



Office of the Finance Director

City of West Haven
355 Main Street
West Haven, Connecticut 06516

Corrective Action Plan (CAP)

Fiscal Year 2022-2023

Financial Statement Audit

Finding 2023-001 Vendor Approval (Material Weakness) – 2021

Findings

Financial Statement Audit

Condition

The City does not have a formal approval process for the addition of new vendors to the vendor file. In addition, the accounts payable clerk can enter new vendors as part of the processing of checks. This could result in unapproved vendors being hired and unauthorized payments to those vendors. Vendor files are not currently reviewed and approved on an annual basis.

Corrective Action Plan

The corrective action plan from fiscal year 2021-2022 included a formal vendor approval process and updated system rights for employees who manage the vendor master file.

The City of West Haven experienced staffing shortages, three vacancies, within the Finance department, which prevented implementation of part of the corrective action plan. The city has hired a Senior Buyer /Analyst and a permanent Finance Director in the latter part of the FY 2023-2024 fiscal year which will help analyze and complete implementation of the corrective action plan.

In fiscal year 2023, procedures were developed to formally approve new vendors and maintain a file documenting the legal existence of said vendors. This process is centered in the Procurement Department. Security in the ERP system was updated to limit vendor adds to the Procurement Department. The revised procedures also included an annual review of all vendors, invoices that are being presented for payment are presented in list form to the Finance Director and the Treasurer prior to printing for review and approval.

The new Finance Director is looking to expand on the procedures that have been implemented thus far from the fiscal year 2022 corrective action plan. Some of the corrective action measures include but not limited to:



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1. Issuing a formal written policy on vendor management for City departments and Finance staff to adhere to:
 - a. This would include the documentation needed when requesting or modifying a vendor.
 - b. What employee(s) and department is responsible for vendor management
2. Establish a workflow using the ERP system (MUNIS) for vendor changes.
 - a. The MUNIS system allows for a workflow set up that could be established within the procurement department. The City is currently working with IT and procurement to establish the process.
 - b. The City will also be utilizing MUNIS to store W-9 and other pertinent vendor documentation to ensure a proper review is completed by to approval.
3. For compliance and security, a formal process on verifying vendor's will be established.
 - a. A formal policy on how to verify vendors will be established. This will help to maintain vendor and City integrity to ensure fictitious vendors (and payments) are not processed.
 - b. This policy will look at best practices on how to verify a vendor and their contact and payment information.

The implementation of this recommendation will be monitored by Michael Gormley, Finance Director.

Finding 2023-002 Bank Reconciliations (Material Weakness) – 2023

Findings

Financial Statement Audit

Condition

The City did not perform bank reconciliations on a timely basis for certain accounts. Also, for certain accounts, the City did not complete the bank reconciliations prior to closing the general ledger for the year. Audit adjustments were required to record deposit activity for multiple funds for the entire fiscal year.

Corrective Action Plan

The City of West Haven experienced staffing shortages within the Finance department, which prevented corrective action from the previous audit. Staff turnover and lack of adequate resources impacted the City's ability to perform timely reconciliations. The City has initiated hiring the necessary positions to fulfill this corrective action item.



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Bank reconciliation is critical to get detailed visibility into cash availability, achieve accurate reporting, and get to a faster financial closing. In the latter part of fiscal year 2023-2024 and beginning of fiscal year 2024-2025, the City will be formally updating an internal policy for the fiscal month end and quarterly review.

The formal policy will include but not limited to:

1. Hiring of appropriate staffing
 - a. The City has hired staff in the Finance Department in fiscal year 2023-2024 including but not limited to a permanent Finance Director to help with the policies and procedures, along with enforcement, a junior accountant in process, and senior accountant.
2. Updating the cash deposit policy
 - a. Creating a standard policy that ensures all departments are following the same guidelines when it comes to deposits. This will include a form or electronic communication from the city department to Finance outlining the following information:
 - i. Total amount of cash intake.
 - ii. Total amount of Check intake.
 - iii. What MUNIS account the funds are deposited into.
 - b. This communication policy between the departments and the Finance staff will result in a timeliness reconciliation of the bank statements.
3. Written documentation of follow-up action and resolution is retained with each bank reconciliation for auditing purposes.
 - a. This will be important, especially during the year-end review. At the end of the fiscal year, the bank reconciliation should be specifically reviewed by the Finance Director. Any outstanding checks that have been dormant for more than one (1) year for payroll checks and three (3) years for tenant refunds and payments for goods or services may need to be voided by the PHA with the approval of the Finance Director.

The implementation of this recommendation will be monitored by Michael Gormley, Finance Director.



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Finding 2023-003 Segregation of Duties (Significant Deficiency) – City – 2021

Findings

Financial Statement Audit

Condition

The City employees that process payroll have the ability to change employee pay rates. These employees also have the ability to update/edit employee master files, deductions and are set up as payroll super users with no restrictions. In addition, the payroll register is not reviewed and approved prior to the payroll being processed.

Corrective Action Plan

The City is in the process of updating policies and procedures that govern the process between payroll and human resources. Segregation of duties exist between authorizing/hiring (creating master file and entering pay rates) and payroll processing. The City reviewed user rights in the payroll system to modify access rights.

In fiscal year 2023, policies and procedures were developed to require the Personnel Department to update rates and add new/inactivate employees. This was accomplished by adding specialized staff to the department and segregating security within the payroll software to only allow such changes to occur in the department.

The City has hired a payroll manager who resides in the Finance Department. The payroll manager is responsible for overseeing the entire payroll process within an organization, including policies, procedures, and ensuring employees are paid accurately and on time, while also complying with relevant laws and regulations. In addition, the City is in the process of hiring a payroll assistant to ensure that there are segregation of duties exist within the payroll department.

