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 (the Town) as of and for the year ended June 30, 2011, 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 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.

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:

**Current Recommendations**

**Risk Assessment**

As part of the annual audit, we are required to obtain an understanding of the internal control environment of the Town in order to assess the overall risk of material misstatement. We are also required to obtain audit evidence that the controls in place are documented properly. In conjunction with this overall assessment, we offer the following recommendation to strengthen the control procedures of the Town and Board of Education:

- The Town should develop procedures to ensure that all tax collections recorded on the general ledger agree to the tax collector’s report on an ongoing basis.

**General Fund Budgeting**

Although the Town’s expenditure budget was not over expended in total, there were several overruns that existed at the department level. The process of modifying the budget prior to incurring an overrun is an important internal control tool to ensure that all funds are appropriately authorized and in compliance with laws and regulations. We recommend that a formal policy be developed to require departmental transfers prior to incurring any commitments which would over spend an appropriation.
Prior Year Repeated Recommendations

Reconciliation of Abstract to Rate Book

The 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 to assure that the grand list as approved by the Assessor and Board of Tax Appeals has been appropriately modified and that tax bills were sent out appropriately. We recommend that the Tax Collector and Assessor work together with the Finance Department 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.

This communication is intended solely for the information and use of management, 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 8, 2011