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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, as of and for the year ended June 30, 2017, 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 our recommendations as constructive suggestions for your consideration as part of the ongoing process of modifying and improving accounting controls and administrative practices.

Operating Grants - Projects Accounting and Tracking

Grant-funded projects are tracked in a database maintained by the Grants Department but transaction activity for many of the grant-funded projects is not regularly reconciled to the related project accounts in the City's General Ledger. Revenues and expenditures are not being properly recorded in the Grants Department database, which is used to manage project spending, resulting in a lack of appropriate control over project reporting and management.

Recommendation

We recommend that the Grants Department take the following steps in order to ensure proper and timely reporting of the grant activities:

- Roll-forward previous fiscal year-end Operating Grants schedules to ensure grant-funded project census and beginning balances in the database are accurate;
- Record budgeted revenue for active projects where the City provides funding in the City's General Ledger and then in the Operating Grants database;
- Update the database to reflect actual revenues received for active projects funded by others (State of Connecticut, federal grants, private groups, etc.) and the expenditures made in each month per the City's General Ledger for the fiscal year-to-date; and
- On a quarterly basis, update the reporting worksheet so that it reflects fiscal year-to-date transaction activity for all grant-funded projects and the balances by project tie to the City's General Ledger.

Grant-Funded Capital Projects - Reimbursement and Collection Issues:

Many of the outstanding accounts receivable related to grant-funded capital projects relate to project spending that took place over five years ago. There has been little, or no payment activity related to these receivables, and, until recently, no ongoing reimbursement related activity on behalf of the Grants Department.

Recommendation

We recommend that the Grants Department take the following steps in order to ensure reporting of the accounts receivable:

- Roll-forward previous fiscal year-end grant-funded capital projects accounts receivable schedules to ensure the grant-funded project census and beginning balances in the database are accurate;
- Apply reimbursements received to the appropriate project in the database; and
- On a quarterly basis, update the grant-funded capital projects accounts receivable worksheet to reflect updated accounts receivable balances by project per the database and agree the total accounts receivable to the City's General Ledger for the fiscal year-to-date.

Matters Noted in Previous Years:

The following matters involving internal control over financial reporting and its operation were noted in previous years but have not been fully remediated. Again, we offer our recommendations as constructive suggestions for your consideration as part of the ongoing process of modifying and improving accounting controls and administrative practices.

Urban Redevelopment Commission (URC) - Accounting and Financial Reporting

During our review of the URC trial balance, we noted instances where the balance sheet balance doesn't reflect the appropriate balance. Interest receivable balance is not being adjusted for accruals at year end. In addition, numerous accounts have balances that haven't changed from the prior year.

Recommendation

We recommend the URC analyze all balance sheet accounts to ensure that proper balances are being carried on an ongoing basis.

Timekeeping Oversight and Administration

Currently, City departments utilize the automated time and attendance system, Kronos®, to ensure that employees' attendance and hours worked are properly recorded for payroll purposes. Due to the varied introduction of the use of this software application to City departments, not all departments utilize the timecard function of the software application. The Kronos® attendance system also lacks the ability to track compensated absences for the City. The City utilizes spreadsheets to compute these liabilities manually. This can lead to computation errors along with the incorrect categorizing of employees to their appropriate unions.

Recommendation

We continue to recommend that the City standardize payroll policies and procedures related to the use of Kronos® for all City departments (including the Board of Education). The City should look into a tool to better track and compute compensated absences to eliminate the potential for errors.

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 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.

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 December 29, 2017.

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 the specified parties.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 29, 2017