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CITY OF DERBY, CONNECTICUT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

2022 JUN 20 PM 12:50

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Ms. Courtney A. George
Attorney At Law
Marino, Zabel & Schellenberg, PLLC
657 Orange Center Road
Orange, CT 06477

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We have performed the procedures enumerated below related to the City of Derby's (the "City") Finance Director's compliance with the provisions and procedures contained in the City's Charter and Ordinances governing the payment of expenditures. The City's Finance Director is responsible for compliance with those specified requirements. Marino, Zabel & Schellenberg, PLLC has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purposes of assisting users in determining whether the Finance Director complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Procedure 1: We obtained and read the City's Charter and Ordinances for purposes of documenting the provisions and procedures governing the payment of expenditures.

Results 1: Excerpts of the provisions and procedures contained in the City's Charter and Ordinances governing the payment of expenditures have been reported in Exhibit B and Exhibit C.

Procedure 2: We determined if the disbursement of City funds for the following expenditures were performed in accordance with the City's provisions and procedures specified in Exhibit B and Exhibit C.

	Check No.	Amount	Check Date	Payee	Account Appropriation Expended		Finding
					Account Number	Account Description	
a)	58440	\$ 119,291	10/29/2021	WatchGuard	3100-470-0476-0000	Body Cameras and Licenses	Refer to exception 1 in Exhibit A
b)	Not obtained	\$ 16,332	2/4/2022	Andrew Baklik	3100-470-0476-0000	Director of Operations	No exceptions noted
c)	58024	\$ 875	9/10/2021	Robert J. Brunell II	2500-150-0153-0000	Bookkeeper	Refer to exception 2 in Exhibit A
d)	58528	\$ 3,769	11/5/2021	Robert Half International	2800-110-0110-0000	Tax Collector	Refer to exception 3 in Exhibit A

Results 2: Refer to exceptions reported in Exhibit A.

Procedure 3: We selected the following three (3) budgetary expenditure accounts that exceeded the budgetary appropriations from the year to date *Account Appropriation Summary* report provided to the Board of Apportionment and Taxation on or about February 22, 2022 to determine if disbursements of City funds for expenditures charged to the accounts were performed in accordance with the City's provisions and procedures specified in Exhibit B and Exhibit C.

	Account Number	Account Description	Original Budget	Current Budget	Expended	Encumbrance	Remaining	Finding
a)	1700-430-0430-0000	Computer Consulting	\$ 35,000.00	\$ 35,000.00	\$ 36,924.02	\$ -	\$ (1,924)	Refer to exception 4 in Exhibit A
b)	2400-270-0279-0000	ER Portion City HSA Paylex	\$ -	\$ -	\$ 202,875	\$ -	\$ (202,875)	Refer to exception 5 in Exhibit A
	2400-270-0280-0000	ER Portion City BOE Paylex	\$ 260,000	\$ 260,000	\$ 69,064	\$ -	\$ 190,936	
			\$ 260,000	\$ 260,000	\$ 271,939	\$ -	\$ (11,939)	
c)	4300-270-0272-0000	Refuse Collection	\$ 1,137,727	\$ 1,137,727	\$ 664,859	\$ 474,899	\$ (2,031)	No exceptions noted

Results 3: Refer to exceptions reported in Exhibit A.

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We were engaged by you to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Finance Director's compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Derby and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Marino, Zabel & Schellenberg, PLLC and the City of Derby and is not intended to be and should not be used by anyone other than these specified parties.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
May 20, 2022

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EXHIBIT A

SCHEDULE OF EXCEPTIONS

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CITY OF DERBY, CONNECTICUT
SCHEDULE OF EXCEPTIONS

Exception 1: Findings - Procedure 2a:

The following findings were noted in connection with the disbursement of City funds for the purchase of Police Equipment, Software License and Video Service:

Criteria A: Per Exhibit B Charter provision *Finance Director. Sec. 31 Duties in General*, which states in part that the "Finance Director shall prescribe the form of all accounts and shall keep a separate account of each item of the appropriations and shall require all orders to state specifically against which appropriations the order is drawn. Said Finance Director shall not allow any appropriation to be overdrawn or any appropriations for any other object or purpose to be drawn upon for one object or purpose or by any department other than that for which the appropriation was made..."

