

December 1, 2017

To the Management of the
City of Auburn, Maine:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn, Maine as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Auburn, Maine's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 City of Auburn, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Auburn, Maine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The attached schedule summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated December 1, 2017, on the financial statements of the City of Auburn, Maine.

The City of Auburn, Maine's responses to the comments identified in our audit are described in the accompanying schedule of comments and responses. The City of Auburn, Maine's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We wish to express our appreciation for the cooperation and assistance we received from the officials and employees of the City of Auburn, Maine, including the Department of Education, during the course of our engagement. We will review the status of these comments during our next audit engagement. We have already discussed these comments with various City and School personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Raymond Weston Ouellette". The signature is written in a cursive style with a large initial 'R'.

CITY OF AUBURN, MAINE
Schedule of Comments and Responses
June 30, 2017

OTHER COMMENTS

School Department Payroll Related Liability Reconciliations

During our testing of payroll related liabilities, it was noted that many of the payroll related withholding accounts for employee and employer withholdings were not being reconciled on a regular basis. Several of these accounts had not been reconciled since the previous year and required large adjustments made by the School Department to agree with subsidiary ledgers and/or supporting documentation. In order to make the financial reports generated by the accounting system as meaningful as possible, the School Department should reconcile the payroll related general ledger accounts on a monthly basis. The benefit of monthly reconciliations is that errors do not accumulate and can be identified and attributed to a particular period, which makes future reconciliations easier to perform. Therefore, we recommend the School Department reconcile all payroll related liability accounts on a monthly basis, or at a minimum, quarterly.

Management's response/corrective action plan: With new staff in place in the Business Office, the Auburn School Department has already discussed the need to reconcile payroll-related liability accounts on a timely basis. The Business Office Supervisor will work with the Payroll Specialist to determine which accounts require monthly reconciliation, and which can be reconciled on a quarterly basis. They will then establish a plan and schedule for the ongoing reconciliations. Moving forward, our goal is to have every account reconciled in a timely manner to avoid the need for large adjustments at year-end.

Fire Department Overtime Policy Review

During our regularly scheduled meeting with those charged with governance, as well as throughout our preliminary analytical procedures, it was noted that overtime expenditures for the City's Fire Department are consistently well over budget. We understand that there are minimum staffing requirements for emergency calls, and that there will be times in which overtime pay is necessary. However, the amount of overtime pay being charged annually is significant, and could be indicative of abuse by those consistently earning overtime pay. We recommend the City review its policies with respect to overtime pay to ensure internal controls over payroll, specifically related to overtime, are effective and applied properly. We would also recommend the City perform a retrospective review of the Fire Department's overtime expenditures to ensure overtime pay is being applied evenly throughout the department, and not just to a few individuals. While we have no basis to assume fraud is or has been perpetuated, it would be in the City's best interest to perform this review to ensure this is not the case. Finally, we would also recommend the City review its budget with respect to the Fire Department's overtime expenditures. The actual amounts applied to overtime annually are consistently much higher than the amounts budgeted. If necessary, the City should increase its budgeted expenditures related to the Fire Department's overtime.

Management's response/corrective action plan: The Management team for the City is aware of the Fire Department overtime issues and there was discussion about this during the FY 18 budget discussions. Management has begun a review of the overtime from the last 4 or 5 years and has also had meetings with the Fire Department management team and union representatives to discuss the issue. It is management's intention to develop a plan to address this issue, develop review procedures to insure internal controls are being applied properly, and to make sure that going forward, the Fire Department budgets the proper amount for overtime.

CITY OF AUBURN, MAINE
Schedule of Comments and Responses, Continued

OTHER COMMENTS, CONTINUED

City Cash Disbursements

During our testing of internal controls over cash disbursements at the City, we noted three instances, out of a sample selection of forty disbursements, in which a purchase order was not utilized. We also found three instances in which invoices lacked a signature notating the invoice had been reviewed and approved. The purpose of a purchase order is to document proper approval of a purchase prior to the actual disbursement. This process allows for adequate review of the budget and evaluation of department needs before committing to a purchase. We recommend the City utilize a purchase order for all disbursements in which a purchase order is required, per the City's purchasing and procurement policies and procedures. We also recommend that someone with the proper authority sign all invoices before the disbursements are made to ensure the disbursements were preapproved and are valid.

Management's response/corrective action plan: The Finance Director has provided a copy of the purchasing and procurement policy to all department heads and administrative personnel for their review. During a recent department director's meeting, the Finance Director reviewed the policy with the directors and reminded them of the thresholds that would require purchase orders. The Finance Director is currently reviewing any purchases that do not follow the policy and relaying this information to department directors. Finance Department staff have worked with administrative staff to make certain all staff is trained on Purchase Requisition and Purchase Order processing through MUNIS and that the admin staff understands the purchasing and procurement policy also. Finance will continue to closely monitor large purchases (over \$1,000) to make sure all departments are in compliance with the policy. If non-compliant, the Finance Director will address through the department directors.

Person responsible for corrective action of School comments:

Adam Hanson, Business Office Supervisor, Auburn School Department
Phone: (207) 784-6431, ext. 1425

Anticipated completion date:

Corrective action will be complete within 12 months.

Person responsible for corrective action of City comments:

Jill Eastman, Finance Director, (207) 333-6600

Anticipated completion date:

Corrective action will be complete within 12 months.