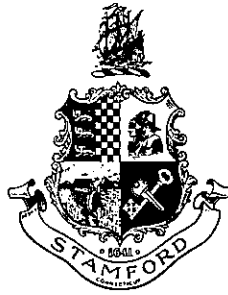


Minutes: May 11, 2017

DAVID R. MARTIN  
MAYOR



**BOARD OF FINANCE**  
RICHARD FREEDMAN  
CHAIRMAN  
MARY LOU T. RINALDI  
VICE CHAIR  
SAL GABRIELE  
DUDLEY N. WILLIAMS  
DAVID KOORIS  
SHELLEY A. MICHELSON

## **BOARD OF FINANCE**

STAMFORD GOVERNMENT CENTER  
888 WASHINGTON BOULEVARD  
P.O. BOX 10152  
STAMFORD, CONNECTICUT 06904-2152

### **REPORT OF AUDIT COMMITTEE MEETING OF THE BOARD OF FINANCE**

**HELD ON MAY 11, 2017 at 6 p.m.**

**ATTENDEES:** COMMITTEE CHAIR RICHARD FREEDMAN; COMMITTEE MEMBER SAL GABRIELE AND BOARD MEMBERS SHELLEY MICHELSON AND DUDLEY WILLIAMS (arrived at 6:13 p.m.). ALSO IN ATTENDANCE WAS DAVID YANIK, CONTROLLER.

#### Review of the 2015-2016 Management Letter

Chairman Freedman opened the meeting at 6:05 p.m. stating its purpose as being for the review of the FY2015-16 Management Letter (attached). He introduced Controller David Yanik who stated that the fiscal 2015-16 Management Letter includes only control deficiencies this year, which means that there are no significant deficiencies or material weaknesses - and that there are no control deficiencies, significant deficiencies or material weaknesses at the WPCA. Mr. Yanik spoke about control deficiencies in the following areas:

*Video: 00: 01:34* Grants Accounting – (Grants Officer Karen Cammarota was present to answer questions)  
*Video: 00:11:23* Urban Redevelopment Commission (URC) – Accounting and Financial Reporting  
*Video: 00:15:48* Property Tax Receivables  
*Video: 00:18:10* Timekeeping Oversight and Administration  
*Video: 00:24:42* Internal Service Fund

Minutes: May 11, 2017

Following Mr. Yanik's review, Mr. Freedman asked that Ms. Cammarota be invited to the July meeting of the Board to give a report on the status of grant payments. Mr. Williams suggested that the Board be advised prior to the July meeting whether the Grants Office is receiving proper cooperation from the Engineering Department in this effort. He also asked that City Engineer Louis Casolo be invited to the meeting to report on the status of grant payments.

After ascertaining that there were no further questions, Chairman Freedman called for a motion to adjourn the meeting. On a motion by Mr. Gabriele, which was seconded by Ms. Michelson, the Committee then adjourned the meeting at 7:37 p.m.  
(Video: 00:29:58)

*This meeting is on video.*

**Thursday, May 11, 2017 at 6:00 P.M.**

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Richard Freedman, Audit Committee Chair

Sal Gabriele, Member

cc: Mayor David Martin  
Michael Handler, Director of Administration  
Kathryn Emmett, Director of Legal Affairs  
Ernie Orgera, Director of Operations  
Jay Fountain, Interim Director of OPM  
Lee Berta, Assistant Director of OPM

David Yanik, Controller  
Karen Vitale, Assistant Controller  
Lou Casolo, City Engineer  
Beverly Aveni, City Purchasing Agent  
Donna Loglisci, City and Town Clerk  
Randall Skigen, President, Board of  
Representatives

# BlumShapiro

Accounting | Tax | Business Consulting

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, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

We noted the following new 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.

## **Urban Redevelopment Commission (URC) - Accounting and Financial Reporting**

In order for us to complete our audit procedures related to the URC, numerous requests were made prior to getting the final information required to complete the audit of the URC. In some instances, correspondence went ignored and required the assistance of the Controller in order to obtain the required supporting information.

### ***Recommendation***

We recommend that supporting information requested should be shared with auditors from the initial due date of the request (as communicated by the Controller's Office). In addition, we recommend the URC respond to the auditors' requests in a timely fashion so that the audit can be completed as scheduled.