Interpretation A: We have interpreted this provision of the Charter to mean that the Finance Director is prohibited from paying any expenditures coded to an account that would result in the cumulative payments exceeding the account appropriation.

Finding A: The payment of Check Number 58440 paid to WatchGuard on October 29, 2021 for the purchase of Police Video Equipment resulted in the account appropriation to be overdrawn as of October 29, 2021 in the amount of \$119,291.00.

Criteria B: Per Exhibit B Charter provision *Finance Committee. Section 55. Procedure for making certain purchases - Sealed bid required*, which states in part that once a "Department Head has satisfied the above requirements [referring to procedures for making certain purchases], the Department Head shall utilize an encumbrance system as designated by the Finance Director when possible and practical...". Per Exhibit C Ordinance provision *Chapter 32 - Officers and Employees, Section 32-60. Duties*, the Finance Director is responsible for establishing and maintaining internal controls procedure and is responsible for overseeing and coordinating the purchase of all supplies, materials and equipment between all boards, agencies and commissions of the City.

Finding B: No encumbrance was initiated, approved or recorded in the accounting system for this purchase.

Exception 2: Findings - Procedure 2c:

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The following findings were noted in connection with the disbursement of City funds for the payment of temporary employment services of Robert J. Brunell for the period from August 30, 2021 through September 1, 2021:

Criteria A: Per Exhibit B Charter provision *Finance Director. Sec. 31 Duties in General*, which states in part that the "Finance Director shall prescribe the form of all accounts and shall keep a separate account of each item of the appropriations and shall require all orders to state specifically against which appropriations the order is drawn. Said Finance Director shall not allow any appropriation to be overdrawn or any appropriations for any other object or purpose to be drawn upon for one object or purpose or by any department other than that for which the appropriation was made..."

Interpretation A: We have interpreted this provision of the Charter to mean that the Finance Director is prohibited from paying any expenditures coded to an account that would result in the cumulative payments exceeding the account appropriation.

Finding A: The payment of Check Number 58024 paid to Robert J. Brunell on September 10, 2021 for services performed resulted in the account appropriation to be overdrawn as of September 10, 2021 in the amount of \$875.00.

CITY OF DERBY, CONNECTICUT
SCHEDULE OF EXCEPTIONS (CONTINUED)

Exception 2: Findings - Procedure 2c: (Continued)

Criteria B: Per Exhibit B Charter provision *Finance Committee, Section 55. Procedure for making certain purchases - Sealed bid required*, which states in part that once a "Department Head has satisfied the above requirements [referring to procedures for making certain purchases], the Department Head shall utilize an encumbrance system as designated by the Finance Director when possible and practical...". Per Exhibit C Ordinance provision *Chapter 32 - Officers and Employees, Section 32-60. Duties*, the Finance Director is responsible for establishing and maintaining internal controls procedure and is responsible for overseeing and coordinating the purchase of all supplies, materials and equipment between all boards, agencies and commissions of the City.

Finding B: The encumbrance that was initiated, approved and recorded in the accounting system for this purchase was not based on the total amount expected to be contracted for such services.

Exception 3: Findings - Procedure 2d:

The following finding was noted in connection with the disbursement of City funds for the payment of temporary employment services of Nicole Haeckel via Robert Half International for the week ending October 29, 2021:

Criteria A: Per Exhibit B Charter provision *Finance Committee, Section 55. Procedure for making certain purchases - Sealed bid required*, which states in part that once a "Department Head has satisfied the above requirements [referring to procedures for making certain purchases], the Department Head shall utilize an encumbrance system as designated by the Finance Director when possible and practical...". Per Exhibit C Ordinance provision *Chapter 32 - Officers and Employees, Section 32-60. Duties*, the Finance Director is responsible for establishing and maintaining internal controls procedure and is responsible for overseeing and coordinating the purchase of all supplies, materials and equipment between all boards, agencies and commissions of the City.

Finding A: No encumbrance was initiated, approved or recorded in the accounting system for this purchase.

