

Board of Finance
Town of Fairfield, Connecticut

In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, significant deficiencies or material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. Therefore, material weaknesses may exist that have not been identified.

However during our audit we became aware of matters that are opportunities to strengthen internal control or improve operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. We have previously reported on the Town's internal control in separately issued Federal and State Single Audit reports dated December 26, 2013. This letter does not affect our report dated December 26, 2013, on the financial statements of the Town of Fairfield.

This report is intended solely for the information and use of management, the Board of Finance, others within the entity and federal and state awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

CohnReznick LLP

Farmington, Connecticut
December 26, 2013

TOWN OF FAIRFIELD, CONNECTICUT

**RECOMMENDATIONS TO MANAGEMENT
JUNE 30, 2013**

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 "**".

INVESTMENT CLASSIFICATIONS*

CONDITION:

The pension investment trustee investment classifications and the investment manager's classification of certain investments types do not agree (amounts).

CAUSE & EFFECT:

The cause is not known. The effect of the classification differences impacts the required disclosures for certain types of investments (credit ratings, duration, etc). The pension financial statements are prepared based upon the trustee's statements and related investment classification. Certain note disclosures are based upon information provided by the investment managers. In order to properly prepare the required disclosures related to investment, the classifications must agree.

RECOMMENDATION:

We recommend that the vendor share information to ensure that the investment classifications agree. This will allow for the preparation of the required disclosures on the Town's investments.

SPECIAL REVENUE FUNDS*

CONDITION:

GASB 54 was effective for fiscal year 2011. The Statement has specific requirements for the classification of funds as Special Revenue Funds. The requirements address both the establishment of the fund for its intended purpose and the category of fund balance for that fund. The specific definitions and fund balance category provisions should be addressed in the Town's fund balance policy.

RECOMMENDATION:

We recommend the fund balance policy be updated to include the specific definitions and fund balance categories provisions related to GASB 54 be formally adopted by the Town.

TOWN OF FAIRFIELD
RECOMMENDATIONS TO MANAGEMENT

PUBLIC WORKS PROJECT RECORDKEEPING*

CONDITION:

During our testing, it was noted that several of the daily time logs which documented employee hours and any related machine hours, did not agree to the employees time sheets and actual overtime payments.

CAUSE & EFFECT:

Without a completing a reconciliation between the daily time logs and the employees actual timesheets and overtime paid, the hours worked by employees on various projects would not be accurate. This will also cause the related machine hours relating to project to be inaccurate.

RECOMMENDATION:

We recommend the daily time logs and employees time sheets be reconciled to ensure proper reporting of employees' time to projects and proper reporting of the related machine hours.

CAPITAL ASSETS*

CONDITION:

Currently monies spent for infrastructure additions are recorded in the same account as the expenditures for maintenance expenditures (non capitalized amounts)

CAUSE & EFFECT:

Activity for significant road construction or reconstruction projects should be recorded annually to properly present the balance of construction in progress. Comingling activity could result in either a under or overstatement of construction in progress and require additional account analysis to ensure proper recording.

RECOMMENDATION:

We also recommend that the Town consider establishing separate general ledger expenditure accounts for recording activity that will result in an infrastructure asset separate from the maintenance expenditures. This will ensure that all costs are properly capitalized and increase efficiency in recording this activity on an annual basis.

TOWN OF FAIRFIELD
RECOMMENDATIONS TO MANAGEMENT

GRANT MANAGEMENT

CONDITION:

1. It was noted during the audit that some of the grant paperwork and information was not provided to finance department.
2. It was noted during the audit, some of the accounts receivable and accounts payable related to the construction grants were not properly recorded. Due to the large number of projects, this could be a significant amount.

CAUSE & EFFECT:

1. The finance department did not have adequate grant paperwork and information from the departments monitoring the grants. Therefore, the finance department was unaware of the total grant award, and the funding to be received in relation to the expenditures reported.
2. Without adequate information, there may be an understatement or overstatement of accounts receivables and accounts payable.

RECOMMENDATION:

1. In an effort to ensure that the Town and Board of Finance or other governing body is fully informed about the types, amounts and the financial impact of the grants that the Town decides to apply for, we recommend that the Town consider requiring that the administration prepare and submit to the Board of Finance for approval a "Grant Impact Form".

The purpose of the form would be to inform the Board of the Finance of the grant and related purpose but more importantly, that the department clearly understands and communicates the financial commitment necessary from the Town. This would include but not be limited to any matching requirement, any further maintenance, monitoring costs, staff time commitment, etc. imposed as a result of accepting the grant.

TOWN OF FAIRFIELD
RECOMMENDATIONS TO MANAGEMENT

GRANT MANAGEMENT (Continued)

RECOMMENDATION (Continued):

2. Based upon the size and number of projects, grant funding and related requirements and the number of construction related contracts that the Town may have in place at any particular time, we recommend that the Town consider creating a new Finance Department position that would have responsibility for Capital Project accounting and grant accounting and reporting.

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:

- The Board of Finance formally approved the special revenue funds that are presented in the Town's Comprehensive Annual Financial Report, along with the applicable fund balance categories for each fund.
- There are still several unsettled union contracts which have been or will be settled during fiscal year 2014. However, there is an adequate amount in the 2014 budget to cover these contracts upon settlement.
- Road construction additions were agreed to the general ledger for vendor related costs.