

Legislative Council  
Town of Newtown, Connecticut

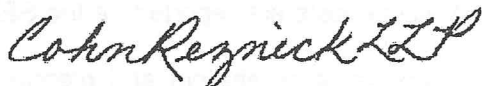
In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newtown as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States 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.

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 10, 2014. This letter does not affect our report dated December 10, 2014, on the financial statements of the Town of Newtown.

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



Farmington, Connecticut  
December 10, 2014

**TOWN OF NEWTOWN, CONNECTICUT**

**RECOMMENDATIONS TO MANAGEMENT  
JUNE 30, 2014**

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We present for your consideration our comments and recommendations relating to the internal control 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 "\*".

**BOARD OF EDUCATION**

**\*SEDAC REPORTING:**

**CONDITION:**

During our testing of the State Department of Education SEDAC form, we noted the following:

- Certain costs for in district students were based upon estimates and not updated to be actual costs at June 30, 2014.
- In some instances the documentation for the allocation of costs to each student was not adequately documented.
- In some of these instances, the information provided by the vendor performing the service was not adequate to allow us to independently determine which student the cost should be allocated to.
- In certain cases the methodology for allocating costs to students was not adequate or documented.
- There was no formal process to reconcile the costs reported on the SEDAC forms to the actual costs paid in the general ledger (salaries, benefits, transportation)
- The preparation of the costs that are submitted for reimbursement were prepared by the Special Education Department and not reviewed by the Business office.

**CAUSE & EFFECT:**

Improperly reporting SEDAC information will cause the Town to be reimbursed incorrectly for special education costs and result in either lost grant revenue or a reduction of the current year ECS grant amount due to the Town for any amounts reimbursed in excess of actual costs.

**RECOMMENDATION:**

We recommend that the Board of Education develop and implement formal procedures and related forms to the SEDAC reporting as follows:

- Develop procedures and related forms to ensure that actual costs are reported on the SEDAC form.
- Develop procedures and related forms to properly track costs by student and prepare and update the SEDAC form as required by the State Department of Education.
- That all vendors be required to provide details on the students for which services were performed.

RECOMMENDATIONS TO MANAGEMENT  
FOR THE YEAR ENDED JUNE 30, 2014

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- That all allocation methodologies be formally documented and reviewed and approved by the Business Manager.
- That costs be reconciled to the general ledger, where appropriate.
- That the tracking forms, the reconciliations and final amounts to be reported on the SEDAC forms be reviewed and approved (from a financial perspective only) by the Business Manager.

**Follow up on Prior Year's Recommendations**

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

- The Finance Department received the bank reconciliations for the Edmond Town Hall accounts timely.
- All Board of Education funds now recorded in general ledger. There are no funds maintained manually.