Exception 4: Findings - Procedure 3a:

The following findings were noted in connection with the disbursement of City funds for the payment of expenditures for Computer Consulting services.

Criteria A: Per Exhibit B Charter provision *Finance Director, Sec. 31 Duties in General*, which states in part that the "Finance Director shall prescribe the form of all accounts and shall keep a separate account of each item of the appropriations and shall require all orders to state specifically against which appropriations the order is drawn. Said Finance Director shall not allow any appropriation to be overdrawn or any appropriations for any other object or purpose to be drawn upon for one object or purpose or by any department other than that for which the appropriation was made...".

Interpretation A: We have interpreted this provision of the Charter to mean that the Finance Director is prohibited from paying any expenditures coded to an account that would result in the cumulative payments exceeding the account appropriation.

Finding A: The payment of Check Number 58898 paid for computer consulting services resulted in the account appropriation to be overdrawn as of December 31, 2021 in the amount of \$1,924.02.

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CITY OF DERBY, CONNECTICUT
SCHEDULE OF EXCEPTIONS (CONTINUED)

Exception 4: Findings - Procedure 3a: (Continued)

Criteria B: Per Exhibit B Charter provision *Finance Committee. Section 55. Procedure for making certain purchases - Sealed bid required*, which states in part that once a "Department Head has satisfied the above requirements [referring to procedures for making certain purchases], the Department Head shall utilize an encumbrance system as designated by the Finance Director when possible and practical...". Per Exhibit C Ordinance provision *Chapter 32 - Officers and Employees, Section 32-60. Duties*, the Finance Director is responsible for establishing and maintaining internal controls procedure and is responsible for overseeing and coordinating the purchase of all supplies, materials and equipment between all boards, agencies and commissions of the City.

Finding B: No encumbrance was initiated, approved or recorded in the accounting system for this purchase.

Exception 5: Findings - Procedure 3b:

The following findings were noted in connection with the disbursement of City funds for the payment of expenditures for Employer Health Savings Account contributions:

Criteria A: Per Exhibit B Charter provision *Finance Director. Sec. 31 Duties in General*, which states in part that the "Finance Director shall prescribe the form of all accounts and shall keep a separate account of each item of the appropriations and shall require all orders to state specifically against which appropriations the order is drawn. Said Finance Director shall not allow any appropriation to be overdrawn or any appropriations for any other object or purpose to be drawn upon for one object or purpose or by any department other than that for which the appropriation was made...".

Interpretation A: We have interpreted this provision of the Charter to mean that the Finance Director is prohibited from paying any expenditures coded to an account that would result in the cumulative payments exceeding the account appropriation.

Finding A: Payments made for Employer Health Savings Account contributions through February 15, 2022 resulted in the account appropriation to be overdrawn for such purpose in the amount of \$11,938.77.

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EXHIBIT B

**EXCERPTS OF PROVISIONS AND PROCEDURES ESTABLISHED
BY CHARTER GOVERNING THE PAYMENT OF EXPENDITURES**

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**CITY OF DERBY, CONNECTICUT
EXCERPTS OF PROVISIONS AND PROCEDURES ESTABLISHED
BY CHARTER GOVERNING THE PAYMENT OF EXPENDITURES**

Treasurer. Section 15. Duties generally.

The Treasurer shall have such powers, duties and responsibilities and shall be subject to such restrictions and limitations prescribed in the Connecticut General Statutes, as the same may be amended from time to time...He/She shall pay orders drawn upon the Treasurer by the proper authority and shall comply with all ordinances and orders of the Board of Aldermen/Alderwomen concerning his/her office. No order shall be paid or accepted by said Treasurer in excess of the appropriation made by said city for that year on the account against which such order is drawn, nor unless the order shall state from what appropriation it is payable.

Board of Apportionment and Taxation. Section 27. Powers and duties.

