

**TOWN OF EAST HADDAM, CONNECTICUT**

**FEDERAL SINGLE AUDIT REPORT**

**JUNE 30, 2008**

**TOWN OF EAST HADDAM, CONNECTICUT**

**FEDERAL SINGLE AUDIT REPORT**

**JUNE 30, 2008**

**TABLE OF CONTENTS**

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards	1-2
Schedule of Expenditures of Federal Awards	3-4
Notes to Schedule	5
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Schedule of Findings and Questioned Costs	8-10



**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program, on Internal Control over  
Compliance in Accordance with OMB Circular A-133  
and on the Schedule of Expenditures of Federal Awards**

To the Board of Finance  
Town of East Haddam, Connecticut

Compliance

We have audited the compliance of the Town of East Haddam, Connecticut, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Town of East Haddam, Connecticut's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of East Haddam, Connecticut's management. Our responsibility is to express an opinion on the Town of East Haddam, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of East Haddam, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of East Haddam, Connecticut's compliance with those requirements.

In our opinion, the Town of East Haddam, Connecticut, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the Town of East Haddam, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of East Haddam, Connecticut's internal control over compliance with the

requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of East Haddam, Connecticut's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Town's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Haddam, Connecticut, as of and for the year ended June 30, 2008 and have issued our report thereon dated November 3, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of East Haddam, Connecticut's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Finance, federal 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.*

November 3, 2008

**TOWN OF EAST HADDAM, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>United States Department of Agriculture</b>		
<i>Passed Through the State of Connecticut Department of Administrative Services:</i>		
Food Donation	10.550	\$ 26,100
<i>Passed Through the State Department of Education:</i>		
Child Nutrition Cluster:		
National School Lunch Program	10.555	42,874
<i>Passed Through the State Department of Environmental Protection:</i>		
Cooperative Forestry Assistance	10.664	<u>7,000</u>
Total United States Department of Agriculture		<u>75,974</u>
<b>United States Department of Education</b>		
<i>Passed Through the State of Connecticut Department of Education:</i>		
Title I Grants to Local Educational Agencies	84.010	96,000
Special Education Cluster:		
Special Education - Grants to States	84.027	\$ 257,642
Special Education - Preschool Grants	84.173	<u>10,000</u>
		267,642
Safe and Drug-Free Schools and Communities - State Grants	84.186	4,969
State Grants for Innovative Programs	84.298	1,917
Education Technology State Grants	84.318	1,000
Improving Teacher Quality State Grants	84.367	<u>43,175</u>
Total United States Department of Education		<u>414,703</u>

(Continued on next page)

**TOWN OF EAST HADDAM, CONNECTICUT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2008**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>United States Department of Homeland Security</b>		
<i>Passed Through the State of Connecticut Department of Emergency Management and Homeland Security:</i>		
Homeland Security Cluster:		
Homeland Security Grant Program	97.067	\$ <u>25,365</u>
<b>United States Department of Transportation</b>		
<i>Passed Through the State of Connecticut Department of Transportation:</i>		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	\$ 26,903
Alcohol Traffic Safety and Drunk Driving	20.601	<u>19,791</u>
		<u>46,694</u>
<b>Elections Assistance Commission</b>		
<i>Passed Through the State Department of Education:</i>		
Help America Vote Acct	90.401	<u>1,304</u>
<b>Total Federal Awards Expended</b>		<u>\$ 564,040</u>

**TOWN OF EAST HADDAM, CONNECTICUT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Various agencies of the Federal Government have made financial assistance available to the Town of East Haddam, Connecticut. These grants fund several programs including housing, education, human services, transportation and general government activities.

Note 1 - **Summary of Significant Accounting Policies:**

The accounting policies of the Town of East Haddam, Connecticut, conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**Basis of Accounting** - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of East Haddam, Connecticut, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - **Noncash Awards:**

Donated commodities in the amount of \$26,100 are included in the Department of Agriculture's Food Donation Program, CFDA #10.550. The amount represents the market value of commodities received.



**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Finance  
Town of East Haddam, Connecticut

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Haddam, Connecticut, as of and for the year ended June 30, 2008, which collectively comprise the Town of East Haddam, Connecticut's basic financial statements, and have issued our report thereon dated November 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of East Haddam, Connecticut's internal control over financial reporting 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 Town of East Haddam, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of East Haddam, Connecticut's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Town's internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Town's internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 08-01 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of East Haddam, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of East Haddam, Connecticut, in a separate letter dated November 3, 2008.

This report is intended solely for the information and use of management, the Board of Finance, federal 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.*

November 3, 2008

**TOWN OF EAST HADDAM, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        yes   X   none reported
- Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        yes   X   none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

       yes   X   no

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

## II. Financial Statement Findings

<b>08-01</b>	General Ledger Maintenance
<b>Criteria</b>	The accounting records should be maintained, complete and balanced during the year and at year end. Accounting records and adjusting entries should be completed prior to the start of the audit.
<b>Condition</b>	<p>The accounting records were not monitored and reviewed at year end. Numerous accounts were noted to be out of balance, and all fund activity was not properly recorded. Transactions and accounts requiring adjustments included but were not limited to the following:</p> <ul style="list-style-type: none"><li>• Bond proceeds were netted with expenditures.</li><li>• Bond proceeds were recorded as a liability rather than other financing sources in the fund financial statements.</li><li>• \$3.5 million dollars of school construction receivable was not recorded.</li><li>• Expenditures and related revenue on the bond anticipation notes for the Middle School project were budgeted in the General Fund but recorded within the Capital Projects Fund.</li><li>• Interfund due to/due from were not reconciled at year end.</li><li>• Board of Education expenditures were not reconciled timely with the expenditures reported by the Town.</li></ul>
<b>Questioned Costs</b>	None
<b>Context</b>	The Town was not reconciling balance sheet accounts during the fiscal year, and transactions were not recorded consistent with governmental accounting principles.
<b>Effect</b>	Substantial adjustments were needed to present financial statements in accordance with generally accepted accounting principles.
<b>Cause</b>	The Town has a relatively inexperienced Finance Director and does not have written policies and procedures. Written policies and procedures would provide guidance and allow for transitions to occur smoothly.

**Recommendation** We recommend that additional training be made available to the Finance Director. Additionally, we recommend that policies and procedures be documented.

The procedures should include periodic monitoring of accounts and year end closing procedures as well as reviewing inter-fund accounts, accounts receivable and payable, deferred revenues and cash. Trial balances should be reviewed before the start of the audit.

### **III. Federal Award Findings and Questioned Costs**

- No findings or questioned costs are reported relating to federal awards.