Department of Energy					
Direct Programs:					
Renewable Energy Research and Development	81.087		72,565	-	72,565
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128		-	322,697	322,697
<i>Total Department of Energy</i>			<u>72,565</u>	<u>322,697</u>	<u>395,262</u>
Department of Education					
Pass - Through Programs From:					
Connecticut State Department of Education					
Adult Education—State Grant Program - English Literature & Civics	84.002	1260SDE6437020784	163,800	-	163,800
Title I Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	12060SDE6437020679	2,106,106	-	2,106,106
Title I Grants to Local Educational Agencies Recovery Act	84.389	12060SDE6437029010	-	799,440	799,440
Total Title I Part A Cluster			<u>2,106,106</u>	<u>799,440</u>	<u>2,905,546</u>
Special Education Cluster (IDEA):					
Special Education Grants to States (IDEA, Part B)	84.027	12060SDE6437020977	2,766,807	-	2,766,807
Special Education Preschool Grants (IDEA, Preschool)	84.173	12060SDE6437020983	122,447	-	122,447
Special Education Grants to States (IDEA, Part B) Recovery Act	84.391	12060SDE6437029011	-	1,884,990	1,884,990
Special Education Preschool Grants (IDEA, Preschool) Recovery Act	84.392	12060SDE6437029012	-	88,120	88,120
Total Special Education Cluster (IDEA)			<u>2,889,254</u>	<u>1,973,110</u>	<u>4,862,364</u>
Career and Technical Education - Basic Grants to States, (Perkins IV)	84.048	12060SDE6437020742	215,118	-	215,118
Safe and Drug-Free Schools and Communities - State Grants	84.186	12060SDE6437020873	8,570	-	8,570
Twenty First Century Community Learning Centers	84.287	12060SDE6437020863	400,000	-	400,000
Education Technology State Grants Cluster:					
Education Technology State Grants	84.318	12060SDE643720826	5,782	-	5,782
Education Technology State Grants - Recovery Act	84.386	12060SDE643729063	-	17,636	17,636
Total Education Technology State Grants Cluster			<u>5,782</u>	<u>17,636</u>	<u>23,418</u>
English Language Acquisition Gants	84.365	12060SDE643720868	385,228	-	385,228
Improving Teachers' Quality State Grant	84.367	12060SDE643720858	684,709	-	684,709
State Fiscal Stabilization Fund Cluster:					
State Fiscal Stabilization Fund (SFSF) – Education State Grants Recovery Act	84.394	12060SDE6437029054	-	1,077,421	1,077,421
<i>Total Department of Education</i>			<u>6,858,567</u>	<u>3,867,607</u>	<u>10,726,174</u>

CITY OF STAMFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED June 30, 2011

Federal Grantor Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	NON ARRA	ARRA	Total Federal Expenditures
<u>Department of Health and Human Services</u>					
Pass - Through Program From:					
Optimus Health Care					
Grants to Health Center Programs, Recovery Act -					
Mobile Van Outreach Grant					
	93.703		\$ -	\$ 18,171	\$ 18,171
Pass - Through Program From:					
The Southwest Connecticut Agency on Aging					
Special Programs for the Aging - Title III, Part D - Disease					
Prevention and Health Promotion Services					
	93.043	11000DSS6000016163	12,339	-	12,339
Pass - Through Program From:					
State of Connecticut Department of Public Health					
Immunization Grants					
	93.268	210-0206	92,712	-	92,712
Vaccines Non -Cash					
	93.268	Non - Contract	44,491	-	44,491
Public Health Emergency Preparedness					
	93.069	DPH22333PHP2010	33,814	-	33,814
Public Health Emergency Preparedness					
	63.069	DPH22333PHP2011	50,966	-	50,966
HIV Prevention Activities - Health Department Based					
	93.940	DPH20920AID2010	171,350	-	171,350
Preventive Health and Health Services Block Grant					
	93.991	11000DPH4855810020	15,093	-	15,093
Pass -Through Program From:					
Connecticut Department of Social Services					
Social Services Block Grant Day Care					
	93.667	12060DSS6079420699	821,903	-	821,903
Social Service Block Grant 9/10					
	93.667	12060DSS6079420699	13,608	-	13,608
Social Service Block Grant 10/11					
	93.667	12060DSS6079420699	43,279	-	43,279
<i>Total Department of Health and Human Services</i>					
			<u>1,299,555</u>	<u>18,171</u>	<u>1,317,726</u>
<u>Corporation for National and Community Service</u>					
Pass - Through Program From:					
Connecticut State Department of Education					
Learn and Serve America School and Community					
Based Programs					
	94.004	12060SDE6437020902	37,000	-	37,000
<u>Department of Homeland Security</u>					
Pass - Through Programs From:					
Connecticut Department of Emergency Management and					
Homeland Security					
Disaster Grants - Public Assistance (Presidentially Declared Disasters) -					
FEMA March 2010 storm - DR-1904-CT					
	97.036	12060EHS9969021891	424,265	-	424,265
Emergency Management Performance Grants					
	97.042	12060EHS9966021881	52,894	-	52,894
Pass - Through Program From:					
Westport Weston Health District, The Medical Reserve CORPS					
Homeland Security Grant Program					
	97.067	12060EHA9953022330	47,708	-	47,708
Homeland Security Grant Program					
			1,164	-	1,164
Buffer Zone Protection Program					
	97.078	12060EHS9953021903	989	-	989
<i>Total Department of Homeland Security</i>					
			<u>527,020</u>	<u>-</u>	<u>527,020</u>
Total Federal Expenditures					
			<u>\$ 27,274,492</u>	<u>\$ 5,486,682</u>	<u>\$ 32,761,174</u>

City of Stamford, Connecticut
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Stamford, Connecticut (“the City”) under programs of the Federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement.

2. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. USDA Contributions

The U. S. Department of Agriculture makes available commodities for donations to schools. The amount of \$160,829 represents the market value of such commodities.

4. WIC Food Payments

The U. S. Department of Agriculture makes non-cash distributions of food vouchers for WIC. The amount of \$3,599,660 represents the market value of such vouchers used during this period.

5. Vaccines

The U. S. Department of Health and Human Services makes non-cash distributions of vaccines. The amount of \$44,491 represents the market value of such vaccines.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Honorable Mayor and Governing Board of Finance
City of Stamford, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Stamford, Connecticut (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as findings items 2011-01 and 2011-02 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as federal items 2011-03 – 2011-05 and state item 11-1.

We noted certain matters that we reported to management of the City in a separate letter dated December 5, 2011.

The City's response to the findings identified in our audit is described in the accompanying attachment "Management's Response and Corrective Action Plan." We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Governing Board of Finance of the City 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.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP
Stamford, Connecticut
December 5, 2011



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Governing Board of Finance
City of Stamford, Connecticut

Compliance

We have audited the City of Stamford, Connecticut's (the "City") compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-03 – 2011-05. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011 and have issued our report thereon dated December 5, 2011. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying attachment "Management's Response and Corrective Action Plan." We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management and the Governing Board of Finance of the City, 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.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

Stamford, Connecticut

December 5, 2011

City of Stamford, Connecticut
Schedule of Findings and Questioned Costs - Federal
June 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial
statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance
for major programs

Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of OMB Circular A-133?

yes no

City of Stamford, Connecticut
 Schedule of Findings and Questioned Costs - Federal
 June 30, 2011

Identification of major programs:

<u>Program Name</u>	<u>Federal CFDA Number</u>
Justice Assistance Grant (JAG) Program Cluster	
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Justice Assistance Program/Grants to States and Territories, ARRA	16.803
Edward Byrne Justice Assistance Program/Grants to Units of Local Governments, ARRA	16.804
Federal Transit-Capital Investment Grants Cluster	
Federal Transit-Capital Investment Grants	20.500
Federal Transit-Capital Investment Grants, ARRA	20.507
Highway Planning and Construction	20.205
Energy Efficiency and Conservation Block Grant Program, ARRA	81.128
State Fiscal Stabilization Cluster	
State Fiscal Stabilization Fund Education State Grants, ARRA	84.394
Special Education Cluster	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education - Preschool Grants (IDEA Preschool)	84.173
Special Education - Grants to States (IDEA, Part B), ARRA	84.391
Special Education - Preschool Grants (IDEA Preschool), ARRA	84.392
Title I Part A Cluster	
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010
Title I Grants to Local Educational Agencies, ARRA	84.389

City of Stamford, Connecticut
Schedule of Findings and Questioned Costs - Federal
June 30, 2011

Dollar threshold used to distinguish
between Type A and Type B programs \$982,835
Auditee qualified as low-risk auditee? X yes no

Section II – Financial Statement Findings

Finding 2011 - 01: Year End Closing, Process and Communication

Criteria: Per City's accounting and procedure manual the Controller's Office is responsible for closing and reconciling all accounts to the general ledger at year end inclusive of GASB Statement No. 34 adjustments. The Charter requirements mandate a draft audit report be presented to the Board of Finance and the Board of Representatives by September 30th.

Condition:

In our review of the City's records, we noted that key accounts requiring full accrual presentation with GASB Statement No. 34 were not reconciled and fully converted.

- The closing process was not complete as the entity-wide adjustments required for reporting in accordance with GASB Statement No. 34 and for completion of the Comprehensive Annual Financial Report ("CAFR") could not be made.
- The property tax receivable, overpayments accounts, disputed assessments and related revenue accounts are not routinely reconciled to the General Ledger.
- Schedules to support disputed tax assessments maintained by the Tax Department were not available for review by the Controller's Department, resulting in an understatement in the General Ledger of approximately \$1.45 million.
- The liability for claims incurred but not reported in connection with the heart and hypertension claims was not adjusted based on the report provided by the City's third party administrator.
- The prior year accrual for state aid revenue receivable in the amount of \$444,000 was not reversed.
- Certain of the school construction debt accounts were not recorded and did not agree with the underlying schedules.
- Schedules of educational and other grants receivable were not prepared and the related General Ledger accounts had not been analyzed.
- BOE encumbrances in the amount of \$175,000 were not liquidated even though the goods and services had been received or performed.
- Information provided to us regarding pending litigation, asserted claims, and outside counsel retained to handle certain matters was incomplete. Specially, pending matters relating to the Old Town Hall Redevelopment Agency and the Water Pollution Control Authority were not brought to our attention.

