

# **Town of Brookfield, Connecticut**

Report to the Audit Committee  
May 21, 2015



May 21, 2015

Audit Committee  
Town of Brookfield, CT  
100 Pocono Road  
Brookfield, Connecticut 06804

Attention: Members of the Audit Committee

We are pleased to present this report related to our audit of the basic financial statements and compliance of the Town of Brookfield, Connecticut (the "Town") for the year ended June 30, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Town of Brookfield, Connecticut's financial reporting process.

This report is intended solely for the information and use of the Audit Committee and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Town of Brookfield, Connecticut.

*McGladrey LLP*

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States; the provisions of the Single Audit Act; OMB Circular A-133; OMB's <i>Compliance Supplement</i> ; and the State Single Audit have been described to you in our arrangement letter dated June 26, 2014.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b></p> <p>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Town. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year. The adoption of these pronouncements had minimal impact on the Town's financial statements.</p> <ul style="list-style-type: none"><li>• <i>GASB Statement No. 65, Items Previously Reported as Assets and Liabilities</i>, was implemented as July 1, 2013. This statement clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of the adoption of this standard, deferred amounts on refundings were required to be reclassified to Deferred Outflows of Resources. In addition, amounts previously classified as unavailable revenue were reclassified as deferred inflows of resources.</li></ul>

Area	Comments
<b>Accounting Policies and Practices, Continued</b>	<ul style="list-style-type: none"> <li>• <i>GASB Statement No. 67, Financial Reporting for Pension Plans an amendment of GASB Statement No. 25, issued in June 2012, was effective for the Town as of July 1, 2013. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The implementation of this statement did not have a material impact on the Town's financial statements.</i></li> <li>• <i>GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, became effective on July 1, 2013. This statement provides guidance to governments that extend and receive nonexchange financial guarantees. The implementation of this statement had no impact on the Town's financial statements.</i></li> </ul> <p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Management's Judgments and Accounting Estimates</b></p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	<p>Audit adjustments proposed by us and recorded by The Town of Brookfield, Connecticut are attached with the representation letter included in Exhibit A.</p>
<b>Uncorrected Misstatements</b>	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>
<b>Disagreements With Management</b>	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.</p>
<b>Consultations With Other Accountants</b>	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters</p>
<b>Significant Issues Discussed With Management</b>	<p>Following is a description of significant issues arising from the audit that were discussed with management.</p> <ul style="list-style-type: none"> <li>- Employee reimbursement testing results (I-Pads)</li> <li>- Credit Card special tests results</li> </ul>

Area	Comments
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Letter(s) Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting</b>	We have separately communicated the significant deficiencies and material weaknesses in internal control over financial reporting identified during our audit of the basic financial statements and major awards, as required by the <i>Government Auditing Standards</i> and OMB Circular A-133. This communication is included in the Federal and State Compliance Report.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of material written communications between our firm and the management of the Town, including the representation letter provided to us by management, are attached as Exhibit A.

**Town of Brookfield, Connecticut  
 Summary of Significant Accounting Estimates  
 Year Ended June 30, 2014**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Town's June 30, 2014, basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Pension and OPEB Plans/Assumptions	The Town has an actuarial valuation performed to determine the annual required contribution and funds accordingly. Any net difference between the annual required contribution and actual contributions from or on behalf of the Town are recorded as a net asset or obligation in the governmental activities of the Town.	The Town utilizes the services of actuaries to determine the Town's Annual Required Contribution. Management and the actuary determine the appropriateness of the actuarial assumptions to be utilized. The actuary then performs the calculation which is reviewed and approved by management of the Town.	We have audited the underlying data supporting the estimate and reviewed management's methodology which appears properly and consistently applied and have deemed the resulting estimate to be reasonable.
Depreciable Useful Life of Capital Assets	The depreciable life of capital assets and is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions, including estimated useful life and prior experience.	We believe the estimates used by management are reasonable

