



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

**Independent Auditors' Report**

Board of Finance  
Town of New Fairfield, 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 State single audit reports or our report on the financial statements dated December 22, 2021.

This report is intended solely for the information and use of management, the Board of Finance, others within the entity and Federal and 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  
December 22, 2021

## Town of New Fairfield, Connecticut

Recommendations to Management  
For the Year Ended June 30, 2021

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We present for your consideration our comments and recommendations relating to internal controls and other operating and administrative matters, which came to our attention during the course of our audit. Comments and recommendations being repeated from the prior year's audit are identified by an "\*".

### **Internal Controls**

#### **1. Purchasing/Accounts Payable\***

##### **Condition**

Currently, the Accounts Payable clerk has the ability to enter new vendors into the financial software system.

##### **Recommendation**

We recommend that the Accounts Payable clerk be restricted from having the ability to enter new vendors into the system.

#### **2. Payroll**

##### **Condition**

The payroll clerk has the ability to add new employees and update pay rates in the payroll software.

##### **Recommendation**

We recommend that the payroll clerk be restricted from the ability to change employee pay rates and that someone other than the employee who processes payroll be responsible for entering new employees into the system and be responsible for distributing the payroll checks.

#### **3. Tax Collector\***

##### **Condition**

All employees process transactions on the same counter terminal using the same login. There are no unique separate logins for each tax department employee.

##### **Recommendation**

We recommend that each tax department employee be assigned a unique login ID and that the login be used for all transactions processed by that employee.

We also recommend that each employee log off after processing each transaction or when another employee will be responsible for processing transactions. In addition, the terminal should be set to time out after a specified amount of inactivity.

## Recommendations to Management

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### 4. Cafeteria Cash Receipts\*

#### A. Condition\*

Currently, cafeteria revenues are being recorded based on deposits from 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.

#### B. Condition\*

Currently, the Education Department does not reconcile the third-party cafeteria vendor reports to the amounts of revenues received and deposited.

#### Recommendation

We recommend that Education Department reconcile the amount received and deposited to the monthly report received from the cafeteria operator third-party vendor.

#### C. Condition\*

The Education Department does not maintain a full general ledger for the Cafeteria Fund including all appropriate balance sheet accounts and the financial statements are prepared using spreadsheets.

#### Recommendation

We recommend that all accounting be done in the general ledger on the modified accrual basis. This includes reviewing grant revenues and expenditures and recorded accounts receivable or unearned revenue as necessary.

### 5. Recreation Programs Fund Revenue\*

#### Condition

The Parks and Recreation revenue for cash and checks is recorded based on the register report, while the credit card sales are recorded from the credit card report. During our testing, we also noted that the amount on the credit card report did not agree to the register report.

#### Recommendation

We recommend the Town record the credit card payments based upon the register report and reconcile the amount to the credit card report and amount received.

## Recommendations to Management

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### Other Matters

#### 6. General Ledger and Accounting Records\*

##### Condition

Currently, various funds are not maintained under general ledger control that are required to be reported in the financial statements.

##### Recommendation

We recommend that the Town record, on a monthly basis, but no less than quarterly, the activity of the various funds in the general ledger to ensure proper monitoring and accountability.

#### 7. Medical Claims\*

##### Condition

Currently, the Town is not reviewing monthly detailed claim reports from the claims processor to ensure that the Town is only charged for Town employees.

The Town is currently receiving aggregate claims reports but the reports do not separately account for Town and Education Department employees. Therefore, the Town has been estimating the claims amount for each group and using the estimate for reporting to the State.

##### Recommendation

We recommend the Town review the monthly detailed claim report from the claims processor and implement procedures to ensure that only eligible employee claims are paid.

We also recommend that the Town consider requesting the claims processor to specifically identify Town versus Education Department employee claims in order that the amount be properly and accurately reported as in kind expenditures on the State Department of Education EFS Report.

#### 8. Capital Assets\*

##### A. Condition\*

We noted that useful lives for certain assets were less than the Town's actual use of the capital asset.

##### Recommendation

We recommend the Town review the current useful lives by asset type against the Town's actual historical use of those assets and adjust the useful lives as appropriate on a prospective basis for current assets and for all new assets.

## Recommendations to Management

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### **Capital Assets\* (continued)**

#### **B. Condition\***

During the year, assets were deleted from the capital asset system rather than removed as disposals. In addition, there were assets added to the capital asset system that were not included on the asset additions listing.

#### **Recommendation**

We recommend that the capital asset additions and deletions be processed through the capital asset system functions in the current fiscal year.

#### **C. Condition\***

We were unable to obtain a capital asset software report that properly reported disposed assets.

#### **Recommendation**

We recommend the Town work with the software vendor to be able to generate the necessary reported needed for capital asset reporting and an in order to properly calculate the current year's depreciation expense.

### **9. Investments\***

#### **Condition**

Currently, certain investment balances are recorded based on the original investments amounts at cost value.

#### **Recommendation**

We recommend recording the investments at the market value based on the statements in accordance with generally accepted accounting principles.

### **10. Deficit Fund Balances\***

#### **Condition**

Certain funds have had deficit fund balances for the past few years, including the Drop Off Center Fund, School Capital Project Fund, MHHS Septic Fund, and MHHS/HS Renovation Fund.

#### **Recommendation**

We recommend that the source of deficit be investigated and that the deficit be resolved with a transfer from the general fund before the close of the next fiscal year.

## **Recommendations to Management**

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### **11. Bank Reconciliation – Outstanding Checks\***

#### **Condition**

The general fund checking account has numerous outstanding checks dated back to 2002 included in the bank reconciliation. Based upon banking regulations, checks older than 6 months will not be processed by the bank.

#### **Recommendation**

We recommend the Town review the outstanding check listing and determine whether these checks should be reissued, written off (errors) or escheated to the State.

### **12. Bank Reconciliations**

#### **Condition**

The review and approval of the Town bank account reconciliations is not formally documented.

#### **Recommendation**

We recommend that review and approval of the Town bank reconciliations be formally documented by the Finance Director.

### **13. Education Grants Fund\***

#### **Condition**

During our testing we noted that the receivable and unearned revenue balances has not be update from the prior year balances and reconciled to current year activity.

#### **Recommendation**

We recommend that reconciliation of accounts receivable and unearned revenue balances be included in the year end closing process and properly updated at June 30.

### **14. Proper Recording of Revenue Transactions\***

#### **Condition**

We noted that certain revenues were recorded in expenditure accounts. Generally accepted accounting principles require that revenues and expenditures be reported gross vs net.

#### **Recommendation**

We recommend that the Town properly record revenue and expenditure activity gross in accordance with generally accepted accounting principles.

## **Recommendations to Management**

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### **Best Practices**

#### **15. Interfund Transactions\***

We recommend the Town consider implementing a pooled cash system and eliminate interfund transactions and to properly report the cash balance for each fund.

#### **16. Student Activity Bank Accounts**

We recommend the Director of Business and Operations be an authorized signor on the student activity bank accounts.

### **Follow-up on Prior Year's Recommendations**

The following comments and recommendations from the prior year's audit are not being repeated, since the Town has implemented procedures to address the recommendations or they were otherwise resolved:

- The Education Department recorded revenue in accordance with generally accepted accounting principles
- The review and approval of the student activity bank reconciliations was formally documented
- An approval process for new vendors was implemented
- A blind close process has been implemented for the cafeteria operations