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To the Board of Finance
Town of Seymour, Connecticut

In planning and performing our audit of the financial statements of the Town of Seymour, 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.

ACCOUNTING AND FINANCE

General Ledger Maintenance

During the audit, we noted that the Town created a new fund (fund 91) to account for the liquidation of encumbrances established in a previous year. However, the financial management system was set up to credit cash in the General Fund and to record the encumbrance liquidation debits in fund 91. The encumbrance liquidation control entry was not recorded in the General Fund. This caused an incorrect year-end General Fund rollover (beginning General Fund equity plus revenues less expenditures did not equal year ending equity balance). Audit entries were made to account for the residual activity residing in the newly created encumbrance liquidation fund to correct the ending balance.

Through year-end audit procedures, we also noted that there are multiple funds that are not recorded within the general ledger software. While there is minimal activity within these funds throughout the year, it is not efficient to track and reconcile activity for the funds outside of the financial management system.

Recommendation - We recommend that the Town implement a procedure to ensure that the General Fund and the encumbrance liquidation fund are balanced throughout the year. To accomplish this, we recommend that fund 91 be discontinued and that the Town record the activity through the General Fund encumbrance accounts. We also recommend that the Town discontinue posting journal entries that directly impact expenditure control accounts. In addition, we recommend that the Finance Director record the activity within the general ledger and ensure that balances are properly stated and reconciled throughout the year.

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This letter should be read in conjunction with our Independent Auditors' 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* dated January 24, 2013.

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

West Hartford, Connecticut
January 24, 2013