City of Stamford, Connecticut
Schedule of Findings and Questioned Costs - Federal
June 30, 2011

Section II – Financial Statement Findings (Continued)

Finding 2011 - 01: Year End Closing Procedures (Continued)

- Loan balances relating to various loan programs administered by the Community Development Program were not reflected in the General Ledger.
- Other Post Employment Benefits – Employee Contributions from City retirees were not adjusted from their initial year of retirement throughout the fiscal year ending June 30, 2011.
- General Ledger account coding structure does not provide sufficient information to properly review reconcile, monitor and report activity.

Management Letter deficiency comments 1, 3, and 4.

Cause: Several factors contributed to these issues noted above, most significantly insufficient documentation and communication of accounting and financial reporting processes and procedures related to the year-end audit, the lack of a well-defined closing process and inadequate staffing in the Controller's Department.

Effect or Potential Effect: By not making the required year end and GASB Statement No. 34 entries the City may fail to meet the Charter requirement to present a draft audit report to the Board of Finance and the Board of Representatives and increase the risk that the financial statements may be misstated.

Recommendation: The City must follow its month end and year end closing procedures as documented in the accounting policies and procedures manual. Year end accrual items and reversal of prior year accruals, purchases and disposition of capital assets and payroll information should be included in the year end closing procedures.

Management's Response: See attached Corrective Action Plan.

Finding 2011 - 02: Old Town Hall Redevelopment Agency (OTHRA)

Criteria: OTHRA was created to finance the redevelopment of the Old Town Hall in downtown Stamford. In addition OTHRA was expected to manage the accounting, operating and strategic functions of the project.

Condition: The City does not have an adequate process in place to properly account for the complex nature of OTHRA's entities and their reporting requirements.

Management Letter deficiency comment 2.

Cause: Management does not have the experience to record the complex OTHRA transactions.

Effect or Potential Effect: Transactions related to OTHRA and related LLC's were not properly recorded in accordance with generally accepted accounting principles.

Recommendation: The City should seek the necessary personnel resources to ensure that the accounting for this complex activity is properly recorded prior to the commencement of the annual audit.

Management's Response: See attached Corrective Action Plan.

City of Stamford, Connecticut
Schedule of Findings and Questioned Costs - Federal
June 30, 2011

Section III – Federal Award Findings and Questioned Costs

Finding 2011- 03: Schedule of Expenditures of Federal Awards – CFDA 84.027, 84.173, 84.391 and 84.392 Special Education Grants to States, CFDA 16.738, 16.803 and 16.804 JAG Program Cluster Grants, and CFDA 20.500 and 20.507 Federal Transit Cluster.

Criteria: As per OMB Circular A-133, Subpart C, Section 300, it is the auditee's (the "City's") responsibility to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the City's financial statements.

Condition: Management did not include expenditures for the Social Services Block Grant but instead reported the amounts as State expenditures. Management did not report all expenditures for the Special Education Grants to the State. Circular A-133 defines a cluster of programs as a grouping of closely related federal programs that share common compliance requirements. Cluster programs must be identified on the SEFA. The client did not identify two cluster programs; the JAG Grant Cluster and the Federal Transit Cluster.

Management Letter deficiency comment 1.

Cause: Management did not reconcile and review the SEFA to the books and records prior to submitting it for audit. Management used the amount budgeted for the Social Services Block Grant for the period ending June 30, 2011 rather than actual expenditures.

Effect or Potential Effect: Without the timely preparation and review of the SEFA, the City risks that financial information and related disclosures will not be consistent and reconcilable to its financial statements for the same period. By underreporting expenditures management increases the risk that auditors will not have correct information to determine Type A and Type B programs and whether the program should be audited as a major program. In the case of the Social Services Block Grant, the auditors concluded that even with the additional expenditures, the program remained a Type A low risk program.

Recommendation: Management should have effective control activities in place to ensure the SEFA is prepared on a timely basis. The accounting system should allow for separate identification of Federal and non-Federal transactions. Management should ensure that amounts reported on the schedule of expenditures of federal awards reconcile to the amounts expended in City's various Funds where the expenditures are recorded to the General Ledger.

Management's Response: See attached Corrective Action Plan.

Finding 2011 - 04 – Reconciliation to Books and Records – CFDA 20.507 Federal Transit-Capital Improvements Program.

Criteria: OMB Circular A-133 requires that transactions are properly reported and accounted for to permit the preparation of reliable financial statements and Federal reports.

City of Stamford, Connecticut
Schedule of Findings and Questioned Costs - Federal
June 30, 2011

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2011 - 04: Reconciliation to Books and Records (Continued)

Condition: Two instances were noted where amounts did not agree between those reported on the General Ledger and those reported on the SEFA. (1) Management reported expenditures but did not identify a receivable with the corresponding federal revenue in the Capital Projects Fund. (2) During the audit of the financial statements the auditors proposed a journal entry to recognize additional revenue for Federal Emergency Management Agency (“FEMA”) expenditures. Management agreed to the entry. An increase in the amount reported for the program was required but the amount was not reflected on the schedule of expenditures of federal awards.

Management Letter deficiency comment 1.

