

BlumShapiro

To the Board of Finance
Town of East Haddam, Connecticut

In planning and performing our audit of the financial statements of the Town of East Haddam, Connecticut, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of East Haddam, Connecticut'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 Town of East Haddam, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of East Haddam, Connecticut's internal control.

We noted the following matters involving the internal control over financial reporting and its operation that we offer as constructive suggestions for your consideration as part of the ongoing process of modifying and improving accounting controls and administrative practices.

Reconciliation of Abstract to Rate Book

The documented annual reconciliation of the abstract to rate book should be supported by a detailed listing of changes to the grand list completed prior to the issuance of tax bills. This control is essential for the assurance that the grand list as approved by the Assessor and Board of Tax Appeals has been appropriately modified and tax bills were sent out appropriately. We recommend that the Tax Collector and Assessor Departments work together with the management of the Town to develop policies and procedures to ensure this reconciliation is prepared and all variances are researched prior to sending out tax bills each fiscal year.

Board of Education Funds

The Board of Education's financial management system is not currently used to maintain general ledger control over the Board's Educational Grants Fund, School Lunch Program or Dental Self Insurance Fund. Maintaining general ledger control would require the posting of transactions into the system and the establishment of asset and liability accounts. Additionally, the direct posting of payroll costs to grants is not performed. Currently, all payroll charges are initially posted to the General Fund budget and subsequently reclassified to the respective grants. We recommend the Board of Education and the Town work together to record these funds on the financial

management system and ensure all assets and liabilities are posted in accordance with accounting principles generally accepted in the United States of America.

Fund Deficits

The Town currently has four funds with deficit balances: Recreation Activity, Mobility Project, Bridge Construction and the Walkable Moodus capital projects fund. The Town should strengthen its policies and procedures to ensure funding is secure prior to incurring expenditures. We recommend that the Town develop a plan to fund these deficits in the current fiscal year.

This letter should be read in conjunction with our report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated November 3, 2008.

This communication is intended solely for the information and use of management, Members of the Board of Finance, others within the organization, 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.

November 3, 2008