

TOWN OF ANDOVER, CONNECTICUT

STATE SINGLE AUDIT REPORTS

JUNE 30, 2017

CONTENTS

	Page
INTERNAL CONTROL AND COMPLIANCE REPORT	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
STATE SINGLE AUDIT SECTION	
Independent Auditor’s Report on Compliance for Each Major Program, on Internal Control over Compliance Required by the Connecticut State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance	3
Schedule of Expenditures of State Financial Assistance	
Schedule of Expenditures of State Financial Assistance	5
Note to Schedule of Expenditures of State Financial Assistance	7
Schedule of State Findings and Questioned Costs	8

INTERNAL CONTROL AND COMPLIANCE REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Finance
Town of Andover, Connecticut

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Connecticut (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of state findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as findings 2017-001 and 2017-002 in the accompanying schedule of state findings and questioned costs to be material weaknesses.

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. We consider the deficiencies described as findings 2017-003 and 2017-004 in the accompanying schedule of state findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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*.

Town's Responses to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of state findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Glastonbury, Connecticut
June 29, 2018

STATE SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONNECTICUT STATE SINGLE AUDIT ACT,
AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

To the Board of Finance
Town of Andover, Connecticut

Report on Compliance for Each Major Program

We have audited the Town of Andover, Connecticut's (the "Town") compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2017. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. 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 the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act 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 state program occurred. An audit includes examining, on a test basis, evidence about the Town'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 on compliance for each major state program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon, dated June 29, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the Connecticut State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



Glastonbury, Connecticut
June 29, 2018

TOWN OF ANDOVER, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2017

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS:		
OFFICE OF POLICY AND MANAGEMENT:		
Direct:		
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	\$ 12,226
Payment in lieu of taxes - State owned property	11000-OPM20600-17004	4,211
Municipal Grants-In-Aid	12052-OPM20600-43587	2,620
Property Tax Relief for Veterans	11000-OPM20600-17024	877
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	458
Total Office of Policy and Management		<u>20,392</u>
DEPARTMENT OF TRANSPORTATION:		
Direct:		
Town Aid Road Grant	12052-DOT57131-43455	150,994
Small Town Economic Assistance Program	12052-DOT57191-40532	65,104
Total Department of Transportation		<u>216,098</u>
CONNECTICUT STATE LIBRARY:		
Direct:		
Historic Document Preservation	12060-CSL66094-35150	4,000
Connecticard Payments	11000-CSL66051-17010	121
Total Connecticut State Library		<u>4,121</u>
JUDICIAL BRANCH:		
Direct:		
IOLTA Court Fees	34001-JUD95162-40001	2,005
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION:		
Direct:		
Small Town Economic Assistance Program	12052-DEP43153-40531	369,602
OFFICE OF EARLY CHILDHOOD EDUCATION:		
Direct:		
School Readiness	11000-OEC64845-16274	100,800
School Readiness Quality Enhancement	11000-OEC64845-17097	3,881
Total Office of Early Childhood Education		<u>104,681</u>
Total State Financial Assistance Before Exempt Programs		<u>716,899</u>
		(Continued)

The accompanying note is an integral part of this schedule.

TOWN OF ANDOVER, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE *(Concluded)*
 FOR THE YEAR ENDED JUNE 30, 2017

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
EXEMPT PROGRAMS:		
DEPARTMENT OF EDUCATION:		
Direct:		
Education Equalization Grants	11000-SDE64370-17041	\$ 2,332,191
Excess Costs Student Based	11000-SDE64370-17047	<u>12,064</u>
Total Department of Education		<u>2,344,255</u>
DEPARTMENT OF ADMINSTRATIVE SERVICES:		
Direct:		
School Construction Grants	13010-DAS27635-40901	<u>322,294</u>
OFFICE OF POLICY AND MANAGEMENT:		
Direct:		
Municipal Revenue Sharing	12002-OPM20600-17102	66,705
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	<u>14,975</u>
Total Office of Policy and Management		<u>81,680</u>
Total Exempt Programs		<u>2,748,229</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 3,465,128</u> <i>(Concluded)</i>

The accompanying note is an integral part of this schedule.

TOWN OF ANDOVER, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Andover, Connecticut (the "Town") through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. 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 state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

TOWN OF ANDOVER, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ✓ Yes No

Significant deficiency(ies) identified? ✓ Yes None Reported

Noncompliance material to financial statements noted? Yes ✓ No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:

Material weakness(es) identified? Yes ✓ No

Significant deficiency(ies) identified? Yes ✓ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? Yes ✓ No

The following schedule reflects the major programs included in the audit:

State Grantor/Program	State Grant Program Core-CT Number	Expenditures
Department of Energy and Environmental Protection:		
Small Town Economic Assistance Program	12052-DEP43153-40531	\$ 369,602

Dollar threshold used to distinguish between Type A and Type B programs: \$100,000

TOWN OF ANDOVER, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS

Finding 2017-001: Material Weakness in Internal Control over Financial Reporting

Criteria: The Town should have internal controls over financial reporting that provides reasonable assurance that the accounting records can be relied upon and used to prepare the basic financial statements and related notes to the basic financial statements, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Condition: The Town does not have formal monthly, quarterly or annual closing procedures to ensure that accounts are reconciled and properly balanced periodically throughout the year and at year-end. Specifically, we noted the following:

- The Town has experienced issues generating accurate reports from its current accounting system in a timely manner. In addition, the Town experienced issues reconciling certain account activities using the functionality of the system.
- A significant number of adjusting entries were necessary in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America.
- Trial balances for several of the Town’s funds (other than the General Fund) are not adequately maintained within the general ledger system. This results in the need for manual processes to compile fund data for inclusion within the financial statements. As such, accurate and complete fund financial statements are not readily available throughout the year or at year end.