Cause: A lack of communication between department personnel caused the differences in reporting for the year ended June 30, 2011. This was due in part because the grant department was waiting for a final signed contract from the Federal Transit Administration (“FTA”). However, the funds were authorized and expended as evidenced by an application and agreement between the FTA and the City.

This was also the case for FEMA. Information was not communicated to the grant department so the additional amount would also be reported on the schedule of expenditures of federal awards.

Effect or potential effect: A lack of communication and exchange of information may prevent staff from carrying out their responsibilities.

Recommendation: Financial management should periodically review the schedule of expenditures with those related departments who report federal expenditures. Such periodic reviews, including pertinent account reconciliations will ensure accuracy of reports.

Management Response: See attached Corrective Action Plan.

Finding 2011 - 05: Catalogue of Federal Domestic Assistance Numbers (CFDA)–CFDA 20.500 and 20.507 Federal Transit-Capital Investment Grants Cluster and CFDA 20.205 Highway Planning and Construction.

Criteria: As per OMB Circular A-133, Subpart C, Section 300, the City is responsible to identify, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include the CFDA title and number.

Condition: We noted improvement in 2011 with regard to CFDA identification, however, four programs, including one major cluster program was identified with an incorrect CFDA number.

Management Letter deficiency comment 1.

Cause: Management did not use the CFDA numbers reported by the FTA and evidenced on the applications for funding. Management did not confirm the correct CFDA number for the direct funding for the Mill River Storm Water Management project. CFDA numbers were not confirmed with the grantor or pass-through agencies.

City of Stamford, Connecticut
Schedule of Findings and Questioned Costs - Federal
June 30, 2011

Section III – Federal Award Findings and Questioned Costs (Continued)

Effect or Potential Effect: Management risks not properly identifying expenditures with the correct CFDA number and not properly identifying the types of compliance requirements applicable to the program.

Recommendation: There are sources available to correctly identify the CFDA numbers of Federal programs including Federal websites and pass-through entities' contact managers. Management should review the CFDA numbers and if uncertain should reach out to the pass-through entities or refer to Federal websites.

Management's Response: See attached Corrective Action Plan.

City of Stamford, Connecticut
Summary of Prior Audit Findings - Federal
Year Ended June 30, 2011

Section IV – Summary of Prior Audit Findings - Federal

Finding 2010-01: Year End Closing Procedures

Condition: There were several non-client adjustments made to the final trial balance at year end including the following:

- Recording of deferred revenues
- Recording of other transactions, including Old Town Hall Redevelopment Agency
- Recording amounts for the GASB Statement No. 34
- Recording of debt refunding
- Recording of capital assets

Current Status: Recording of capital assets was corrected and is no longer considered a significant deficiency. The other conditions remained uncorrected. The finding was first reported in 2008 and repeated in 2009 and 2010. See similar finding 2011 - 01.

Finding 2010-02: Old Town Hall Redevelopment Agency

Condition: The City does not have an adequate process in place to properly account for the complex nature of OTHRA's entities. The use of an outside accountant and the City's financial management to account for these entities has resulted in duplicated and unrecorded accounting information.

Current Status: The condition remained uncorrected. See similar finding 2011 - 02.

Finding 2010-03: Debt Refunding

Condition: The City does not have an adequate process in place to record premiums, discounts and bond offering costs and gains and losses on debt refunding transactions.

Current Status: The condition was partially corrected in 2011 and is no longer considered a significant deficiency.

Finding 2010 - 04: Schedule of Expenditures of Federal Awards

Condition: Auditors were initially unable to obtain a SEFA for the audit period. The City's personnel did not prepare the schedule.

Current Status: The condition was partially corrected. See similar finding 2011-03.

City of Stamford, Connecticut
Summary of Prior Audit Findings - Federal
Year Ended June 30, 2011

Section IV – Summary of Prior Audit Findings - Federal (Continued)

Finding 2010- 05: Catalogue of Federal Domestic Assistance Numbers (CFDA)

Condition: Nine programs were identified with an incorrect CFDA number.

Current Status: Prior year CFDA numbers were corrected however a similar finding was noted in 2011. See 2011-05. Four programs were identified with an incorrect CFDA number.



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Governing Board of Finance
City of Stamford, Connecticut

Compliance

We have audited the City of Stamford, Connecticut's (the "City") compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2011. The City's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Stamford, Connecticut's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of

internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs-State as item 11-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management and the Governing Board of Finance of the City, the Office of Policy and Management, and other 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.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

Stamford, Connecticut

December 5, 2011

City of Stamford, Connecticut
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2011