...The Board of Apportionment and Taxation shall have no authority to make appropriations in excess of the revenues of the city for any year, and in no case shall the expenses of the city exceed its revenue for any year, except in cases and for purposes for which the city is authorized by special act of the General Assembly to issue bonds and when bonds are in fact so issued. No money other than that appropriated as aforesaid shall be expended for any purpose unless a special appropriation therefor shall first be approved by seven votes taken by yeas and nays of the members thereof but said Board shall have no authority to make any such special appropriation unless the unappropriated revenues of the city are sufficient for the purpose. If a special appropriation in excess of the unappropriated revenues of the city is required for any purpose, an estimate of the same shall be prepared by the Mayor and submitted to the Board of Apportionment and Taxation at a special meeting called for that purpose; and said Board, at said meeting, or any adjournment thereof, shall have authority to make any such appropriation and to lay a special tax to meet the same; but no such appropriation shall be made unless a special tax is laid sufficient to cover the amount by which such appropriation exceeds the unappropriated revenues of the city. Any appropriation, regular or special, so made, for any specific purpose shall not be expended for any other purpose, and, if unexpended shall be returned to the City Treasurer within fifteen days after the expiration of the fiscal year for which it is made. All appropriations thus made shall remain on the said City's books to the credit of the specific purposes respectively for which they are made, not exceeding fifteen days after the expiration of the fiscal year for which they are so made for the purpose of paying bills lawfully contracted during such fiscal year and which are properly chargeable to said appropriations, and said appropriation shall remain applicable to such specific purposes and to be applied thereto, during said period.

Board of Apportionment and Taxation. Section 28. Disposition of unused appropriations.

When any appropriation shall have been made and for any reason such appropriation, or any part thereof, shall not be used, excepting any appropriation made for any school purpose, such appropriation, or any unused part thereof, as the case may be, shall, upon the unanimous vote of the entire Board of Aldermen/Alderwomen and of the entire Board of Apportionment and Taxation and with the approval of the Mayor, become unappropriated revenue of the city.

Board of Apportionment and Taxation. Section 29. Liability of city officials for expenses beyond appropriations.

No official of said city shall, either directly or indirectly, incur any expense or obligation on behalf of the city in excess of the amount appropriated for the use of the department for which such official is charged; and in case any official of said city shall contract any debt or obligation in the name of the city in excess of the appropriation made to be expended by such official, such official shall be liable upon his/her bond for the excess beyond the appropriation properly applicable thereto, and said city shall not in any case be liable for such excess.

**CITY OF DERBY, CONNECTICUT
EXCERPTS OF PROVISIONS AND PROCEDURES ESTABLISHED
BY CHARTER GOVERNING THE PAYMENT OF EXPENDITURES (CONTINUED)**

Finance Director. Section. 31. Duties in General.

The Finance Director shall be the chief fiscal officer of the City, and the head of the Finance Department. The Finance Director shall keep, in books provided for that purpose, accounts of each of the city departments with such city officers as may be designated by the Mayor, and such other accounts as the ordinances may provide for. Said Finance Director shall prescribe the form of all accounts and shall keep a separate account of each item of the appropriations and shall require all orders to state specifically against which appropriations the order is drawn. Said Finance Director shall not allow any appropriation to be overdrawn or any appropriations for any other object or purpose to be drawn upon for one object or purpose or by any department other than that for which the appropriation was made. No order shall be issued unless sufficient funds to pay the same shall be in the treasury. If said Finance Director shall draw any order in payment of any bill, contract or claim in excess of the appropriation properly made therefor, the city shall not be liable for such excess but said Finance Director shall be personally liable therefor, and the sureties upon said Finance Director's bond shall be liable therefor to the amount of said Finance Director's bond.

Finance Committee. Section 55. Procedure for making certain purchases - Sealed bid required; exceptions.

Whenever in any department, the purchase of any goods and services which may reasonably involve the expenditures of funds in excess of \$15,000.00 or more a written contract for the purchase of said goods and services shall be made under such regulations as the Board of Aldermen/Alderwomen may establish, which contract shall be based upon sealed bids or proposals made after public notice advertised in a manner as may be determined by the Finance Committee and the Finance Director in order to provide and promote competitive bidding. The contract shall be awarded in accordance with the provisions of this section. When any purchase of goods and services is in excess of two thousand five hundred (\$2,500.00) but less than fifteen thousand, the Department Head shall make reasonable efforts to obtain a minimum of three (3) written proposals for the purchase of the item and shall make the purchase from the lowest responsible and qualified vendor. When any purchase of goods and services is less than \$2,500.00, the Department Head may make the purchase in a manner determined by the Department Head to be in the best interest of the City of Derby. Once a Department Head has satisfied the above requirements, the Department Head shall utilize an encumbrance system as designated by the Finance Director when possible and practical. Notwithstanding the foregoing, bidding shall not be required for any goods or services purchased from a bid list from another governmental entity or for professional services. The Board of Aldermen/Alderwomen shall determine by resolution those services that are to be professional services. In the event of an emergency or if the goods or services are only provided by a single source vendor the foregoing provision shall not apply. Any provision of this section may be waived upon the vote of six (6) members of the Board of Aldermen/Alderwomen.