**Exhibit A—Significant Written Communications Between Management and Our Firm**

- Representation Letter, With Audit Adjustments
- Management Letter



## TOWN OF BROOKFIELD

BROOKFIELD, CT 06804

May 21, 2015

McGladrey LLP One  
Church Street New  
Haven, CT 06510

This representation letter is provided in connection with your audit of the basic financial statements of the Town of Brookfield, Connecticut as of and for the year ended June 30, 2014 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of May 21, 2015:

### *Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 26, 2014, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including those with the State of Connecticut, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No.10.
9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statement.
10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
11. We have no knowledge of any uncorrected misstatements in the financial statements.

*Information Provided*

12. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. We have disclosed to you all information that we are aware of regarding any allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
16. We have disclosed to you all information that we are aware of regarding any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
18. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
19. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

20. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Entity's ability to record, process, summarize, and report financial data.
21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
22. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. There have been no significant reductions in any insurance coverage from amounts in the prior year.
23. Based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.
24. We have conducted a thorough investigation of the fraud and believe that the extent of the fraud and irregularities by employees were discovered. The investigation is substantially complete and the extent of the loss is estimate \$25,000 for the fiscal year ending June 30, 2014. In addition, we have discussed the fraud with those charged with governance. In addition, we have discussed the fraud with management, regulator and others.
25. Based upon correspondence with the school construction auditors, there are no amounts owed back to the State that would materially affect the financial statements of the Town.

*Supplementary Information*

26. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. There are no underlying assumptions or interpretations regarding the measurement or presentation of such information.
  - e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
27. With respect to management's discussion and analysis presented as listed in the table of contents presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.
28. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

*Compliance Considerations*

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm that management:

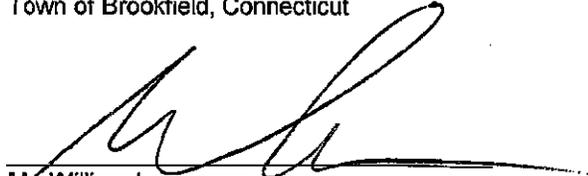
1. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
2. Is responsible for establishing and maintaining effective internal control over financial reporting.
3. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance. There have been no instances as described noted.
4. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. There have been no instances as described noted.
5. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives. There have been no instances as described noted.
6. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse that the auditor reports. There have been no instances as described noted.
7. Has a process to track the status of audit findings and recommendations.
8. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
9. Has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report. There have been no instances as described noted.
10. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal and state awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Act we confirm:

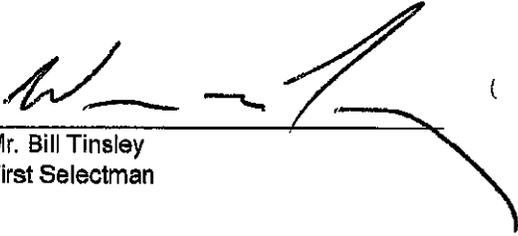
1. Management is responsible for complying, and has complied, with the requirements of Circular A-133.
2. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
3. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that the auditee is managing federal and state awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal and state programs.
4. Management has prepared the schedule of expenditures of federal and state awards in accordance with Circular A-133 and the State Single Audit Act and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
5. Management has identified and disclosed to the auditor the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
6. Management has made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal and state programs and related activities that have taken place with federal and state agencies or pass-through entities.
7. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards.
8. Management believes that the auditee has complied with the direct and material compliance requirements.
9. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
10. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
11. Management has disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report. There have been no such communications noted.
12. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report. There have been no such findings noted.

