

January 31, 2020

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, 2019, 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. These items have been included in the attached schedule of comments and responses.

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 "Remya Kristen 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, 2019**

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**OTHER COMMENTS**

**City Accounting Software to School Accounting Software Reconciliation (City and School)**

The City and School Department utilize separate accounting software. Since the City and the School Department have separate accounting software, it is essential that reconciliations of all balance sheet, revenue, and expenditure accounts be performed between the School Department's general ledger and the City's general ledger on a monthly basis. This reconciliation should be performed as soon as feasible after month end.

As of June 30, 2019, balance sheet, revenue, and expenditure accounts on the School Department's accounting system did not reconcile with the balance sheet, revenue, and expenditure accounts on the City's accounting system. The reconciliation between the City and School Department accounting systems was not complete when we arrived for fieldwork on August 26, 2019. Work continued on the reconciliation process through the month of December when it was eventually completed.

We recommend utilizing the cash reconciliation feature in the School Department's accounting system and removing School Department related items from the City's accounting system. The City would then pay the School Department its local assessments during the fiscal year, thus simplifying the reconciliation process. The City could maintain control over the cash account by having signing authority over that account and reviewing and approving the monthly cash reconciliations performed by School Department employees. If the City does not want to utilize the cash reconciliation feature within the School Department's accounting system, we recommend that the reconciliation between the City and School Department accounting systems be performed monthly. Any variances should be investigated promptly and entries should be posted to the proper system (City or School Department) accordingly so that the two accounting systems present the same financial information.

*Management's response/corrective action plan: The initial reconciliation of the City and School was balanced and completed during fieldwork. However, during the audit, various adjusting entries were posted to the School Department general ledger and the reconciliation became incomplete, as some of these entries were not simultaneously recorded on the City general ledger.*

*Consequently, City and School management have collaborated to develop an improved reconciliation worksheet wherein all accounts will be reconciled on a monthly basis. Reconciling items will be noted and corrected as appropriate prior to the next month's reconciliation. If at the end of FY20, this has not worked appropriately, we will discuss the auditor's recommendation of changing the way we do things.*

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

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**OTHER COMMENTS, CONTINUED**

**Edward Little High School Student Activity Funds**

During our testing of internal controls over cash receipts at the Edward Little High School, we found seven instances out of a sample selection of forty items, in which cash was not deposited within the ten business days as required by School policy. We suggest that the School department adhere to established policy and ensure cash and checks are deposited as soon as possible to minimize the risk of fraud, misuse, or error.

Additionally, we found three instances, out of a sample selection of fifty items, in which there was no documented approval/review for cash deposits. We recommend that the School Department incorporate segregation of duties and approval procedures into all transactions to ensure that funds received are properly documented and reported.

*Management's response/corrective action plan: The Business Manager and Business Office Supervisor will meet with the high school principal and secretary to review procedures for deposits and ensure that all deposits moving forward are deposited in a timely manner and with the appropriate approval/review. Compliance will be monitored through internal auditing conducted by the Business Office Supervisor.*

**Auburn Middle School**

During our testing of internal controls over cash receipts at the Auburn Middle School, we found seven instances, out of a sample selection of forty items, in which cash was not deposited within the ten business days as required by School policy. We suggest that the School Department adhere to established policy and ensure cash and checks are deposited as soon as possible to minimize the risk of fraud, misuse, or error.

*Management's response/corrective action plan: The Business Manager and Business Office Supervisor will meet with the middle school principal and secretary to review procedures for deposits and ensure that all deposits moving forward are deposited in a timely manner. Compliance will be monitored through internal auditing conducted by the Business Office Supervisor.*

**Grant Receivables**

During our testing of accounts receivable, we found that certain amounts related to the Community Development Block Grant (CDBG) and the Maine Department of Transportation (MDOT) construction contracts were not properly reported as receivables. Both the CDBG and MDOT contracts operate on a reimbursement basis whereby the City seeks payment from the applicable Federal or State agency only after work has been completed. At year-end, the amounts reported as receivable did not include eligible reimbursements for significant amounts of work that had been completed, but were unbilled as of June 30, 2019. As part of the audit, we discussed the work completed with the respective department heads and provided the City with adjusting journal entries to record these unbilled receivables. We recommend that the City implement procedures to identify and report these unbilled receivables, as they can be significant amounts based on the nature of the work completed.

*Management's response/corrective action plan: The Finance Department staff has met with the City Engineer (MDOT) and the CDBG Manager to go over information needed from them to make sure we record all receivables at year-end. This will be implemented in FY20.*

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

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**OTHER COMMENTS, CONTINUED**

***Person responsible for corrective action of School comments:***

*Adam Hanson, Business Manager, 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.*