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To The Board of Finance
Town of Seymour, Connecticut

In planning and performing our audit of the financial statements of The Town of Seymour, Connecticut, as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered The Town of Seymour, Connecticut's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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'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, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We believe that the following deficiencies constitute material weaknesses:

Purchase Orders

During our test work, we noted that many Town expenditures tested either were accompanied by purchase orders which were dated after the date of the related invoice, or had no purchase order. Although the related expenditures were supported by vendor documentation, the purchase order system was incorrectly used. Town Charter, Section 17.6 (Purchasing) states "All purchasing for Town boards, except the Board of Education, shall be done through the Finance Office and only upon the issuance of a purchase order." In addition to this requirement, effective internal control and effective administration of the purchasing function requires that all purchase orders be

properly prepared prior for an item being ordered. The Town was following the purchase order system which is the Finance Department's policy which varies from the Town Charter.

The Finance Department's purchase orders policy has been to have a purchase order for the purchase of merchandise but not for the purchase of services. Most services have a contract which the Finance Department uses in lieu of the purchase order. We recommend that the Town establish a uniform purchase order policy (either Finance Department's policy or Town Charter) and follow that policy.

Cash Reconciliations

During our test work we noted numerous cash accounts which did not agree to the general ledger at the time of audit. We recommend that the Town review their current policies and determine and make changes in review procedures regarding all cash accounts and that they are reconciled timely and reviewed for accuracy.

In addition, 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 22, 2010 on the financial statements of The Town of Seymour, Connecticut. 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. Our comments are summarized as follows:

Revenue Anticipation Notes

During our testing we noted that the Town is still incurring interest on revenue anticipation notes while awaiting payment on several grant payments from the State of Connecticut. Part of the delay is due to paperwork not being filed with the state in a timely manner. We recommend that the paperwork be filed as quickly as possible in order for the Town to save money on interest and finance charges on the revenue anticipation notes.

Grant Management

During our testing we noted that grants records were being kept manually outside of the general ledger and filed in binders. This process does not allow for timely record keeping and proper review of grant management. We recommend that the Town review its policies for grant management, as it appears to be cumbersome. We recommend they track grant activity through the general ledger and that draw downs are reconciled with the general ledger on a monthly basis, and that reviews are performed throughout the year to agree grant expenses and revenue to the general ledger activity.

Journal Entries

During our testing we selected journal entries to test whether there is proper approval on journal entries which are recorded into the general ledger. We noted several instances in which the individual who posted the entry did not initial the entry so it was unknown who posted the entry. We recommend that the organization adhere to the policy that all employees when posting journal entries initial the work.

Receipt Posting

During our testing of receipts, it was noted in one instance that the receipt was posted to an incorrect account. We recommend that a policy be set in place for the reviewing of the general ledger for accuracy on a monthly basis.

Payroll Files

During our testing we noted several employee's I-9's were not filled out correctly or were missing. We recommend that the Town do a retroactive review of all employee files to verify that all required forms are filled out completely and that the employee files are complete. We also recommend that a policy be put in place for a review of all employee files when individuals are hired in order to assure for complete employee files and all forms are completed correctly.

Time Sheets

During our testing we noted that the Public Works Department head is not signing off on time sheets that they have reviewed. This appears to be the only department which is not following this practice. We recommend that all time sheets are reviewed by the department head and that they initial the forms that they reviewed.

Related Parties

During our testing it was noted that the Town does not have many controls in place regarding related parties. We recommend that the Town implement new policies regarding related parties. This could include requiring annual attestations of known related parties, which could then be reviewed by Finance Department for appropriateness. This will allow for better transparency between the Town and the public and add controls surrounding related party transactions which could be questionable.

Substitute Teachers

During our testing we noted that no written policy exists that outlines a pay rate for substitute teachers. It appears that the rate that is established has been used consistently for years, but we recommend that the formal pay policy be in writing.



Payroll Files

During our testing at the Board of Education, we noted that there were two employees who were missing any payroll information regarding their pay rate. We recommend that all employees have proper documentation for their pay rate.

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.

James A. George, P.C.

James A. George, P.C.
Boston, Massachusetts
December 22, 2010