### **Matters Noted in Previous Years:**

The following matters involving the 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.

### **Grants Accounting**

All grants, including capital grants, need to be analyzed on a regular basis in order to ensure that accounts receivable and deferred revenues are accurately recorded at year end. Upon audit inquiry, several journal entries were made to record changes to total grants accounts receivable and deferred revenues. In addition, it appears that numerous capital projects appear to be several years old and grants personnel are uncertain as to why the receivables hadn't been collected.

***Recommendation***

We recommend that the City implement policies and procedures to ensure grants accounts receivable and deferred revenues are recorded timely. In addition, policies and procedure should be in place to ensure accounts receivables are collected on completed projects and that any aged receivables are reviewed regularly for collectability and, when necessary, that review include individuals familiar with all aspects of the projects.

**Property Tax Receivable**

During our audit of tax receivable, we noted that the initial tax receivable amount per the Tax Collector's Report did not agree with the amounts in the general ledger. Final adjustments to the Tax Collector's Report were not completed until five months after year end and delayed the completion of the audit.

***Recommendation***

We recommend that the updates to the property tax accounts are prepared by the Tax Department in a timely manner and all pertinent backup information be available upon request. The Tax Collector's Report should reconcile back to the appropriate HTE general ledger accounts. In addition, any support to the Tax Collector's Report should be readily available for review.

**Timekeeping Oversight and Administration**

Currently, City departments utilize the automated time and attendance system, Kronos®, to ensure that employee's 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, the monitoring of employee hours worked lacks common procedures for the approval of overtime. Our audit procedures indicate that a significant number of individuals can approve overtime and that an administrative or supervisory level individual is not always required for such approvals. In addition, we noted that 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). Written policies should be established that identify the approval level and name of all authorized approvers. Also, overtime incurred should be reviewed and approved at the appropriate supervisory level to ensure that overtime is justified and that the reasons for any overtime worked (or other edits to time or attendance) are being clearly documented in accordance with established policies. 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 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 29, 2016.

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.*

West Hartford, Connecticut  
December 29, 2016

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, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

We noted the following new 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.

#### **Urban Redevelopment Commission (URC) - Accounting and Financial Reporting**

In order for us to complete our audit procedures related to the URC, numerous requests were made prior to getting the final information required to complete the audit of the URC. In some instances, correspondence went ignored and required the assistance of the Controller in order to obtain the required supporting information.

#### ***Recommendation***

We recommend that supporting information requested should be shared with auditors from the initial due date of the request (as communicated by the Controller's Office). In addition, we recommend the URC respond to the auditor's requests in a timely fashion so that the audit can be completed as scheduled.

#### ***Management's Response and Remediation Plan***

*Blum Shapiro's audit work commenced when the URC was in transitional phase. A long-time staff member, who had worked with, and completed audit responses during an extended employment that approached 30 years, had just departed the URC. Limited time was spent with this former employee prior to departure as legal issues limited the engagement of the employee for the purposes of supplying information for the audit.*

*Consequently, there was some confusion by staff on the existence and availability of certain historical materials that had been requested. Additionally, the agency was without an accounting person that would have supplied additional information to the auditors. The existing staff took efforts to identify and locate the requested documents and records in connection with the audit to the best of their abilities.*

*The City, in conjunction with the Board of Representatives, took several steps to correct the situation that arose from the audit. The first was to the amended Article IV, Section 6-16 – Sec.6-18-1 of the City Code and combine both URC and the Economic Development Commission together and make the Director of the Department of Economic Development the new Executive Director of the URC. Going forward, the new Executive Director will now work*

*and direct URC staff to submit all requested documents and will ensure timely responses in the future to in ensure compliance with audit requests.*

### **Matters Noted in Previous Years:**

The following matters involving the 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.

### **Grants Accounting**

All grants, including capital grants, need to be analyzed on a regular basis in order to ensure that accounts receivable and deferred revenues are accurately recorded at year end. Upon audit inquiry, several journal entries were made to record changes to total grants accounts receivable and deferred revenues. In addition, it appears that numerous capital projects appear to be several years old and grants personnel are uncertain as to why the receivables hadn't been collected.

