

To the Board of Finance
Town of East Haddam, Connecticut

In planning and performing our audit of the financial statements of the Town of East Haddam, 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 Town of East Haddam, 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 Town of East Haddam, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of East Haddam, Connecticut'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.

Student Activity Funds

Student Activity Funds should only be used to foster student programs and related clubs funded by the students. Decentralized cash locations at the schools can increase the level of risk to circumvent this process and allow these locations to use these funds for items that should normally be charged to the Board of Education operating budget. Management of the Board of Education has begun implementing procedures to centralize the cash disbursement system to account for student activities and limit this risk. We recommend that the Board of Education continue to create checks and balances and sound internal controls in this area, and schools should enact due diligence in ensuring expenditures are charged to the accurate budget appropriations.

Parks and Recreation

During the fiscal year, the administration of the parks and recreation department along with the finance office discovered several stale outstanding receivables for credit card payments within the parks and recreation subsidiary ledger that were not resolved. Subsequent research was completed to reconcile and track these outstanding payments. In addition, the department has made operational changes to deny recreation registration without payment. We recommend that formal control procedures be developed and documented to account for these changes.

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 12, 2018.

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 12, 2018