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To the Members of the Board of Finance
City of Stamford, Connecticut

In planning and performing our audit of the financial statements of the City of Stamford, Connecticut, (the City) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Stamford, Connecticut'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 City of Stamford, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Stamford, Connecticut'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.

Timekeeping Oversight and Administration

Currently, all City departments utilize an automated time and attendance system, Kronos®. This solution for monitoring employee hours worked and compensated absences has been implemented throughout the City without common procedures for the approval of overtime. In fact, our audit procedures indicate a significant number of individuals can approve overtime and that an administrative or supervisory level individual is not required for such approvals.

Recommendation - We recommend that the City standardize payroll policies and procedures as well as the use of Kronos® for all City departments including the Board of Education. Written policies should be established that identify the level number and name of all appropriate approvers. Also, overtime incurred should be reviewed and approved by appropriate levels to ensure that the reasons for overtime are being clearly documented in accordance to such policy.

Urban Redevelopment Commission (URC) - Accounting and Financial Reporting

During our audit of the URC, we noted the following:

- There are several receivable and payable balances between the URC and the City that have remained unchanged for several years.
- Management was unable to provide sufficient explanation or documentation for several balance sheet accounts such as other receivables, payables, capital assets, deferred revenues and long term liabilities.

Recommendation - We recommend that the City and the URC review all balance sheet accounts to ensure that the general ledger reflects the appropriate balances at year end. This review should also provide for the retention of proper documentation to substantiate those balances.

Cash Management - Outstanding Checks

It has been the City's policy to transfer checks outstanding over one year to a liability account. The balance in this account continues to increase each year with the current year balance increasing to \$354,071, from \$326,263 in the prior year.

Recommendation - We recommend that the City implement formal policies and procedures to investigate outstanding checks to determine if such checks should be cancelled and if the amount should be remitted to the State as unclaimed property or reinstated to cash.

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 self-insurance funds of the City. 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 self-insurance fund.

Recommendation - We recommend that the City record the heart and hypertension liability in the self-insurance fund.

This letter should be read in conjunction with our 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 20, 2015.

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