The City also hired a personnel director to administer the personnel department which creates or updates the payroll system based on hiring, resignation, or termination. As stated above, the personnel department is also responsible for updating employee pay rates or employee master information.

There are now policies and procedures for reviewing payroll prior to processing which include the Assistant Finance Director or Finance Director, along with the City Treasurer. There is a collective signoff by the Finance department and Treasurer prior to releasing the payroll for payment.

The implementation of this recommendation will be monitored by Michael Gormley, Finance Director.



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Finding 2023-004 Segregation of Duties (Significant Deficiency) – Board of Education – 2021

Findings

Financial Statement Audit

Condition

The Education Department payroll clerk that processes payroll has the ability to change employee pay rates. The employee also has the ability to update/edit employee master files, deductions and is set up as a payroll super user with no restrictions.

Corrective Action Plan

In fiscal year 2024, policies and procedures were enacted to require another employee to update rates. This was accomplished by segregating security within the payroll software to no longer allow the individual to process payroll to make changes. The payroll register is reviewed and signed off on by the Finance Director or Assistant Finance Director prior to processing. A report detailing changes to employees, including additions and terminations, is produced, and reviewed and signed by the Finance Director and the Personnel Director.

The City has hired a payroll manager who resides in the Finance Department. The payroll manager is responsible for overseeing the entire payroll process within an organization, including policies, procedures, and ensuring employees are paid accurately and on time, while also complying with relevant laws and regulations. In addition, the City is in the process of hiring a payroll assistant to ensure that there are segregation of duties exist within the payroll department.

The implementation of this recommendation will be monitored by Matthew Cavallaro, Business Manager.

Federal Single Audit

Finding 2023-005 Procurement and Suspension and Debarment (Compliance) – 2020

Findings

Major Federal Award Programs

Condition

The City's procurement standards do not include the essential elements as outlined in 2 CFR sections 200.318 through 200.326.



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Corrective Action Plan

The City will update the purchasing policy to include the CFR requirements. The city has initiated to hire an adequate amount of staffing which will allow the purchasing department to enforce the suspension and debarment process during the procurement process which will include checking sam.gov and other appropriate federal resources to check for vendor suspension and debarment.

The City will have a formal process to require checking for Procurement and Suspension and Debarment prior to any contracts being issued. The policy will include but not limited to:

1. Bidding/RFP requirements:

Prior to making a grant-related purchase, the procurement office will check the selected vendor on www.sam.gov prior to approving. The procurement office will document the Suspension and Debarment verification by including a screen print of the Exclusions search.

2. Annual check

Annually, procurement will run a list of all vendors and employees paid from federal funds. This list will be reviewed against sam.gov, unless set up one month prior to the review.

3. Notification in bid/RFP specifications

The procurement office will also make sure to include language in the specification about complying with CFR rules for federal funding.

The implementation of this recommendation will be monitored by Michael Gormley, Finance Director.

Finding 2023-006 Coronavirus State and Local Fiscal Recovery Funds (CSLFR) (Compliance) – 2023 PDF Page 21 (file page # 18)

Findings

Major Federal Award Programs

Condition

The amount reported in the June 30, 2023 project and expenditure report for current period expenditures was not able to be reconciled to the amounts expended in the City's general ledger.

One project totaling \$2,000,000 was reported as current period expenditures in both the September 30, 2023 quarter and the June 30, 2023 quarter project and expenditure report.



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Corrective Action Plan

The City will implement procedures to ensure reports are based upon the City's general ledger and properly reconciled and in compliance with U.S. Treasury guidelines. The city will work with UHY (outside consultant) to ensure all proper documentation is accounted for on the ERP System (MUNIS).

The implementation of this recommendation will be monitored by Michael Gormley, Finance Director.

State Single Audit

Finding 2023-005 Child Day Care Subrecipient Monitoring – 2011

Findings

Major State Award Programs

Condition

The City passes through the day care grant monies received to a subrecipient who operates the day care program. The City did not monitor the subrecipient to ensure that the agency is administering grant funds in compliance with grant requirements.

Corrective Action Plan

Management agrees with the finding. The City will implement procedures to perform monitoring of subrecipients.

The implementation of this recommendation will be monitored by Michael Gormley, Finance Director.

Finding 2023-006 Reporting – Community Conservation and Development Grant – 2021

Findings

Major State Award Programs

Condition

The City did not provide summaries of project status to the State.



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Corrective Action Plan

In FY 2023, The City did not provide summaries for the Community Conservation and Development Grant. The City of West Haven experienced staffing shortages within the Finance department, which prevented the implementation of the corrective action as submitted from the previous audit. The City of West Haven has initiated to hire the necessary replacements and is close to full staff currently.

The Finance Department will work with the grants department to ensure reporting compliance with the grant. This will include ensuring that the expenditures are properly booked to the City ERP system (MUNIS) and reconciled for State reporting.

The Grants accountant along with Finance staff will be responsible for reporting of this grant, overseen by the Finance Director or Assistant Finance Director.

Finding 2023-007 School Readiness Subrecipient Monitoring (Compliance) – 2021

Finding

Major State Award Programs

Condition

The Education Department did not perform the following financial related monitoring activities:

- Receive and review financial reports.
- Review subrecipient audit reports and corrective action plans.
- Verify that reported expenditures are reconciled to advances.

Corrective Action Plan

In FY 2023, Policies and procedures had been put in place to ensure the appropriate monitoring of the subrecipients of the grant. The Director of Early Childhood Education will meet with the Finance Director monthly or quarterly to review expenditures and other reports. The Board of Education will reconcile the program using the City ERP system (MUNIS) to review expenditures and revenues.

The implementation of this recommendation will be monitored by Matthew Cavallaro, Business Manager.