Finance Committee. Section 58. Payment of bills, claims, etc.

Before the Finance Committee shall approve any bill, claim or payment for work performed for the city for which an assessment may be levied by the Board of Aldermen/Alderwomen, the Town/City Clerk shall certify in writing to said Board that the contractor or the City Engineer has filed in his/her office a statement, approved in writing by the Director of Public Works, of the entire cost of doing such work. In case any such work is done under a written contract, the final payments shall not be made to the contractor until the contractor shall have filed with the Town/City Clerk a statement of the total cost of the work, approved in writing by the City Engineer.

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EXHIBIT C

**EXCERPTS OF PROVISIONS AND PROCEDURES ESTABLISHED
BY ORDINANCE GOVERNING THE PAYMENT OF EXPENDITURES**

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CITY OF DERBY, CONNECTICUT
EXCERPTS OF PROVISIONS AND PROCEDURES ESTABLISHED
BY ORDINANCE GOVERNING THE PAYMENT OF EXPENDITURES

Chapter 8 - Competitive Bidding

Section 8-1. Competitive bidding requirements.

- A. All purchases of, and contracts for, supplies, materials and equipment shall be based upon competitive bids subject to the criteria and exceptions set forth herein.
- B. The Finance Committee shall solicit sealed bids by providing notice to prospective suppliers and by posting such notice in City Hall.
- C. Each bid shall be opened publicly at the time stated in the notice soliciting such bid. If the amount of expenditure exceeds \$5,000, sealed bids shall be solicited by public notice, inserted at least once in a newspaper published in New Haven County and circulated within the city for at least five calendar days before the final date of submission for such bids.

Section 8-2. Exception to competitive bidding.

- A. The regulations of this chapter shall not apply to purchases of, and contracts for, supplies, material and equipment where the cost of such purchase is below \$1,000, such purchase being within the authority of the head of the department, subject to the approval of the Mayor, the City Clerk and the Finance Committee.
- B. The regulations of this chapter shall not apply to purchases of, and contracts for, supplies, materials and equipment where the cost of such purchases is greater than \$1,000 and less than \$5,000. In such event, the department head is required whenever possible to obtain three written price quotes in the open market. The department head must obtain the approval of the Mayor, the City Clerk and the Finance Committee prior to the issuance of purchase order for such item.

Section 8-3. Bid waiver.

Whenever an emergency exists by reason of extraordinary conditions or because of unusual market conditions, the Finance Committee, with the approval of the Mayor and the City Clerk, may waive the regulations of this Chapter, subject to the unanimous approval of the Board of Aldermen and the Board of Apportionment and Taxation, by written consent or resolution.

Chapter 32 - Officers and Employees

Section 32-60. Duties.

The Finance Director shall:...

- C. Provide fiscal consultation to the City Treasurer, Tax Collector and Assessor's office;
- E. Establish and maintain internal controls procedure and assure that state and national standard accounting procedures are maintained;
- G. Oversee and coordinate the purchase of all supplies, materials and equipment between all boards, agencies and commissions of the City, act as a City purchasing agent;
- O. Work with the City Clerk on the following functions:
 - 1. Reviewing revenue and expenditures of all City funds and account groups;
 - 2. Maintaining general ledger and separate account ledgers;
 - 3. Providing budgetary control information to all departments;
 - 4. Review a summary of purchase orders and bill payments;
 - 5. Supervising accounting and clerical staff in the functional areas of accounts payable, payroll and data processing;...

