



Management and Board of Finance
City of Stamford, Connecticut

In planning and performing our audit of the financial statements of City of Stamford, Connecticut (the City) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below.

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 May 20, 2022. This report contains our written communication of material weaknesses in the entity's internal control. This letter does not affect our report on the financial statements dated May 20, 2022, nor our internal control communication dated May 20, 2022.

Tax Department

The Tax Collector's Office is expected to provide the Tax Collector's report, with all supporting documentation (including the software-generated sub-ledger reports), and the reconciliation between the report and the HTE general ledger system at the commencement of year-end audit field work. The Tax Controller's Office issues instructions to that effect in its year-end memos to departments, including the Tax Collector's Office, on the financial close process.

The Tax Collector's report was not ready at the start of final field work and during our review we noted the revenues per Tax Collector's report did not reconcile to the general ledger. In addition, the Tax Collector was unable to provide QDS source documents to support the 60-day tax collections, but rather a workpaper was created by the Tax Collector.

Amounts that should be easily tied to sub-ledger reports - as they are in other municipalities using the same software application - included numerous exceptions, making the review and auditing of the Tax Collector's report both difficult, and unnecessarily time consuming. The final version of the Tax Collector's report we received still did not reconcile to the HTE general ledger system by \$1,029,793.

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 Audit

During the audit, we noted the completion of the state and federal schedule of expenditures continues to be 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 continue to recommend that the Grants Department, with the support of the relevant City departments, the Board of Education, and the Controller's Office staff, 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.

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 has committed surplus fund balance of \$1,000,000 for FY2021 (proposed by administration and subject to approval by the Boards), \$500,000 for FY2020, \$1,500,000 for FY2019, \$250,000 for FY2018, \$500,000 for FY2017 and \$300,000 for FY2016. 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.

Cybersecurity Management

Municipal governments must be proactive in securing operations and data. Cybersecurity strategies require new approaches to identify where critical information exists that needs to be protected, to foreseeing and deterring the threats that could result in the theft of information or the loss of funds, and to understand the overarching risks associated with cyberattacks. Proactively assessing and managing operations and IT environment(s) in anticipation of these threats and attacks is critical in light of the following:

- Nearly 70% of funds expended due to a cyber-event are unrecoverable and the scale of data breaches and lost funds due to phishing and business e-mail compromise is trending upward exponentially.

- Ransomware attacks force the majority of impacted government entities to pay to restore access to their data.
- Cybersecurity is now considered a key organizational risk, and spending on cybersecurity is projected to increase each of the next 10 years.

Recommendation

The City's TMS / IT department, and its new chief digital officer, must continue the City's efforts to counter these on-going cyberthreats by:

- Following best practices in understanding the City's baseline exposure to cyberthreats through an annual security and vulnerability risk assessment to identify and evaluate exposures, hazards and/or potential for breach that could negatively impact the City's ability to conduct business.
- Using this assessment, identify and locate personal/confidential information (or other secure data) and understand how this information is currently secured to gain a clear understanding of the potential exposure.
- Risk mitigation plans can then be designed to tighten these areas of exposure and establish stronger security protocols. Resources should be applied to the areas most in need of protection and risk mitigation practices and procedures put into play.

A critical component of any organization-wide cybersecurity initiative is building and maintaining a resilient culture of cybersecurity by strengthening employee cybersecurity awareness through focused training. Assessing how employees respond to targeted threats through phishing simulation attacks can proactively identify areas of exposure, reinforce learning objectives, focus-in on training opportunities and help identify missing security protocols.

This communication is intended solely for the information and use of management, the board of finance, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

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West Hartford, Connecticut
May 20, 2022