Effect: Audit adjustments were required in order to prepare the Town’s financial statements in conformity with accounting principles generally accepted in the United States of America. The Town may not be able to prevent or detect and correct a potential material misstatement to internal or external financial information in a timely manner.

Cause: Deficiencies in the design and effectiveness of the Town’s internal control over financial reporting.

Auditor’s Recommendation: We recommend that the Town develop and implement a comprehensive plan to overhaul its current accounting system. Specifically, we recommend that the Town no longer utilize balance sheet accounts for recording revenues and expenditures for governmental funds. Instead, the Town should establish separate funds within the accounting system. In addition, we recommend the development of formal monthly, quarterly and annual closing procedures to ensure that all accounts are reconciled and properly balanced and recorded each month.

Town’s Response: The Town intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

TOWN OF ANDOVER, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2017-002: Material Weakness in Internal Controls due to a Lack of Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal controls, including the design and implementation of programs and controls to prevent and detect errors or fraud.

Condition: There is limited segregation of duties within the Town's finance department and policies and procedures are not formally documented. This creates an environment where misstatements, whether intentional or unintentional, can occur and go undetected. Specifically we noted the following:

- The Town's internal control system provides for certain mitigating controls which includes the review and monitoring of transactions by employees other than those who initiate transactions or have custody. However we noted that such review and monitoring was not adequately documented.
- Several cash accounts of the Town are decentralized and transactions are conducted within these accounts with no record keeping provided to or maintained by the finance department and no formal oversight or monitoring of these transactions or account reconciliations.
- Transactions for certain payroll charges lacked appropriate supporting documentation such as time sheets or pay rates and the review of payroll registers prior to payments being made were not formally documented.

Effect: The Town may not be able to prevent or detect and correct a potential material misstatement to internal or external financial information in a timely manner.

Cause: Lack of resources due to the size of the Town.

Auditor's Recommendation: We recommend that the Town perform an operational assessment of the finance department in order to implement programs and controls to mitigate the risks created by the lack of segregation of duties. In addition we recommend that the Town considered centralizing all cash accounts and related processes within the Town finance department. Furthermore, we recommend that the Town develop a comprehensive accounting policies and procedures manual to formally document those programs and controls.

Town's Response: The Town intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

Finding 2017-003: Significant Deficiency in Internal Controls over the Bank Reconciliation Process

Criteria: The Town should have internal controls over the bank reconciliation process to ensure that all transactions on the bank statement have been reconciled with the activity recorded within the general ledger cash account. Differences between the transactions on the bank statement and activity recorded within the general ledger should be identified to determine the validity of such items.

Condition: Monthly bank reconciliations for the year ended June 30, 2017 have not been completely reconciled with the General Fund operating cash account.

Effect: Unreconciled differences between the general ledger cash account and bank statement existed at year-end.

TOWN OF ANDOVER, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS *(Continued)*

Finding 2017-003: Significant Deficiency over the Bank Reconciliation Process *(Continued)*

Cause: Deficiencies in the design and effectiveness of the Town's bank reconciliation process.

Auditor's Recommendation: Accurate and timely bank reconciliations are essential for ensuring the integrity of the Town's general ledger. Bank reconciliations should be performed on a monthly basis. Management should also document the supervisory review and approval process over bank reconciliations.

Town's Response: The Town intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

Finding 2017-004: Significant Deficiency over Budgetary Procedures

Criteria: The Board of Finance is authorized to transfer unexpended balances from one appropriation to another throughout the year, after review and recommendation by the Board of Selectmen. In addition, the Town should have a formal purchase order process in place that is adhered to in order to ensure budgetary compliance.

Condition: During our audit we noted that there was a lack of review of budget to actual results. Furthermore, we noted there is no formal process in place to ensure that approved transfers are recorded in the general ledger system. In addition, we noted that no formal purchase order policy exists for the purchases of goods and services.

Effect: The Board of Finance may not be aware of the need to request or authorize additional appropriations and/or transfers in a timely manner.

Cause: This deficiency is caused by a lack of oversight and accountability over budgetary compliance combined with a lack of adherence to a formal purchase order process.

Auditor's Recommendation: We recommend that the Board of Finance adopt a formal purchase order policy that addresses actions to be taken in the event of unapproved deviations from the policy. The benefits of a formal purchase order process is obtaining the approval of an expenditure before it is incurred and allowing the appropriate individuals to manage budgetary commitments. This process should allow for the timely identification of potential budgetary overruns so that transfer or additional appropriation requests can be made of the Board of Finance prior to incurring the expenditures and properly recorded within the general ledger system.

Town's Response: The Town intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

TOWN OF ANDOVER, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Prior year finding 2016-001, *Material Weakness in Internal Control over Financial Reporting*, has been repeated in the current year as finding 2017-001.

Prior year finding 2016-002, *Material Weakness in Internal Controls due to a Lack of Segregation of Duties*, has been repeated in the current year as finding 2017-002.

Prior year finding 2016-003, *Material Weakness in Reconciliation Controls over Capital Assets*, is no longer considered to be a material weakness.

Prior year finding 2016-004, *Significant Deficiency over Budgetary Procedures*, has been repeated in the current year as finding 2017-004.