

**Report on Communication of Internal Control
Related and Other Matters Identified in the Audit**

Independent Auditors' Report

**Town Council
Town of Clinton, Connecticut**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances solely 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

However, we identified several matters that are opportunities to strengthen internal control, improve operating efficiency or upgrade policies and procedures to best practices. The "**Recommendations to Management**" that accompanies this report summarizes our comments and recommendations regarding those matters. This report does not affect our Federal and/or State single audit reports or our report on the financial statements dated January 6, 2021.

This report is intended solely for the information and use of management, the Town Council, others within the entity and Federal and/or State awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
January 6, 2021

Town of Clinton, Connecticut

**Recommendations to Management
For the Year Ended June 30, 2020**

We present for your consideration our comments and recommendations relating to the internal control and other operating and administrative matters, which came to our attention during the course of our audit.

Town

1. Payroll

A. Condition:

Currently, the Payroll Clerk is responsible for entering new employees into the system, importing timesheets, generating the payroll register and printing and distributing any payroll checks. The function of entering new employees and distributing the payroll checks represents a lack of segregation of duties. Payroll registers are reviewed by the Director of Finance, however, there is no documentation of the review.

Recommendation:

We recommend the following:

- That someone other than the payroll clerk who processes payroll be responsible for entering new employees into the system.
- That someone other than the payroll clerk be responsible for distributing the payroll checks.
- That the approval of payroll registers be formally documented.

B. Condition:

Currently, the pay rate for seasonal employees is not documented and approved. In addition we noted that seasonal employees do not have personnel files.

Recommendation:

We recommend that employee pay rates should be approved and documented, and retained in the employees' personnel file.

2. Accounts payable

Condition:

Currently, the Town does not have a formal process for the approval of new vendors. The accounts payable clerk is responsible for processing invoices and check runs as well as sending out the checks. In addition, the accounts payable clerk has the ability to enter new vendors into the financial software.

Recommendation:

We recommend the following:

- That the Town develop and implement a new vendor form, approval process, and related checklist to ensure that all required information is obtained, proper and required due diligence is performed and the approval is documented. The approval of the form would be the authorization to enter the vendor into the accounts payable system.
- That the accounts payable clerk be restricted from having the ability to enter new vendors into the system.
- That new vendors should be added only after proper due diligence has been performed as noted above and all required information and forms have been obtained by someone other than the accounts payable clerk.
- That after checks are signed, they should not be returned to the accounts payable clerk.

3. Tax Collector

A. Condition:

Currently, all employees in the Tax Office have the ability to void transactions.

Recommendation:

We recommend that the ability to void transactions be limited to certain employees or that the available void report be reviewed and approved by the Tax Collector on a periodic basis (monthly).

B. Condition:

Currently, tax revenues are recorded in the general ledger based on deposits reported on an excel spreadsheet. The Finance Department does not receive tax reports from the tax system and reconcile activity to the amount recorded in the general ledger.

Recommendation:

We recommend that the Finance Department reconcile tax revenues and receivable to the tax system reports on a monthly basis. These reports should include the grand rate book balance sheet report and cash report.

4. **Journal entries**

Condition:

Currently, there is no formal documentation of the review and approval of journal entries prepared by the Director of Finance.

Recommendation:

We recommend the Town implement a formal review and approval process of journal entries prepared by the Director of Finance.

Education

1. **Payroll**

Condition:

Currently, the payroll clerk is responsible generating the payroll register and printing and distributing any payroll checks. The function of entering new employees and distributing the payroll checks represents a lack of segregation of duties.

Recommendation:

We recommend that an employee other than the payroll clerk be responsible for distributing the payroll checks. Once checks are signed, they should not be returned to the payroll clerk.

2. **Accounts payable**

Condition:

Currently, the District does not have a formal process for the approval of new vendors. The accounts payable clerk is responsible for processing invoices and check runs as well as sending out the checks. In addition, the accounts payable clerk has the ability to enter new vendors into the financial software.

Recommendation:

We recommend the following:

- That the District develop and implement a new vendor form, approval process, and related checklist to ensure that all required information is obtained, proper and required due diligence is performed and the approval is documented. The approval of the form would be the authorization to enter the vendor into the accounts payable system.
- That the accounts payable clerk be restricted from having the ability to enter new vendors into the system.
- That new vendors should be added only after proper due diligence has been performed as noted above and all required information and forms have been obtained by someone other than the accounts payable clerk.
- That after checks are signed, they should not be returned to the accounts payable clerk.

3. Cafeteria fund revenues

Condition:

Currently, cafeteria cash receipts are entered into the accounting system based on deposits on the bank statement.

Recommendation:

We recommend that revenues be recorded in the accounting system based on the daily sales report from the POS system. This report should be reconciled to the amount deposited on a weekly or monthly basis.

In addition, we recommend that student balances be recorded as unearned revenue when funds are added to student accounts and recorded as sales when meals are purchased.

4. Budget transfers

Condition:

The District has a policy which requires the Board of Education to make transfers between the broad budget categories in the itemized estimate as needed. Currently, budget transfers are not made.

Recommendation:

We recommend that the Board of Education review and approve budget transfers to the broad budget categories in accordance with District policy.

Best Practices

1. Bank account authorized signors

Condition:

Currently, there are student activity accounts with only school personnel as authorized signors and police accounts with only police commissioners as authorized signors.

Recommendation:

We recommend that the Superintendent be a signor for education related accounts and the Town Manager and/or Treasurer be a signor on all Town accounts. This will provide proper monitoring and allow access to account information.

2. Fraud policy

Condition:

The Town has not established a policy that specifically addresses fraud and the related potential consequences if it is determined that fraud has been committed.

Recommendation:

We recommend the Town develop and implement a policy to specifically address fraud, the Town's position on fraud and the consequences for noncompliance with the policy.

3. Fund balance policy

Condition:

We noted that the Town's fund balance policy has not been updated to reflect the most current terminology and the change in the Town charter.

Recommendation:

We recommend the Town review the policy and update terminology to reflect the implementation of GASB No. 54 and charter revisions.

4. Pension and OPEB investment policy

Condition:

Currently, the Police and Volunteer Firefighters Pension Plans and the OPEB Plan do not have a formal investment policy.

Recommendation:

We recommend the Town create a formal investment policy for the Plans. Plan investment asset classes used to calculate the long-term rate of return should align with this policy. The policy should include all of the various investment risks that are required to be managed and disclosed.

Follow-up on prior year's recommendations

- Mortality tables have been updated.
- The education department is properly recording receivables, unearned revenue and other accruals.
- Employee reimbursements have appropriate approval procedures.