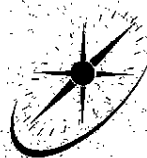


# **TOWN OF CANTERBURY, CONNECTICUT**

**Management Advisory Letter  
in Connection with 2007 Audit**



# **CCR**

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To the Board of Finance and Management of the  
Town of Canterbury, Connecticut

In planning and performing our audit of the basic financial statements of the Town of Canterbury, Connecticut (the "Town") as of and for the year ended June 30, 2007, we considered the Town'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 basic 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 27, 2007 on the basic financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

## STATUS OF PRIOR YEAR RECOMMENDATIONS

### Segregation of Duties - Journal Entries and Cash and Investment Transfers

During the prior year audit, we noted that the Treasurer initiates, authorizes and enters all journal entries and performs all cash and investment transfers. This results in an environment where there is a lack of segregation of duties and where misstatements, whether intentional or unintentional, may occur and go undetected.

As a mitigating control, we recommended that procedures be developed whereby an employee independent of the accounting and general ledger functions performs a review of journal entries and cash and investment transfers. This review may be performed monthly by obtaining a listing of all journal entries for the month and scanning for any large or unusual amounts and examining supporting documentation as necessary. For cash and investment transfers, the designated employee could receive the cash and investment statements unopened from the bank and scan them to ensure that any transfers were made between Town or Board of Education accounts, and investigate any large or unusual amounts as necessary. As evidence of the review, the designated employee should initial each document examined. The designated employee could be a Selectman, a Board of Finance member or any other appropriate Town employee. The frequency of when the review is performed, such as monthly, quarterly, or periodically unannounced, should be determined by the Town based on its risk tolerance level.

During the current year audit, we noted that the Board of Finance considered this recommendation but that no changes were implemented by the Town in regard to this matter.

### **Segregation of Duties - Miscellaneous Cash Receipts**

During our prior year audit, we noted that the Treasurer receives certain cash receipts, prepares the deposit, delivers it to the bank, and also performs the monthly bank reconciliations.

We recommended that an employee independent of the cash receipt process be responsible for certain steps in the process. For example, as a mitigating control, the person who receives the mail could open all receipts, stamp any checks with a restrictive endorsement, and then record all receipts on a daily log. The daily log can then subsequently be compared to the actual deposits to ensure that all receipts were deposited.

During the current year audit, we noted that the majority of cash receipts were being forwarded to the Town Clerk's office, where they are recorded in a register, and then forwarded to the Treasurer for deposit. Accordingly, this matter is considered resolved.

### **Employee Time Records**

In conducting our review of internal control over the payroll system at the Town, we noted, in the prior year, instances where time sheets were not properly signed by the employee and approved by the appropriate supervisor or department head. In addition, we noted that in some instances there did not appear to be adequate supporting documentation to support the hours paid for employees who worked on special events.

We recommended that all employee time sheets be properly signed by the employee and approved by the employee's supervisor or department head. Completed time sheets should serve as the basis for the hours entered into the payroll system each payroll period and should be retained to adequately support the hours paid.

In performing the audit for the current year, we noted that no changes were made to internal control to implement the above recommendation.

### **Performance Bond Savings Account Passbooks**

During our prior year audit, we noted instances where the passbooks for performance bonds were not updated or recorded in the general ledger system.

Although the differences were not deemed to be significant, we recommended that all passbooks be periodically updated and recorded in the general ledger. In performing the audit for the current year, we noted that the above recommendation was not implemented.

### **Board of Education Check Stock**

During our prior year audit, we noted that the Board of Education check stock for cash disbursements was not kept in a locked area.

We recommended that all check stock be kept in a fire proof locked safe and that access to the safe be limited to those employees who are involved in the disbursement process.

In connection with the current year audit, we noted that the check stock is kept in a locked fire-proof safe. Accordingly this matter is considered resolved.

## CURRENT YEAR RECOMMENDATIONS

### Impact of Recently Issued Accounting Standard

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

This Statement establishes standards for the measurement, recognition, and display of other post employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post employment healthcare, as well as other forms of post employment benefits when provided separately from a pension plan. Benefits that are offered or made available to retirees at the same group rate of other Town employees are considered to be other post employment benefits. For financial reporting purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of 200 or more, or at least triennially for plans with a total membership of fewer than 200.

We recommend that the Town discuss its other post employment benefits with an actuary, and if necessary, have a preliminary valuation performed to determine the magnitude of any OPEB liability, as well as to determine the Town's funding of such an obligation.

We appreciate the courtesies extended to us by the management and staff of the Town, and would be happy to discuss the above matters further at your request.

This report is intended solely for the information and use of the Board of Finance and management of Town, the Office of Policy and Management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Carlin, Charnett Reen, LLP*

Glastonbury, Connecticut  
December 27, 2007