13. Management is responsible for taking corrective action on audit findings of the compliance audit.
14. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal or state awarding agencies and pass-through entities, including all management decisions.
15. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period. There have been no such events noted.
16. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances. There have been no such instances noted.
17. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance is audited.
18. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
19. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
20. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133 and State Single Audit Act.
21. If applicable, management has issued management decisions timely after their receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and has ensured that subrecipients have taken the appropriate and timely corrective action on findings. There have been no such reports noted.
22. If applicable, management has considered the results of subrecipient audits and has made any necessary adjustments to the auditee's own books and records.
23. Management has charged costs to federal and state awards in accordance with applicable cost principles.
24. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133 and the State Single Audit Act.
25. Management has accurately completed the appropriate sections of the data collection form.
26. If applicable, management has disclosed all contracts or other agreements with service organizations.
27. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

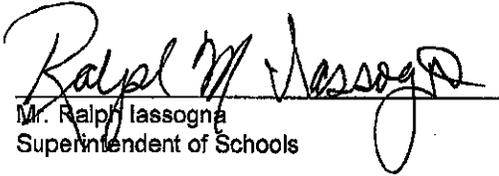
Town of Brookfield, Connecticut



Mr. William Leverence  
Town Controller



Mr. Bill Tinsley  
First Selectman



Mr. Ralph Iassogna  
Superintendent of Schools

**Town of Brookfield, Connecticut**  
**Year End: June 30, 2014**

<b>Date</b>	<b>Name</b>	<b>Account No</b>	<b>Debit</b>	<b>Credit</b>
6/30/2014	School Construction Receivable	01 -1143 GF01	131,125.00	
6/30/2014	Deferred Revenue- School Construction	01 -2910 GF01		-131,125.00
	To record school construction receivable		131,125.00	-131,125.00
6/30/2014	Capital Lease Proceeds	01 -00-100-00-8000 GF01		-240,027.00
6/30/2014	CAPITAL OUTLAY	01 -00-195-00-0066 GF01	240,027.00	
	To properly record capital leases		240,027.00	-240,027.00



To the Board of Finance  
Town of Brookfield, Connecticut

In planning and performing our audit of the financial statements of the Town of Brookfield, Connecticut, 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 Town of Brookfield'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 Town of Brookfield's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Brookfield'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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

#### **PURCHASE ORDERS**

##### **Observation:**

During our understanding of internal controls, it was noted that the Town does not have a purchase order policy. Approval of purchases is not done until after the goods or services have been received/performed.

##### **Recommendation:**

It is recommended that a policy be put in place to approve purchases before they are initiated in order to have better control over department spending.

**Management Response:**

A policy was instituted in September 2014 which utilizes the MUNIS purchase requisition/order function acquired in the summer of 2014. All purchase requests must go through the entire approval process to obtain a requisition or PO number for purchase initiation. Purchase requests originate with departmental staff and are sent to their respective Departmental Supervisor for approval on the MUNIS system. All purchase requisitions and purchase orders must be accompanied by supporting documentation which is scanned in and attached to the request in MUNIS. Once approved by the Departmental Supervisor, the request is forwarded to the Town's Accounts Payable Department for account code and supporting documentation review. Accounts Payable staff will approve completed requests or reject and return the requests for additional documentation to the Departmental Supervisor. Once approved by Accounts Payable, requests for over \$1,000 are forwarded to the First Selectman for review, rejection or approval. Requests for over \$1,000 which have been approved by the First Selectman are forwarded through MUNIS to the Town Controller. Requests rejected by the First Selectman are returned to the Department Head. Requests for under \$1,000 which have been approved by Accounts Payable staff are forwarded to the Town Controller. The Town Controller reviews all purchase requisitions and purchase orders for the Town and approves adequately supported requests or rejects those requests requiring further documentation or justification. No purchase requisition or order can be initiated on the MUNIS system without sufficient funds remaining in the budget line of the request. All expenses are reviewed and reported to the Board of Selectmen and Board of Finance each month by the Controller.

**CAPITAL ASSETS**

**Observation:**

Capital assets are maintained in an excel file and are updated on an annual basis. It was noted during inquiries and testing that there were Town additions missing from the original capital asset schedules provided, as well as BOE capital leases and additions.