State Grantor/ Pass Through Grantor Program Title	State Grant Program ID#	Expenditure
Department of Education		
Priority School District	11000-SDE64370-17043-82052	\$ 2,860,834
Health Services -Non-Public	11000-SDE64370-17034	474,866
School Readiness & Child Care in Priority School Districts	11000-SDE64370-17043-82056	3,686,836
School Readiness Priority School District	11000-SDE64370-17043	4,120
Quality Enhancement	12060-SDE64000-90242	78,278
Adult Education - Provider	11000-SDE64370-17030-84002	* 466,962
Adult Education - CEE	11000-SDE64370-17030-84004	** 50,338
Interdistrict Cooperative	11000-SDE64370-17045	64,489
Youth Services Bureau	11000-SDE64370-17052-82079	60,010
Youth Services Bureau Extra grant	11000-SDE64370-16201	10,000
Child Nutrition State Matching Grant	11000-SDE64370-16072	51,241
Primary Mental Health	11000-SDE64370-12198	19,600
Bilingual Education	11000-SDE64370-17042	164,446
Extended School Hours and Supportive Program	11000-SDE64370-17043-82054	281,763
School Accountability - Summer School	11000-SDE64370-17043-82055	315,287
After School Program	11000-SDE64370-17084-82079	133,500
Magnet School Operating	11000-SDE64370-17057-82062	2,916,550
Magnet School Operating	11000-SDE64370-17057-82062	1,729,170
State School Breakfast	11000-SDE64370-17046	66,971
ECS Accountability Priorities	11000-SDE64370-17041-82079	
Vocational Agriculture	11000-SDE64370-17017	111,035
		<u>13,546,296</u>
Office of Policy and Management		
Payment in Lieu of Taxes on Private Colleges and General Hospitals	11000-OPM20600-17006	2,057,269
Distressed Municipalities	11000-OPM20600-17016	1,582,712
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17011	2,288
Manufacturing Machinery and Equipment	11000-OPM20600-17031	407,895
Property Tax Relief for Veterans	11000-OPM20600-17024	16,364
Elderly Freeze	11000-OPM20600-17021	8,000
Homeowners' Tax Credit	11000-OPM20600-17018	392,520
Municipal Video competition	12060-OPM20600-35362	499,955
Local Capital Improvement	11000-OPM20600-40254	892,351
		<u>5,859,354</u>
Department of Social Services		
Day Care Program 135-CDC-40 10/11	12060-DSS60752-17022	605,361
Day Care Program 135-CDC-40 09/10	12060-DSS60752-17022	394,412
		<u>999,773</u>
Department of Economic and Community Development		
Tax Abatement Program 135-TA-Various	11000-ECD46400-17008-038	367,321
Payment in Lieu of Taxes 135-PILOT-39	11000-ECD46400-17012-039	310,113
Bartlett Arboretum	13019-ECD46000-41240-094	898,940
Brownfield Municipal Pilot	12052-ECD46400-43236	70,000
		<u>1,646,374</u>

See independent auditors' report and notes to schedule of expenditures of state financial assistance.

City of Stamford, Connecticut
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2011

Continued

State Library Board

Historic Document Preservation 135-OI-11	10000-CSL66094-35150	\$ 9,000
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Department of Public Safety

Telecommunications Fund/911 Enhancement	12060-DPS32740-35190	<u>275,778</u>
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Department of Public Health

Sexually Transmitted Diseases	11000-DPH48665-17013	26,768
AIDS Prevention 2009-0144	11000-DPH48500-12236	113,142
Tuberculosis Treatment 2007-0062-2	11000-DPH48500-16112	59,376
Per Capita Grant	11000-DPH48500-17009	<u>145,740</u>
		<u>345,026</u>

Department of Transportation

Town Aid Highway Fund	12001-DOT57131-17036	587,083
Click it or Ticket	12062-DOT57343-22093	9,259
Elderly and Disabled Responsive Transportation	12062-DOT57931-35304	<u>20,115</u>
		<u>616,457</u>

Department of Judicial Services

Motor Vehicle Fines	34001-JUD95162-40001	<u>29,245</u>
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State Comptroller's Office

Boat Registration Reimbursement	12060-DEP44434-34907	84,914
Payment in Lieu of Taxes on State Owned Property	11000-OSC15910-17004	<u>1,338,187</u>
		<u>1,423,101</u>

Through the Connecticut Firemen's Association

Fire Training School	11000-FPC36510-16179	<u>45,418</u>
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Connecticut Department of Environmental Protection

Cove Island Estuarian Habitat	12060-DEP43000-Various	32,524
Cumming Park Seawall and Pedestrian Path	12060-DEP43000-Various	<u>8,186</u>
		<u>40,710</u>

Department of Mental Health and Addiction Services

Local Prevention Control 10/11	11000-MHA53000-12215	6,210
Local Prevention Control 09/10	11000-MHA53000-12215	<u>4,010</u>
		<u>10,220</u>

Department of Public Health

Through the CT Assoc. Directors of Health (CADH)		
Bioterrorism Lab Development	11000-DPH48500-1227	598
Lead Poisoning Prevention and Control 10/11	11000-DPH48500-1227	<u>30,269</u>
		<u>30,867</u>

Total State Assistance Before Exempt Programs	<u>24,877,619</u>
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City of Stamford, Connecticut
 Schedule of Expenditures of State Financial Assistance
 Year ended June 30, 2011

Continued

Exempt Programs

Department of Education

Education Cost Sharing	11000-SDE64370-17041	\$ 6,829,298
Transportation of School Children	11000-SDE64370-17027	775,482
Nonpublic School Transportation	11000-SDE64370-17049	401,870
School Construction Projects-Principal	13010-SDE64370-40901	638,654
School Construction Projects-Interest	13009-SDE64370-40896	195,196
School Construction Projects-Payments	13010-SDE64370-40901	81,116
Magnet School Transportation	11000-SDE64370-17057	188,500
Special Education-Agency Placements I and Excess Costs	11000-SDE64370-17047	2,624,402

State Comptroller's Office

Mashantucket Pequot Grant	12009-OSC15910-17005	<u>915,506</u>
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12,650,024

Total State Assistance

\$ 37,527,643

* Represents State reimbursement portion. Amount reported on ED141 was \$1,345,473.

