

To the Members of the Board of Finance
City of Stamford, Connecticut

In planning and performing our audit of the financial statements of the City of Stamford, Connecticut, as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Stamford, Connecticut'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 City of Stamford, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Stamford, Connecticut's internal control.

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

Tax Collector's Report

At the commencement of year-end audit field work the Tax Collector's Office should provide the tax collector's report, supporting documentation (system-generated sub-ledger reports), and the reconciliation between the report and the HTE general ledger system. The Controller's Office issues instructions to that effect in its year-end closing memos to departments, including the Tax Collector's Office. During the audit, we noted that the report was not completed at inception of our year-end final field work, and numerous exchanges of correspondence were required to get the Tax Collector's Office to revise and finalize the report that was provided in December, at which time we were already in the report preparation phase of our audit. In addition, tracing the amounts in the tax collector's report to supporting documentation was both difficult, with numerous exceptions, and unnecessarily time consuming. The final tax collector's report did not agree with what was being reported in the HTE general ledger system and required an additional adjusting journal entry to finally bring the final totals into agreement. Since the completion of the final tax collector's report is one of the fundamental items in reporting general fund account balances it should be prioritized at year end.

Recommendation

We recommend that the tax collector's report along with all supporting documentation be provided at the inception of year-end field work. Supporting documentation should include system-generated reports that clearly tie to each section being reported on in the tax collector's report to the detail records. In addition, a full reconciliation of revenues collected to amounts received along with the roll forward of tax-related accounts receivable should be provided to ensure that totals agree to the HTE general ledger system.

Schedule of Expenditures for State and Federal Single Audits

During the audit, we noted the completion of the state and federal schedule of expenditures was difficult to finalize. This was mainly attributable to delays in the completion of grant roll-forward schedules for both the operating and capital grants funds making it difficult to ensure the proper recording and testing of major programs for both the state and federal single audits. Although the process seems to be improving from year to year, we need the completion of the roll forwards to be timelier.

Recommendation

We recommend that the Grants Department complete its work in accordance with the timelines provided for in the instructions provided by the Controller's Office in its year-end closing memos using the reporting formats developed in conjunction with the Controller's Office so that the supporting documentation can be provided at the inception of our year-end audit field work. This will help ensure that the testing of major programs for the state and federal single audits can be completed in advance of the due dates for the state and federal single audit reports.

Matters Noted in Previous Years

The following matters involving internal control over financial reporting and its operation were noted in previous years but have not been fully remediated. Again, we offer our recommendations as constructive suggestions for your consideration as part of the ongoing process of modifying and improving accounting controls and administrative practices.

Operating Grants - Projects Accounting and Tracking

Grant-funded projects are tracked in a database maintained by the Grants Department but transaction activity for many of the grant-funded projects is not regularly reconciled to the related project accounts in the City's HTE general ledger system. Revenues and expenditure transaction activity is not being properly recorded in the Grants Department database, which is used to manage project spending, resulting in a lack of appropriate control over project management and reporting.

Recommendation

We recommend that the Grants Department take the following steps in order to ensure proper and timely reporting of the grant activities:

- Roll forward previous fiscal year-end operating grants schedules in the reporting formats developed in conjunction with the Controller's Office to ensure the grant-funded project census and the beginning balances in the database are accurate;
- Record budgeted revenue for active projects where the City provides funding by journal entry to the City's HTE general ledger system and then in the operating grants database;
- Update the database to reflect actual revenues received for active projects funded by others (State of Connecticut, federal grants, private groups, etc.) and the actual expenditures made for each project by month per the City's HTE general ledger system for the fiscal year-to-date; and
- On a quarterly basis, update the schedules in the reporting formats developed in conjunction with the Controller's Office so that they reflect fiscal year-to-date transaction activity for all grant-funded projects and the balances by project agree to the City's HTE general ledger system balances for the fiscal year-to-date.

Grant-Funded Capital Projects - Reimbursement and Collection Issues

Many of the outstanding accounts receivable related to grant-funded capital projects relate to project spending that took place over five years ago. There has been little, or no payment activity related to these receivables, and, until recently, no ongoing reimbursement request-related activity on behalf of the Grants Department.

Recommendation

We recommend that the Grants Department take the following steps in order to ensure reporting of the accounts receivable:

- Roll forward previous fiscal year-end grant-funded capital projects accounts receivable schedules in the reporting formats developed in conjunction with the Controller's Office to ensure the grant-funded project census and beginning balances in the database are accurate;
- Apply reimbursements received in the City's HTE general ledger system and then to the appropriate project in the capital grants database;
- On a quarterly basis, update the grant-funded capital projects accounts receivable worksheet to reflect updated accounts receivable balances by project per the capital grants database and agree the total accounts receivable to the City's HTE general ledger system for the fiscal year-to-date.

Timekeeping Oversight and Administration

Currently, City departments utilize the automated time and attendance system, Kronos®, to ensure that employees' attendance and hours worked are properly recorded for payroll purposes. Due to the varied introduction of the use of this software application to City departments, not all departments utilize the timecard function of the software application. The Kronos® attendance system also lacks the ability to track compensated absences for the City. The City utilizes spreadsheets to compute these liabilities manually. This can lead to computation errors along with the incorrect categorizing of employees to their appropriate unions.

Recommendation

We continue to recommend that the City standardize payroll policies and procedures related to the use of Kronos® for all City departments (including the Board of Education). The City should look into a tool to better track and compute compensated absences to eliminate the potential for errors.

Internal Service Fund

The City is self-insured for police officers' and firefighters' heart and hypertension claims as required by state statute. The pay-as-you-go portion of the claims is paid from the City's Risk Management - Internal Service Fund. The City utilizes a third party to prepare an actuarial valuation to determine the heart and hypertension claims' liability. The claims' liability is being recorded at the government-wide level as required by GASB Statement No. 34, but it is not recorded in the Risk Management fund.

Recommendation

We continue to recommend that the City record the heart and hypertension liability in the Risk Management fund and establish a long-term plan to fund the deficit created by the recording of this liability.

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 December 28, 2018.

This communication is intended solely for the information and use of management, Members of the Board of Finance, 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 the specified parties.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 28, 2018