**Recommendation:**

It is recommended that the Town implement a formal capital asset reconciliation policy and ensure reconciliation with the BOE is performed.

**Management Response:**

The Town's capital asset reconciliation has been performed in a consistent manner with prior audited years. Items "missing", as noted by the audit field staff, were collections of non-recurring Town items and leased items on the Education side which were previously not reported to the Controller or auditors for inclusion on the capital asset schedule. The Town purchased a MUNIS fixed asset module in the fall of 2014 and has been working to incorporate its use into fixed asset reconciliation and inventory control. We are hopeful that the Town and Education Finance Departments will adopt a similar operating system, which will enable asset control to be incorporated into reconciliation.

**TOWN/BOE RECONCILIATION**

**Observation:**

The Town's accounting system reports the total expenditures against the Board of Education's budget. The Board of Education's Finance Department keeps the subsidiary journal. It was noted that the Town and the BOE did not reconcile the total Board of Education expenditures timely. In addition, the Town and the BOE currently use different general ledger software systems.

**Recommendation:**

It is recommended that the Town and the BOE reconcile on a monthly basis. Also, the Town and the BOE should consider the benefits and efficiencies of using the same general ledger software system.

**Management Response:**

Operating on two separate accounting platforms continues to be a roadblock for reconciliation. The Town will continue to pursue the auditors' recommendations for one financial system. The BOE agrees with the assessment of operating on one financial system. We are working toward trying to determine what software platform will be best for the BOE.

**ACCOUNTING POLICIES AND PROCEDURES MANUAL**

**Observation:**

The Town does not maintain a formal written accounting policies and procedures manual outlining reporting responsibilities and describing the steps involved in processing transactions, including the usage of the Town's computer system.

**Recommendation:**

We recommend that the Town formulate accounting policies and procedures manuals. The manuals would improve the ability to maintain continuity of operations during any absences of personnel responsible for accounting and financial administration. It would also be useful in the training of new personnel. In addition, the manual would help to document the internal control structure and would assist in identifying opportunities to enhance segregation of duties.

**Management Response:**

The Town accounting and financial administration staff consists of one (1) accounts payable clerk, one (1) payroll clerk, one (1) accounting supervisor and one (1) controller. The steps involved in processing transactions start with the processes outlined in the purchase order process above and conclude with the accounts payable clerk, payroll clerk or accounting supervisor, as dictated in the approval sequence in the MUNIS system. The accounts payable clerk handles all payment requests. The payroll clerk handles all payroll related transactions. The accounting supervisor handles all journal entries, bank reconciliations and funding requests. The accounts payable clerk, payroll clerk, and accounting supervisor have been cross trained to fill in for each other on a temporary basis when needed. However, segregation of duties is encouraged for auditing and control purposes. All transactions are thoroughly reviewed by the Controller on a daily and monthly basis. The Town has a purchasing policy in place which was provided to the auditors for review. It is the Town management's opinion that given the small staff size and the existing financial operating procedures already set up in MUNIS, there is no need for a formal "accounting policies and procedures manual". This response does not apply to the Education side, which would need to respond related to their NEW WORLD accounting system.

**FORMAL RISK ASSESSMENT PROCESS**

**Observation:**

The Town does not maintain a formal risk assessment process. This process is a vital tool that can be utilized to identify fraud risk and internal weaknesses that could lead to potential fraud.

**Recommendation:**

We recommend that the Town formulate a formal risk assessment process. The process would improve the Town's control structures, and would allow for the Town to be proactive in identifying and addressing fraud risk.

**Management Response:**

The Town's actions over the past two years have shown they have already been proactive in identifying and addressing fraud risk. However, a formal risk assessment process should be assembled by a separate entity or the Town/Education management staff with the assistance of auditors.