** Represents State reimbursement portion. Amount reported on ED141 was \$144,396.

City of Stamford, Connecticut

Notes to Schedule of Expenditures of
State Financial Assistance

Year Ended June 30, 2011

Various departments and agencies of the State of Connecticut have provided financial assistance to the City of Stamford, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

1. Summary of Significant Accounting Policies

The accounting policies of the City of Stamford, Connecticut conform to generally accepted accounting principles as applicable to government agencies. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements for the governmental fund types contained in the City of Stamford, Connecticut basic financial statements are prepared on the modified accrual basis of accounting. The financial statements for the business-type activities are prepared on the full accrual basis of accounting.

The Schedule of Expenditures of State Financial Assistance contained in this report is also prepared on the modified accrual basis of accounting while amounts relating to the business-type activities are reported on the full accrual basis of accounting and on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures awards/expenditures column of the Schedule of Expenditures of State Financial Assistance.

As a result, certain classifications of revenue and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for the Schedule of Expenditures of State Financial Assistance.

2. Loan Programs

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2011:

City of Stamford, Connecticut

Notes to Schedule of Expenditures of
State Financial Assistance

Year Ended June 30, 2011

2. Loan Programs (*continued*)

Department of Environmental Protection

Clean Water Funds 21104-OTT14230-4001

	<u>Balance</u> <u>July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2011</u>
117-C	\$ 603,142	\$ -	\$ 136,561	\$ 466,581
375-C	284,492	-	43,214	241,278
414-D	1,946,797	-	177,644	1,769,153
414-D	<u>57,836,251</u>	<u>-</u>	<u>3,297,482</u>	<u>54,538,769</u>
	<u>\$ 60,670,682</u>	<u>\$ -</u>	<u>\$ 3,654,901</u>	<u>\$ 57,015,781</u>

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs –State

Year Ended June 30, 2011

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the regulations to the State Single Audit Act

yes no

- The following schedule reflects the major State programs included in the audit:

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>State Expenditures</u>
Department of Education		
Priority School District	11000-SDE64370-17043-82052	\$ 2,860,834
School Readiness & Child Care in Priority School Districts	11000-SDE64370-17043-82056	3,686,836
Magnet School operating	11000-SDE64370-17057-82062	2,916,550
Magnet School operating	11000-SDE64370-17057-82062	1,729,170
Office of Policy and Management		
Payment in Lieu of Taxes on Private Colleges and General Hospitals	11000-OPM20600-17006	2,057,269
Distressed Municipalities	11000-OPM20600-17016	1,582,712
Municipal Video competition	12060-OPM20600-35362	499,955
Local Capital Improvement	11000-OPM20600-40254	892,351
Department of Social Services		
Day Care Program 135-CDC-40 10/11	12060-DSS60752-17022	605,361
Day Care Program 135-CDC-40 09/10	12060-DSS60752-17022	394,412
Department of Economic and Community Development		
Bartlett Arboretum	13019-ECD46000-41240-094	898,940

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs –State

Year Ended June 30, 2011

I. Summary of Auditors' Results (continued)

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>State Expenditures</u>
Department of Transportation		
Town Aid Highway Fund	12001-DOT57131-17036	\$ 587,083
State Comptroller's Office		
Payment in Lieu of Taxes on State Owned Property	11000-OSC15910-17004	1,338,187

Dollar threshold used to distinguish between Type A and Type B programs: \$ 497,552

II. Financial Statement Findings

- We issued reports, dated December 5, 2011 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance and other matters indicated one reportable instance of noncompliance.
- Our report on internal control over financial reporting indicated two significant deficiencies. See findings 2011-01 and 2011-02

III. State Financial Assistance Findings and Questioned Costs

A. Deficiencies in Internal Control

Item #11-1 – Schedule of Expenditures of State Assistance

Criteria: As per State Single Audit Regulations of Connecticut State Agencies, the auditee (the "City") shall prepare a Schedule of Expenditures of State Financial Assistance to include expenditures made during the period being audited for all awards provided by state agencies.

Condition: We noted improvement in 2011, however, when the auditors obtained a Schedule of Expenditures of State Assistance (SESA) for the audit period, the expenditures were over stated before being adjusted during the audit process. There were also two incorrect state grant program identification numbers and one missing identification number.

Management Letter deficiency comment 1.

Causes: The Schedule of Expenditures of State Assistance (SESA) was not reconciled to the general ledger and state grant program identification numbers were not reviewed.

Effect or Potential Effect: By omitting reporting expenditures and using incorrect state program ID numbers management increases the risk that the auditor will not have correct information to determine Type A and Type B programs and whether the program should be audited as a major program.

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs –State

Year Ended June 30, 2011

III. State Financial Assistance Findings and Questioned Costs (Continued)

Item #11-1 – Schedule of Expenditures of State Assistance (Continued)

Recommendation: Financial management should periodically review the schedule of expenditures of state financial assistance with the related departments who report the state expenditures. Such periodic reviews, including pertinent account reconciliations will ensure accuracy of reports. Management should also review the State program identification numbers.