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CITY OF DERBY, CONNECTICUT
SUMMARY OF OBSERVATIONS, CONCLUSIONS
AND RECOMMENDATIONS
OVERPAYMENT OF EXPENDITURES

2022 JUN 20 PM 12:50

Ms. Courtney A. George
Attorney At Law
Marino, Zabel & Schellenberg, PLLC
657 Orange Center Road
Orange, CT 06477

Mahoney Sabol & Company, LLP ("MahoneySabol") was engaged by Marino, Zabel & Schellenberg, PLLC to perform an agreed-upon procedures engagement to assist the City of Derby, Connecticut (the "City") in determining whether the City's Finance Director complied with the provisions and procedures contained in the City's Charter and Ordinances governing the payment of expenditures. We have issued a separate agreed-upon procedures report dated May 20, 2022 in connection with that engagement. We were also requested by Marino, Zabel & Schellenberg, PLLC to provide our observations, conclusions and recommendations relating to certain overpayments of expenditures by the Finance Director. Those procedures and a summary of our observations, conclusions and recommendations are as follows:

I. PROCEDURES PERFORMED

We performed the procedures described below:

- A. We obtained and reviewed copies of vendor invoices, check documentation, purchase requisitions, and purchase orders for the following payments:

	Check No.	Amount	Check Date	Payee	Account Appropriation Expended	
					Account Number	Account Description
a)	58440	\$ 119,291	10/29/2021	WatchGuard	3100-470-0476-0000	Body Cameras and Licenses
b)	58024	\$ 875	9/10/2021	Robert J. Brunell II	2500-150-0153-0000	Bookkeeper
c)	58528	\$ 3,769	11/5/2021	Robert Half International	2800-110-0110-0000	Tax Collector

- B. We obtained and reviewed the Appropriation Summary reports from July 1, 2021 through February 15, 2022 for the above accounts.

- C. We obtained and reviewed the City's Charter and Ordinances for purposes of identifying provisions and procedures governing the payment of expenditures.

- D. We held discussions with the following City personnel:

1. Mayor Richard Dziekan
2. Chief of Staff Walt Mayhew
3. Finance Director Agata Herasimowicz
4. Finance Assistant Maria Abel
5. Finance Assistant Susannah Hidu

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- E. We reviewed the minutes of the Board of Aldermen/Alderwomen ("BOA") and the Board of Apportionment and Taxation ("BOAT") held during the months of July 2021 through March 2022.

II. SUMMARY OF OBSERVATIONS, CONCLUSIONS AND RECOMMENDATIONS

A. Police Video Equipment

MahoneySabol noted that the BOA authorized Mayor Dziekan, at the July 22, 2021 BOA meeting, to execute a contract with WatchGuard for the purchase of Police Video Equipment. In addition, we noted that the BOA authorized the use of the American Rescue Plan Act funding for the purchase to the extent it was determined to be an eligible use. We noted that Mayor Dziekan entered into a contract with WatchGuard dated August 2, 2021. We noted that no purchase requisition or purchase order was initiated to encumber funds for this purchase. In addition, we noted no motions approved by the BOAT to appropriate funds for this purchase. Per documentation received from Finance Director Herasimowicz, she did not attend the BOA meeting and was unaware that a contract had been executed for the purchase. Per Finance Director Herasimowicz, she learned of the purchase when she received an email request to pay the WatchGuard invoices from Chief of Police Narowski in order to meet an application deadline for a reimbursement grant under the State of Connecticut's Body Camera Grant Program. The payment was approved by Finance Director Herasimowicz and processed by the Finance Department on October 29, 2021. Finance Director Herasimowicz included an agenda item to request funding for the purchase from the BOAT at the next BOAT meeting on November 15, 2021 meeting. Per the minutes of the meeting, the BOAT tabled the request.

