

# BlumShapiro

Accounting | Tax | Business Consulting

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 (the Town) as of and for the year ended June 30, 2012, 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:

## **Current Recommendations**

### Risk Assessment

As part of the annual audit, we are required to obtain an understanding of the internal control environment of the Town in order to assess the overall risk of material misstatement. We are also required to obtain audit evidence that the controls in place are documented properly. In conjunction with this overall assessment, we offer the following recommendation to strengthen the control procedures of the Town and Board of Education:

- The Town and Board of Education should strengthen procedures for determining whether capital assets recorded in the system are still in use at year end.
- The Town should strengthen the requisition process through the use of standardized purchase orders or requisition forms that must be signed and approved prior to placement of an order with a vendor. Although there is a form in place, the approval comes at the time the bill is paid.

Tax Collector

During our audit, we noted differences between the receipted tax bills and the validated tape receipts for five out of seven batch deposits tested. In examining these variances, we determined that the ultimate cause was a failure of the validating equipment to consistently produce validated receipts. Although the transaction was captured on the validating tape, a receipt was not always generated. The process of validating the receipt for each payment is an important internal control tool. We recommend that the Town strengthen procedures for documenting deposits within the tax department, including repairing or replacing faulty equipment immediately and putting into place alternate procedures to respond temporarily to equipment failure.

This communication is intended solely for the information and use of management, the Board of Finance, others within the organization, 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.*

October 12, 2012