

Memo

To: Board of Selectmen
From: Melanie Neely
Date: October 2, 2026
Re: Grant Tracking

It has come to my attention that an audit issue from the 2024 audit was never addressed, and I am being asked by the State to respond. I have attached the correspondence for your review.

I lack full context regarding the specific requirements, but I also found the existing grant tracking to be minimal, so I have updated our process. Please review the following and approve for response to the State at your Board of Selectmen October 5, 2026 meeting.

Corrective action plan for state

If a grant requires segregation from the Town's General Funds, a separate Checking Account will be set up at the bank and a matching Fund account will be set up on the Town's Chart of Accounts.

If no segregation is required, the funds are posted to an Unearned Revenue Liability account in order to easily track the incoming/outgoing funds and projects for which they were expended; or a spreadsheet will be set up for tracking purposes.



STATE OF CONNECTICUT

STATE DEPARTMENT OF EDUCATION



January 20, 2026

Melony Brady-Shanley
Superintendent
North Canaan Public Schools
246 Warren Turnpike Road
Falls Village, CT 06031

Dear Superintendent Brady-Shanley:

The Office of Internal Audit has reviewed the Town of North Canaan fiscal year ended 6/30/2024 audit report, along with reports on state financial assistance and/or federal awards.

As part of the desk review of these audits, we are required to determine whether audit findings and recommendations have been addressed, and that a corrective action plan has been developed in response.

Attached to this letter you will find a copy of the highlighted recommendations that were included in the audit report and/or management letter from **King, King & Associates, P.C.** for the fiscal year ended June 30, 2024. Although a management response to the recommendations was included in the audit, we require additional information.

Please forward to this office by February 3, 2026, a corrective action plan developed to comply with the highlighted recommendations. Your response should include the following:

- status of corrective actions implemented to address auditor's recommendations
- supporting documentation of corrective actions taken
- timeline for any additional actions needed

Thank you for your attention to this matter. If you have any questions, please contact Marisol Salaman at Marisol.Salaman@ct.gov or via phone at 860-713-6534.

Sincerely,

Keith Norton, Interim Director
Office of Internal Audit

KMN/kd

cc: Sam Herrick, Business Manager
Emily M. Minacci, Town Treasurer
Marisol Salaman, Accounts Examiner

Attachment



To the Board of Finance of
The Town of North Canaan

In planning and performing our audit of the financial statements of the Town of North Canaan as of and for the year ended June 30, 2024, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

ACCOUNTING MANUAL

Condition:

The Board of Education does not have a formal accounting manual documenting the procedures for fiscal operations adopted by the Board. A written, approved accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system.

Recommendation:

We recommend that operating guidelines for fiscal activities be prepared and approved, including a description of each significant fiscal procedure such as invoice paying, processing receipts, maintenance of accounts receivable and accounts payable subsidiary records, and payroll procedures.

Management Response:

The Board of Education has developed an accounting manual documenting accounting policies and procedures, but is only a draft and still needs more time to complete.

REPORTING EXPENDITURES ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Condition:

During the audit process we identified reimbursable project expenditures that were omitted from prior year Schedules of Expenditures of State Financial Assistance.

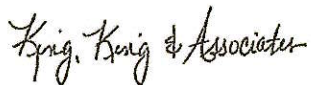
Recommendation:

We recommend that the Town improve tracking of grant projects in their preliminary stages to ensure proper recognition of expenditures in the Schedule of Expenditures of State Financial Assistance in the fiscal years that they are incurred.

Management Response:

Town finance director will develop procedures to review grant expenditures so they are reported in the fiscal years they were incurred. Some of the grant funding was approved subsequent to the start of the project, making it difficult to timely report the expenditures as grant-funded.

Sincerely,

A handwritten signature in cursive script that reads "King, King & Associates".

King, King & Associates, CPAs
Winsted, CT
February 7, 2025