MahoneySabol noted that the purchase and payment of the Police Video Equipment was neither performed in accordance with the City's Charter and Ordinances nor sound budgeting practices. Once the contract was executed and the goods and services were received, the City incurred a legal financial obligation for which nonpayment of the invoices may have subjected the City to interest charges and/or the suspension of services under the contract. Nonpayment of the invoices may have also delayed the City's application for a reimbursement grant under the State of Connecticut's Body Camera Grant Program. Application requests under this program are processed on a first-come, first-served basis subject to available funding, and all activities and purchases, including payments, had to be made prior to submission of the application. Although the payment should not have been made without authorized funding from the BOAT, the expenditure and the related liability had already been incurred by Mayor Dziekan and Chief of Police Narowski. Based on the facts that a) the purchase of the Police Video Equipment was mandated by the State, b) that the BOA had authorized the Mayor to enter into a contract for the purchase, c) that the payment was made to comply with contractual requirements, and d) that the payment was required to request grant reimbursement from the State, we believe it was reasonable that Finance Director authorized payment of the invoices with the intention of requesting funding at the next BOAT meeting.

B. Temporary Employment Services

MahoneySabol noted that Finance Director Herasimowicz contracted for temporary employment services to address employee vacancies within the Finance Department and Tax Office. Per documentation and discussions with Finance Director Herasimowicz, she contracted for temporary employment services to perform job duties that would have otherwise been performed by vacant positions and to address a backlog of work. We noted that Finance Director Herasimowicz did not initiate a purchase requisition or purchase order to encumber funds based on the total amounts expected to be contracted for such services.

MahoneySabol noted that the contracting of and payment for the temporary employment services were not performed in accordance with the City's Charter and Ordinances or sound budgeting practices. However, we believe the use of the temporary employment services was necessary and reasonable and did not at anytime result in an over expenditure of the Finance Department's or Tax Collector's budget. In addition, a budgetary account transfer request to authorize funding for this purpose was subsequently authorized by the BOAT at its September 20, 2021 meeting.

C. Policies & Procedures

MahoneySabol noted that the overpayment of expenditures by Finance Director Herasimowicz can be attributed in part to a lack of defined financial policies and procedures. Board approved financial policies and procedures are essential in clarifying the roles, authority, and responsibilities for financial management activities. In the absence of adopted policies and procedures, City officials, employees and board members might operate under a set of assumptions that may or may not violate City Charter and Ordinances. Well-designed financial policies and procedures take time to develop and implement and require collaboration amongst management and the oversight Board(s). We recommend that City management develop formal financial policies and procedures in collaboration with its oversight Board(s) to ensure compliance with the City's Charter and Ordinances.

In connection with our procedures, MahoneySabol noted several deficiencies in the City's purchasing and payment process:

1. The City does not consistently utilize purchase requisitions and purchase orders.
2. The authorization of purchases to ensure compliance with budgetary and procurement requirements is often approved after the purchases are made and the vendor invoice has been received.
3. Vendor invoices are not always submitted timely by Departments.
4. Payments are not always reviewed for budgetary compliance before they are approved and processed.

Based on documentation and discussions with Finance Director Herasimowicz, she acknowledged that the City does not have safeguards in place to prevent an over expenditure from an account. However, she indicated that there were so many accounting issues that had to be addressed that it was impossible to address all of the problems at once. In addition, the lack of accounting expertise within the Finance Department and the vacancy in the Deputy Finance Director position resulted in additional constraints on the Department and her time. In an effort to address the deficiencies identified over the purchasing process, Finance Director Herasimowicz drafted a procurement policy, including procedures, that was included as an attachment to and discussed at the January 13, 2022 Board of Aldermen/Alderwomen meeting. MahoneySabol notes that the draft procurement policy would require the Finance Director, or his/her designee, to approve all purchase requisitions and purchase orders before Department Heads contract for goods and services. The effective implementation of these controls would significantly reduce the risks of Department Heads contracting in excess of budgetary account appropriations and the Finance Director making payments in excess of the budgetary account appropriations.

The nature and scope of this engagement did not require an audit of this information in accordance with auditing standards generally accepted in the United States of America or *Government Auditing Standards*, a review, or a compilation in accordance with Statements on Standards for Accounting and Review Services established by the American Institute of Certified Public Accountants.

This report is intended solely for the information and use of Marino, Zabel & Schellenberg, PLLC and the City of Derby and is not intended to be and should not be used by anyone other than these specified parties.

Mahoney Sabol & Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
May 20, 2022

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