

December 14, 2015

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, 2015, 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 14, 2015 on the financial statements of the City of Auburn, Maine.

The City of Auburn, Maine's responses to the other comments identified in our audit are described in the accompanying schedule of comments and responses. The City of Auburn, Maine's responses were not subject 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, 2015**

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**OTHER COMMENTS**

**Segregation of Duties - Recreation**

During our testing of Recreation Department cash receipts, we found a lack of segregation of duties in the receiving, depositing, and recording of cash receipts. To provide effective control, it would be necessary to separate these duties. At the present time, the cashier's duties include all of these functions to some degree. The City's management has informed us that it would not be practicable to separate each of these duties. We advise the City to at least implement some controls over cash receipts, such as preparing a list of remittances received at the time mail is opened; using prenumbered receipts; and reconciling cash registers to the register tape; all done by an employee other than the employee preparing the deposit.

*Management's response/corrective action plan: This will be implemented in FY 16 year.*

**Tax Increment Financing District Agreements**

During our review of the City's Tax Increment Financing (TIF) agreements, we noted that most amounts recorded in the TIF fund only account for the debt service or credit enhancement agreement portion of the TIF's. The remaining captured amounts, to be spent by the City on specific items (depending on the TIF) are recorded and spent in the General Fund. In order to ensure compliance with the City's TIF agreements, we recommend that the entire captured amount be transferred to the TIF fund and expended from that fund in its entirety. Additionally, we noted that there are five TIF funds with deficit fund balances. We recommend the City review all TIF funds and determine if future captured amounts will cover the deficits or if alternative revenues, such as transfers from the General Fund, will be needed to cover the deficits.

*Management's response/corrective action plan: The Finance Director will review all TIFs and make any corrections needed to correct any deficit balances. During the FY 17 budget process, the City will correct the way the TIF dollars are budgeted and accounted for to comply with the auditors recommendations.*

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

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**OTHER COMMENTS, CONTINUED**

**Highway Planning and Construction Drawdowns**

During our testing of the Highway Planning and Construction grants, we determined that drawdowns are not completed in a timely manner. To avoid the use of General Fund cash for extended periods of time, it is an important aspect of cash management to recover expended funds in a timely manner. We recommend that drawdowns be completed monthly, or as expended, to ensure expended funds are replenished in a timely manner. We also noted that multiple individuals are completing reimbursement requests with minimal communication. This practice could lead to the City erroneously being over-reimbursed. We recommend one employee be designated as responsible for Highway Planning and Construction grant reimbursements. Finally, we noted that revenue is recorded only after receipt of the reimbursement. As such, the City may have difficulty tracking outstanding reimbursements. We suggest recognizing an accounts receivable in the accounting system once the reimbursement has been submitted to the State.

*Management's response/corrective action plan: Immediately after this was brought to our attention, we met with the City Engineer to discuss this. The Engineer must sign off on all drawdowns. The drawdowns are prepared by the Finance Department, signed off by the City Engineer and returned to Finance to send to DOT. We are currently recording these as accounts receivable when the drawdowns are completed and mailed out to the State.*

**Use of Department of Education's Employer Identification Number**

During the current year, several cash accounts with the Department of Education's Employer Identification Number have come to light through inquiry of local banks. These accounts (held by PTO's or similar organizations) were previously unknown to School officials and their activity has not been included in the School's accounting records. These accounts should come under the control of the Department of Education, including oversight of account activity and bank statement reconciliation. If the account is to be controlled by the various groups, the groups should apply for their own employer identification numbers and the account's activity should be excluded from the Department of Education's accounting records.

*Management's response/corrective action plan: Per our discussion with the auditors, and upon knowledge that the use of the Department of Education's Employer Identification Number was used through a local bank account by one of the School's PTO, we did meet with the PTO officers. The PTO officers were made aware of the importance for their organization to secure its own Tax ID Number and to open a savings/checking account under the newly recognized Tax ID Number. The PTO officers agreed that they will close out the old bank account and establish a new checking/savings account without the use of the Department of Education's Employer Identification Number. We expect this to occur within the next several months.*

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

*Denise Johnson, 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.*