



*Finance Director*

# Office of the Finance Director

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

## **Corrective Action Plan**

### **Financial Statements**

#### **2022-001 Vendor Approval (Prior Year Finding 2021-001)**

##### **Financial Statement Finding**

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.

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 Procurement Department is not part of the workflow for issuance of checks to the City's vendors. The revised procedures also include an annual review of all vendors. The 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. This was fully implemented in fiscal year 2024.

#### **2022-002 Segregation of Duties – City (Prior Year Finding 2021-002)**

##### **Financial Statement Finding**

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.

In fiscal year 2023, policies and procedures were developed to require the Personnel Department to update rates. 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. A report detailing changes to employees, including additions and terminations is produced and reviewed and signed by the Finance Director and the Personnel Director for each pay cycle prior to approval of the payroll by the Finance Director. Other reports are reviewed by the Finance Director prior to approval, including the payroll register to reduce exposure in the payroll. Lastly, a review of users in the payroll software was performed to modify access rights based on job roles and will be performed annually. All aspects were fully implemented in fiscal year 2024.

## **Financial Statements (continued)**

### **2022-003 Segregation of Duties – Education Department (Prior Year Finding 2021-003)**

#### **Financial Statement Finding**

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.

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 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

## **Federal Single Audit**

### **2022-004 Procurement and Suspension and Debarment (Prior Year Finding 2021-004)**

#### **Compliance Finding**

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

In fiscal year 2023, policies and procedures for expending federal funds were updated to include requisite review and documentation of said review during the awarding of contracts and prior to submitting invoices for approval.

### **2022-005 Coronavirus Relief Fund – Cash Disbursements (Prior Year Finding 2021-005)**

#### **Compliance Finding**

Funds were embezzled from the City using fictitious vendors established by the City employees who were managing the Coronavirus Relief Fund (CRF) program. The invoices for the fictitious vendors were charged to a line item designated for the CRF program. The grant reporting to the State for the CRF program was performed by the Finance Director and not by the Grant Coordinator Department. The original reporting of the specific disbursements for the program included the invoices for the fictitious vendors. The reporting was subsequently revised to remove the fraudulent invoices.

Beginning in fiscal year 2023, several policies and procedures were implemented over grants and all other spending to reduce the risk of embezzlement. These policies include the Vendor Approval process including segregation of duties, the Debarment Check process (federal grant specific), and Finance Director and Treasurer invoice review prior to check printing. All elements were fully implemented in fiscal year 2024.

## **Federal Single Audit (continued)**

### **2022-006 Education Stabilization Fund (ESF)**

#### **Compliance Finding**

The Education Department did not obtain and review the certified payrolls from a construction vendor to verify the contractor's compliance with prevailing wage rate requirements.

The Education Department will review their procedures to ensure compliance with federal awards vendor contract request and request the certified payrolls from the contractors or subcontractors. The implementation of this recommendation will be monitored by Matthew Cavallaro, Finance Director.

## **State Single Audit**

### **2022-004 Child Day Care Monitoring (Prior Year Finding 2021-004)**

#### **Compliance Finding**

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.

Near the end of fiscal year 2023, a procedure to perform monitoring of subrecipients was developed and implemented.

### **2022-005 Reporting – Community Conservation and Development Grant (Prior Year Finding 2021-005)**

#### **Compliance Finding**

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

The City will implement procedures to ensure reports are filed timely. The implementation of this recommendation will be monitored by Finance Director (vacant).

### **2022-006 School Readiness Subrecipient Monitoring (Prior Year Finding 2021-006)**

#### **Compliance Finding**

The Education Department did not perform the following monitoring activities:

- Receive and review financial and program reports
- Review audit reports
- Ensure expenditures were in agreement with subrecipient records

Policies and procedures have been put in place to ensure the appropriate monitoring of the subrecipients of the grant. The Director of Early Childhood Education meets with the Finance Director monthly to review expenditures and other reports. This has been ongoing since COVID restrictions were lifted and access to the subrecipients buildings was allowed again (fiscal year 2022).