**PAYMENT REQUEST POLICY**

**Observation:**

During our testing of controls over the purchasing process, it was noted that the Town has a policy where department heads, the Finance Department and the Town Controller review and sign purchase request forms to approve payment of purchases. It was noted during our testing that this policy wasn't being consistently followed and there were missing signatures, or signatures were done out of the sequential order as described in the policy.

**Recommendation:**

It is recommended that the Town consistently follow the established policy.

**Management Response:**

TOWN: A policy was instituted in September 2014 which utilizes the MUNIS purchase requisition/order function acquired in the summer of 2014. All purchase requests must go through the entire approval process to obtain a requisition or PO number for purchase initiation. Purchase requests originate with departmental staff and are sent to their respective Departmental Supervisor for approval on the MUNIS system. All purchase requisitions and purchase orders must be accompanied by supporting documentation which is scanned in and attached to the request in MUNIS. Once approved by the Departmental Supervisor, the request is forwarded to the Town's Accounts Payable Department for account code and supporting documentation review. Accounts Payable staff will approve completed requests or reject and return the requests for additional documentation to the Departmental Supervisor. Once approved by the Accounts Payable Department, requests for over \$1,000 are forwarded to the First Selectman for review, rejection or approval. Requests for over \$1,000 which have been approved by the First Selectman are forwarded through MUNIS to the Town Controller. Requests rejected by the First Selectman are returned to the Department Head. Requests for under \$1,000 which have been approved by Accounts Payable staff are forwarded to the Town Controller. The Town Controller reviews all purchase requisitions and purchase orders for the Town and approves adequately supported requests or rejects those requests requiring further documentation or justification. No purchase requisition or order can be initiated on the MUNIS system without sufficient funds remaining in the budget line of the request. All expenses are reviewed and reported to the Board of Selectmen and Board of Finance each month by the Controller.

EDUCATION: The BOE already has a purchasing policy in place, and the Board approves all expenditures of \$1,000 and above. The BOE has and will continue to follow its own policies pertaining to purchasing.

**SEGREGATION OF DUTIES-VENDOR ACCESS**

**Observation:**

During our understanding of the purchasing process, it was noted that the accountant who enters the vendors is also the employee who prints the checks, and that there was no review of check registers prior to printing.

**Recommendation:**

It is recommended that the Town segregate the adding of vendors to someone independent of check printing or implement a review procedure to mitigate the risk of adding fictitious vendors.

**Management Response:**

TOWN: The Controller thoroughly reviews all payment requests and payments made to vendors. No payment can be made to any vendor on the Town side without both the Accounts Payable Clerk and Controller approving. No payment request can be processed without adequate supporting documentation attached to the request in the MUNIS system. The Controller and the Accounting Supervisor reconcile all check payments with the bank. Copies of all checks processed and paid are provided by the bank each month. Given staff limitations in the Town, assigning another separate independent person to enter vendors or review all printed checks seems to be unreasonable.

EDUCATION: The Business Manager reviews and signs all invoices prior to the checks be processed. In addition the Business Manager signs all check registers both for payroll and vendor payments. In addition, the Business Manager now o.k's all new vendors prior to being added to the financial software system.

**BOE PURCHASING POLICY**

**Observation:**

It was noted during our testing that the BOE utilizes a decentralized approach to purchasing. Each school is responsible for their own purchasing and submitting the received invoices to the Central Office for payment. This resulted in long gaps between when the School received an invoice and when the Central Office received it for payment.

**Recommendation:**

It is recommended that the BOE implement the policy that all invoices go directly to the Central Office.

**Management Response:**

The BOE currently has a purchasing policy in place, and the Board approves all expenditures of \$1,000 and above. The BOE has and will continue to follow its own policies pertaining to purchasing.

We appreciate the cooperation and courtesy extended to us by Town and Board of Education personnel during the course of the audit.

This report is intended solely for the information and use of the Board of Finance and management of the Town of Brookfield, Connecticut and is not intended to be, and should not be, used by anyone other than those specified parties.

