



**CITY OF STAMFORD**  
**OFFICE OF ADMINISTRATION**  
888 WASHINGTON BOULEVARD  
P.O. BOX 10162  
STAMFORD, CONNECTICUT 06904-2162

**Board of Finance of the City of Stamford**

**Management Responses to Auditors' Communication on Internal Control**

The following responses were prepared in conjunction with the O'Connor Davies, LLP required communication to the City of Stamford's Board of Finance regarding internal control over financial reporting in conjunction with the audit of the governmental activities, the business-type activities, the discretely presented component unit, trust funds, each major fund, and the aggregate remaining fund information of the City of Stamford, Connecticut ("City") as of and for the year ended June 30, 2013.

**1. Audit Readiness / Process and Communication**

***Management Response***

The Controller's Office acknowledges that at the commencement of the audit, the year-end closing process was not complete.

Similar to the prior year: 1) A year-end closing checklist had been created and shared with the auditors during the audit planning process, and; 2) Instruction memos outlining the auditor's expectations regarding the scope and timing of informational schedules and other work required to be completed were sent to each department (Tax Assessment and Collections, Grants, Legal Affairs – including Human Resources, OPM (and Procurement), Risk Management, among others and/or certain agencies of the City such as the Board of Education ("BOE"), Smith House, SWPCA, etc.) and discussed as needed by the Controller's Office by mid-July.

Various departments, including the Controller's Office, were unable to meet their commitments as detailed in the closing checklist:

- Interim account analysis, cross-checks, reviews of supporting schedules, accounting reconciliations, etc., were not completed as expected in advance of year-end so numerous post-closing entries were required to update and complete the balances in the City's general ledger accounting system.
- Work completed or expected to be completed was impacted by multiple medical leaves of absence (some anticipated but others extended) and further slowed by unanticipated personal leaves of absence (bereavement).
- Issues arose that required analysis, Board approval, or other remedies and so were not immediately resolvable that further slowed the closing process due to the inherent uncertainty they created (for example: the accuracy of public safety paid time-off records used to support accrual balances had to be verified; certain BOE accruals and encumbrances were requested that could only be approved through

surplus designation; certain revenue adjustments could not be finalized until the renegotiation of the SWPCA's inter-local agreement with Darien was complete; etc.).

Management plans to address these issues as follows:

- a. Draft and revise procedures as needed to reduce errors and mis-postings related to grants, capital projects, property taxes, medical funds, and the OPEB trust fund.
- b. In conjunction with the creation of monthly and quarterly closing checklists, assign Controller's Office staff to monitor interim compliance and push for more contemporaneous recording of activities that impact the City's financial reporting and accounting.
- c. Submit budget requests that provide for ad hoc resources, if needed, to meet the increased work load required by the closing of the old fiscal year and opening of the new one.
- d. Investigate current accounting software and other automated solutions that reduce the amount of manual intervention needed to record activities that impact the City's financial reporting and accounting.
- e. Further develop and reassign certain internal control activities that contribute to accuracy in financial reporting (e.g. Timekeeping Oversight, Capital Asset Recordkeeping, etc.).

## **2. Timekeeping Oversight and Administration**

### ***Management Response***

Management and the Administration have already proposed that a new position be funded for a Kronos Administrator with responsibility for certain critical timekeeping recording and approval processes within the City, including:

- a. Standardizing timekeeping procedures across all City/BOE departments for the use of Kronos, including approval authority, entering of manual adjustments to time recorded time worked, recording of earned overtime, vacation and sick time-off, etc.
- b. Leading the implementation of Kronos/Telestaff timekeeping applications/solutions in City/BOE departments where they are currently absent (Fire and the BOE – Police had implemented the application previously).
- c. Monitoring time worked for anomalies on contemporaneous basis and in conjunction with Legal Affairs and Human Resources, ensuring that City time-worked policies are adhered to.

## **3. Old Town Hall Redevelopment Agency ("OTHRA")**

### ***Management Response***

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 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.

OTHRA is a quasi-governmental agency with its own Board and outside counsel. The Controller's Office had previously advised the OTHRA Board of the need to complete an audit in compliance with certain underlying tax credit financing agreements. When the Board finally acted, the commencement of the audit had to be delayed until after the City completed its annual audit so as to not interfere with the timely completion of the City's year-end closing and related audit field work. The audit planning and scoping process is now expected to begin as soon as the City issues its CAFR.

Management agrees that the Board and the City should enter into a memorandum of understanding regarding the support to be provided by the City's Controller's Office so that all accounting and administrative responsibilities associated with the OTHRA-related entities are clearly identified and assigned.