

December 11, 2018

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, 2018, 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 11, 2018, 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 "Ryan Hudson 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, 2018

OTHER COMMENTS

Student Benefit Groups Using School Department's Tax ID

During our testing of the school cash balances, we found several accounts under the School Department tax identification number that were opened by booster clubs and parent teacher organizations who do not report to the School Department finance office. These accounts should not be utilizing the tax identification number of the School Department without conforming to School Department rules and regulations regarding the bookkeeping and safeguarding of assets. We recommend that the School Department contact the administrators of these accounts and have them re-establish the accounts under a separate tax identification number. The School Department should provide oversight and review for any accounts that remain under the School Department tax identification number.

Management's response/corrective action plan: The accounts in question are all held by one local bank. The majority of these accounts were opened many years ago, most likely without the School Department's knowledge. After the accounts were identified in September 2018, the School Department worked with the bank to obtain information about the nature of each account. The School Department has contacted each of the account-holders identified as an outside group and told them to close the accounts immediately.

The School Department has also reached out to several other local banks to ensure no other unauthorized accounts exist under the School Department's tax ID. If any further accounts are discovered, the account holders will be instructed to close the accounts immediately.

Edward Little High School Student Activity Funds

During our testing of internal controls over cash receipts at the Edward Little High School, we found thirty-three instances, out of a sample selection of forty items, in which cash was not deposited within the two business days as required by School policy. We suggest that all cash and checks be deposited within forty-eight hours to minimize the risk of fraud, misuse, or error.

Additionally, it was revealed through our testing of the cash disbursements process that gift cards are frequently purchased with student activity funds for fundraising efforts or to provide rewards to students or staff. While we found no evidence of misuse, we wanted to make management aware that purchasing gift cards creates additional risks for abuse, as the funds cannot be tracked once the gift card is purchased. There is no way to verify that the funds were given to the ultimate recipient. If use of gift cards for awards or fundraising is to continue, we suggest creating a form and having the ultimate recipient document and verify the receipt of the gift card to ensure there is no abuse of funds.

Management's response/corrective action plan: The Business Manager and Business Office Supervisor met with the high school Principal and Secretary in June 2018 to review the areas of deposits and gift cards.

The importance of meeting the 48-hour deposit window was discussed, and all in attendance understood the requirement. The high school is committed to making deposits no less than twice per week to ensure the 48-hour window is met moving forward.

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

OTHER COMMENTS, CONTINUED

The Principal has addressed with his staff the purchase of gift cards for fundraising purposes. Any future fundraisers involving gift cards will be approved by the principal in advance, ensuring that the effort does not introduce undue risk of fraud or abuse. If approved, the advisor responsible for overseeing the fundraiser will document the entire process, reconciling the total gift cards purchased, who received them, when money was deposited into the school account, and accounting for the disposition of any gift cards that were not sold. The final reconciliation will be reviewed and signed off by the Principal and the Business Office Supervisor.

Recreation Department Cash Receipts

During our testing of internal controls over cash receipts at the Recreation Department, we noted two instances, out of a sample selection of forty items, in which cash was not deposited for over three weeks. We suggest that all cash and checks be deposited within forty-eight hours to minimize the risk of fraud, misuse, or error. Additionally, it was revealed that cash and checks received, which are logged into the Team Sideline software, are not reconciled to deposits. A daily reconciliation process is essential to ensure accurate reporting and to ensure funds are properly deposited in a timely manner. We suggest that the Recreation Department implement a daily cash reconciliation process to ensure that amounts reported and received are properly accounted for and deposited timely.

Management's response/corrective action plan: The Finance Director has set up a meeting with staff at the Recreation Department to go over the cash up process that they need to use going forward, to ensure that deposits are posted accurately and on a timely basis. The Finance Director will also be reviewing the deposits on a weekly basis until she is assured of the accuracy of the deposits. This will be implemented by December 31, 2018.

City Cash Disbursements

During our testing of internal controls over cash disbursements at the City, we noted four instances, out of a sample selection of forty disbursements, in which invoices lacked a signature notating that the invoice had been reviewed and approved. The review process should be documented to demonstrate the purchase has been evaluated for budget compliance and that goods or services were received as indicated. We recommend that someone with the proper authority review and sign all invoices before the disbursements are made to ensure they are valid.

Management's response/corrective action plan: The Finance Director will work with staff to ensure that they are not processing invoices that do not have approval signatures. This will be implemented by December 31, 2018.

City Old Outstanding Checks

During our testing of the cash balances and related reconciliations, we found many outstanding checks that were over six months old. The oldest check found dated back to December 2006 and the total of all checks over six months old was \$13,908.47. The City finance office should research and re-issue these checks to the appropriate vendors/recipients. Additionally, the City should consider the requirements of *MSRA Title 33, Chapter 41: Uniform Unclaimed Property Act* and submit any old outstanding amounts to the Office of the State Treasurer if the vendor or recipient cannot be located.

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

OTHER COMMENTS, CONTINUED

Management's response/corrective action plan: The Finance Director has instructed staff to review all old outstanding checks and to either reissue or give me a list of items that we cannot reissue so that I can properly report these to the State of Maine. This process has already begun.

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.