Management's Response: See attached Corrective Action Plan.

B. Compliance Findings

None reported.

City of Stamford, Connecticut

Schedule of Findings and Questioned Costs –State

Year Ended June 30, 2011

IV. Prior Financial Statement Findings and State Financial Assistance Findings and Questioned Costs

10-1 – Schedule of Expenditures of State Assistance

Condition: Auditors were initially unable to obtain a Schedule of Expenditures of State Assistance (SESA) for the audit period. The City’s personnel did not prepare the schedule.

Current Status: Although the SESA was prepared, there were changes in the amount expended for the year and incorrect or missing state program identification numbers. See State finding 11-1.

2010-01 – Year-End Closing Procedures

Condition: There were several non-client adjustments made to the final trial balance at year end, including the following:

- Recording of deferred revenues
- Recording of other transactions, including Old Town Hall Redevelopment Agency
- Recording amounts for GASB Statement No. 34
- Recording of debt refunding
- Recording of capital assets

Current Status: Recording of capital assets was corrected and is no longer considered a significant deficiency the other conditions remain uncorrected. Similar findings were noted in 2008 and 2009. See finding 2011-01

Management’s Response: See attached Corrective Action Plan.

2010-02 – Old Town Hall Redevelopment Agency

Condition: The City does not have an adequate process in place to properly account for the complex nature of OTHRA’s entities. The use of an outside accountant and the City’s financial management to account for these entities has resulted in duplicate and unrecorded accounting information.

Current Status: The finding was first reported in 2009. See finding 2011-02.

Management’s Response: See attached Corrective Action Plan.

2010-03 – Debt Refunding

Condition: The City does not have an adequate process in place to record premiums, discounts, bond offering costs and gains or losses on debt refunding transactions.

Current Status: The condition was partially corrected in 2011 and is no longer considered a significant deficiency. The finding was first reported in 2009.

Management’s Response: See attached Corrective Action Plan.

Mayor
MICHAEL A. PAVIA



INTERIM DIRECTOR OF
ADMINISTRATION

PETER F. PRIVITERA

Phone: (203) 977-4182
FAX: (203) 977-5657
Email: pprivitera@ci.stamford.ct.us

CITY OF STAMFORD
OFFICE OF ADMINISTRATION
888 WASHINGTON BOULEVARD
P.O. BOX 10152
STAMFORD, CONNECTICUT 06904-2152

City of Stamford
CORRECTIVE ACTION PLAN
February 23, 2012

U.S. Department of Agriculture
U.S. Department of Commerce
U.S. Department of Housing and Urban Development
U.S. Department of Justice
U.S. Department of Transportation
U.S. Environmental Protection Agency
U.S. Department of Energy
U.S. Department of Education
U.S. Department of Health and Human Services
U.S. Department of Homeland Security

The City of Stamford respectfully submits the following Corrective Action plan for the year ended June 30, 2011.

Independent Public Accounting Firm

O'Connor Davies Munns & Dobbins LLP (ODMD)
One Stamford Landing
Stamford CT 06902

Audit Period: June 30, 2011

The findings from the December 5, 2011 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II – Financial Statement Findings
SIGNIFICANT DEFICIENCIES

Finding 2011 – 01: Year End Closing Procedures

ODMD Recommendation

The City must follow its month end and year end closing procedures as documented in the accounting policy and procedure manual. Year end accrual items and reversal of prior year accruals, purchase and disposition of capital assets and payroll information should be included in the year end closing procedures.

Action Taken or Planned

The Controller position was filled in December, 2011. In addition, staffing levels in the Controller's department are being reviewed to ensure appropriate financial reporting processes are followed. Implementing a more robust and effective closing process is a financial management priority.

Finding 2011 – 02: Old Town Hall Redevelopment Authority (OTHRA)

ODMD RecommendationThe City should seek the necessary personnel resources to ensure that the accounting for this complex activity is properly recorded prior to the commencement of the annual audit.

Action Taken or Planned

Management agrees with the comments and expressed concerns of the auditors. The issues raised will be reviewed with the appropriate City officials (including the Mayor and Corporation Counsel) and the OTHRA Board. Since May 2011, following the hiring of a new Accountant by the City, various OTHRA-related accounting and financial reporting responsibilities have been handled by the Controllers Department. However, a comprehensive review and appropriate corrective action plan to address the various issues raised by the auditors will be conducted/completed, including clarifying the roles and responsibilities of all involved parties going forward.

Section III – Federal Award Findings and Questioned Costs

Finding 2011-03: Schedule of Expenditures of Federal Awards

ODMD Recommendation

Management should have effective control activities in place to ensure the SEFA is prepared on a timely basis. The accounting system should allow for separate identification of Federal and non-Federal transactions. Management should ensure that amounts reported on the schedule of expenditures of federal awards reconcile to the amounts expended in City's various Funds where the expenditures are recorded to the general ledger.

Action Taken or Planned

City of Stamford and Stamford Public Schools personnel prepared and reviewed a draft SEFA by August 15 as requested by the auditors. Some revisions were required as relevant information was received and transactions were finalized subsequent to that date. Grants Office personnel will confirm with the Controller's that expenditures in the general ledger are complete prior to preparing the SEFA.