### **Recommendation**

We recommend that the City implement policies and procedures to ensure grants accounts receivable and deferred revenues are recorded timely. In addition, polices and procedure should be in place to ensure accounts receivables are collected on completed projects and that any aged receivables are reviewed regularly for collectability and, when necessary, that review include individuals familiar with all aspects of the projects.

### ***Management's Response and Remediation Plan***

*Management agrees with the auditors' recommendations. The Grants Officer and Grants Account Analyst will work closely with City departments to develop and implement operating procedures to ensure timely reporting and reimbursement.*

*Beginning with the quarter ending June 30, 2017, the Grants Office staff will review grants accounts receivable and deferred revenue on a quarterly basis to ensure accurate and timely recording.*

*School construction projects comprise the largest portion of capital projects with outstanding receivables. Grants Office staff will review all projects for expenditures that may be reimbursed prior to closeout. Grants Office staff will work with the Engineering Department to finalize eligible expenditures and submit the required paperwork to the CT Department of Administrative Services. Beginning in April 2017, it is estimated that a final expenditure report will be completed and submitted every two weeks. Projects with the largest receivables will have priority. In accordance with this schedule, all required closeout forms will be submitted by September 30, 2017. Concurrently, Grants Office staff will be in contact with State personnel to implement required closeout procedures, including scheduling of on-site audits.*

*For remaining aged receivables, Grants Office staff will work with the appropriate City departments to determine current expenditures and submit for reimbursement by June 30, 2017.*

### **Property Tax Receivable**

During our audit of tax receivable, we noted that the initial tax receivable amount per the Tax Collector's Report did not agree with the amounts in the general ledger. Final adjustments to the Tax Collector's Report were not completed until five months after year end and delayed the completion of the audit.

#### ***Recommendation***

We recommend that the updates to the property tax accounts are prepared by the Tax Department in a timely manner and all pertinent back up information be available upon request. The Tax Collector's Report should reconcile back to the appropriate HTE general ledger accounts. In addition, any support to the Tax Collector's Report should be readily available for review.

#### ***Management's Response and Remediation Plan***

*Management's reconciliation of the yearend Tax Collector's Report requires year-end adjusting entries to be booked to the general ledger. These entries were submitted to the Controller's Office via e-mail on 9/22/16. The Tax Department does not have the authority to enter adjustments to the general ledger except through the Controller's Office and all entries need to be posted by the Controller's Office and, I assume, in consultation with the auditors. The entries were submitted in a timely manner but the actual posting date of the entries is at the discretion of both these parties.*

### **Timekeeping Oversight and Administration**

Currently, City departments utilize the automated time and attendance system, Kronos®, to ensure that employee's 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, the monitoring of employee hours worked lacks common procedures for the approval of overtime. Our audit procedures indicate that a significant number of individuals can approve overtime and that an administrative or supervisory level individual is not always required for such approvals. In addition, we noted that 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). Written policies should be established that identify the approval level and name of all authorized approvers. Also, overtime incurred should be reviewed and approved at the appropriate supervisory level to ensure that overtime is justified and that the reasons for any overtime worked (or other edits to time or attendance) are being clearly documented in accordance with established policies. The City should look into a tool to better track and compute compensated absences to eliminate the potential for errors.

#### ***Management's Response and Remediation Plan***

*Timekeeping Oversight has the potential for greater control with the upgrade to Kronos Timekeeper Version 8. Policies and controls will be defined and tightened within the stricter capabilities afforded by the system enhancements. A standardized policy and procedure has been written and distributed. The policy is now a part of employee orientation. The limitation with approval of overtime is dictated by the technological limitations. Employees do not have access to Kronos to submit requests for overtime. This prevents an approval chain from being*



*established. Instead, overtime is calculated per the individual CBA pay and work rules that define what time worked is overtime eligible and which managers have sign-off approval.*

*Additionally, an Attendance and Leave module is currently in the development phase as part of the upgrade. This will allow more concise tracking of attendance and leaves of absence.*

### **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.

### ***Management's Response and Remediation Plan***

*Management (the Administration) is currently looking at recommending a funding approach to the boards, similar to OPEB, so the entire claim can be addressed over time.*

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 December 29, 2016.

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