



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

Independent Auditors' Report

**Board of Finance
Town of Monroe, 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/or State single audit reports or our report on the financial statements dated February 19, 2021.

This report is intended solely for the information and use of management, the Board of Finance, others within the entity and Federal and/or 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
February 19, 2021

Town of Monroe, Connecticut

Recommendations to Management
For the Year Ended June 30, 2020

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 "**".

Town

1. Purchasing/Accounts Payable*

Condition:

- a. Currently, the Town does not have a formal process for the approval of new vendors.
- b. All finance department personnel have the ability to enter new vendors into the financial software.

Recommendation:

- a. New vendors should be added only after proper due diligence has been performed and all required information and forms have been obtained by someone other than the accounts payable clerks.
- b. Although the vendor listing is reviewed at year end and warrant reconciliations are performed by the Finance Director or Deputy Finance Director, the accounts payable clerks and other finance department personnel should be restricted from having the ability to enter new vendors into the system.

2. Other Donations*

Condition:

The Town maintains two bank accounts for restricted donations, one for the senior center and one for parks and recreation. The two restricted donations have their own bank accounts, but they do not earn interest.

Recommendation:

We recommend the two restricted donations be moved to interest bearing accounts.

3. Tax

Condition:

Currently, all employees in the Tax Office have the ability to void transactions.

Recommendation:

We recommend that the ability to void transactions be limited to certain employees or that the available void report be reviewed and approved by the Tax Collector on a periodic basis (monthly).

Town of Monroe, Connecticut

Recommendations to Management
For the Year Ended June 30, 2020

Education

1. Cafeteria Revenue and Cash Receipts*

Condition:

Currently, deposits received online from parents are recorded as revenues based on monthly reports from the credit card processor. Cash and checks received directly by the cafeteria program are also recorded monthly based on deposit slips. Sales reports are not reconciled to the revenue recorded.

Recommendation:

We recommend that revenues should be recorded based on sales from the POS system. Deposits should be reconciled to the sale amounts. Alternatively, a reconciliation of the deposits made and recorded could be reconciled to the POS deposit and sales reports. This reconciliation should be performed monthly.

Best Practices

1. Pooled Cash

Condition:

Currently, the Town uses interfund accounts to record transactions for funds that do not have a bank account.

Recommendation:

We recommend that the Town consider implementing pooled cash instead of using interfund accounts for funds that do not have a bank account.

Follow Up on Prior Year's Recommendations

The following comments and recommendations from the prior year report are not being repeated since the Town has rectified the situation or it has otherwise been resolved:

- Investment income is allocated to the Cornelia Rogers Fund.
- The Administrative Assistant distributes Education payroll checks.
- The fiscal year 2021 budget does not contain a reduction to bring the Board of Education budget to the amount approved. The 2020 budget reduction was allocated to appropriate lines during the year.
- Cafeteria prepayments from parents are recorded as unearned revenue at year end.