Finding 2011 - 04 – Reconciliation to Books and Records – CFDA 97.036 Disaster Grants-Public Assistance and CFDA 20.507 Federal Transit-Capital Improvements Program

ODMD Recommendation

Financial Management should periodically review the schedule of expenditures with those related departments who report federal expenditures. Such periodic reviews, including pertinent reconciliations will ensure accuracy of reports.

Action Taken or Planned

Grants Office personnel regularly review federal expenditures with related departments for reporting to grantors. A summary of these quarterly reconciliations is distributed to city officials including elected Boards and the Director of Administration. Beginning with the quarter ending December 31, 2011, this report will also be distributed to the Controller for additional review by financial management. In addition, management plans to investigate the availability of software to help automate and better control this specialized type of activity.

Finding 2011 – 05: Catalogue of Federal Domestic Assistance Numbers (CFDA)

ODMD Recommendation

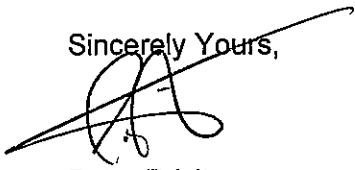
There are sources available to correctly identify the CFDA numbers of Federal programs including Federal websites and pass-through entities contact manager. Management should review the CFDA numbers and if uncertain should reach out to the pass-through entities or refer to Federal websites.

Action Taken or Planned

Management has taken steps to review CFDA numbers through the Federal website and has decreased the incidence of incorrect numbers. We also recognize the need to confirm the correct CFDA listings through review of federal grant contracts, and will continue to refine this process as recommended by the auditors.

If there are any questions regarding this plan please contact Peter Privitera at (203) 977- 4317.

Sincerely Yours,



Peter Privitera
Interim Director of Administration

Mayor
MICHAEL A. PAVIA



INTERIM DIRECTOR OF
ADMINISTRATION

PETER F. PRIVITERA

Phone: (203) 977-4182
FAX: (203) 977-5657
Email: pprivitera@ci.stamford.ct.us

CITY OF STAMFORD
OFFICE OF ADMINISTRATION
888 WASHINGTON BOULEVARD
P.O. BOX 10152
STAMFORD, CONNECTICUT 06904-2152

City of Stamford
CORRECTIVE ACTION PLAN
February 23, 2012

Office of Policy and Management
450 Capitol Avenue MS-54MFS
Hartford, CT 06106-1379

Municipal Financial Services Unit
Attn: William Plummer

The City of Stamford respectfully submits the following Corrective Action plan for the year ended June 30, 2011.

Independent Public Accounting Firm

O'Connor Davies Munns & Dobbins LLP (ODMD)
One Stamford Landing
Stamford CT 06902

Audit Period: June 30, 2011

The findings from the December 5, 2011 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

Finding 2011 – 01: Year End Closing Procedures

ODMD Recommendation

The City must follow its month-end and year-end closing procedures as documented in the accounting policy and procedure manual. Year end accrual items and reversal of prior year accruals, purchase and disposition of capital assets and payroll information should be included in the year-end closing procedures.

Action Taken or Planned

The Controller position was filled in December, 2011. In addition, staffing levels in the Controller's department are being reviewed to ensure appropriate financial reporting processes are followed. Implementing a more robust and effective closing process is a financial management priority.

Finding 2011 – 02: Old Town Hall Redevelopment Authority (OTHRA)

ODMD Recommendation

The City should seek the necessary personnel resources to ensure that the accounting for this complex activity is properly recorded prior to the commencement of the annual audit.

Action Taken or Planned

Management agrees with the comments and expressed concerns of the auditors. The issues raised will be reviewed with the appropriate City officials (including the Mayor and Corporation Counsel) and the OTHRA Board. Since May 2011, following the hiring of a new Accountant by the City, various OTHRA-related accounting and financial reporting responsibilities have been handled by the Controllers Department. However, a comprehensive review and appropriate corrective action plan to address the various issues raised by the auditors will be conducted/completed, including clarifying the roles and responsibilities of all involved parties going forward.

Section III – State Financial Assistance Findings and Questioned Costs

Item #11 – 1: Schedule of Expenditures of State Assistance

ODMD Recommendation

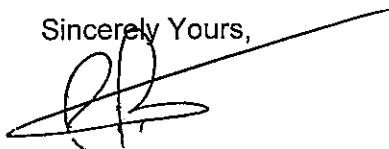
Financial Management should periodically review the schedule of expenditures with those related departments who report state expenditures. Such periodic reviews, including pertinent reconciliations will ensure accuracy of reports.

Action Taken or Planned

Grants Office personnel regularly review state expenditures with related departments for reporting to grantors. A report of these quarterly reconciliations is distributed to city officials including elected Boards and the Director of Administration. Beginning with the quarter ending December 31, 2011, this report will also be distributed to the Controller for additional review by financial management. In addition, management plans to investigate the availability of software to help automate and better control this specialized type of activity.

If there are any questions regarding this plan please contact Peter Privitera at (203) 977- 4317.

Sincerely Yours,



Peter Privitera
Interim Director of Administration