

August 29, 2023

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, 2022, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider item 2022-001 identified in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we became aware of several other matters that are opportunities for strengthening internal controls and operating efficiency. These items have been included in the attached schedule of findings and questioned costs as "Other Comments".

The City of Auburn, Maine's responses to the findings and comments identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 findings and comments during our next audit engagement. We have already discussed these findings and 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 the City Council, School Committee, Audit Committee and management of the City of Auburn, Maine, 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, reading "Raymond Kuster Ouellette". The signature is written in a cursive style with a large initial 'R' and 'O'.

CITY OF AUBURN, MAINE
Schedule of Findings and Questioned Costs
June 30, 2022

MATERIAL WEAKNESS

2022-001 Grant Account Reconciliations

Criteria: The City and School Department utilize many different sources of funding to provide services to citizens. Funding from Federal or State sources generally include restrictions and regulations that determine the specific manner in which funds must be expended. Proper segregation, tracking, and management of these funds is essential to demonstrate compliance with all rules and regulations and to ensure funds are properly utilized and accurately reported.

Condition: Significant audit adjustments were necessary to reconcile grant funds to subsidiary ledgers.

Cause: The City and School Department utilize several different systems to administer and track grant funds. The City's Munis accounting system is utilized for most financial information, Profund is used to track school financial information, the Mortgage Office software is utilized to track outstanding loans, Maine Department of Transportation (MDOT) projects are tracked in Microsoft Excel, and the U.S. Department of Housing and Urban Development IDIS system is used to track certain CDBG and HOME grant project achievements. As such, information must be entered and logged on different systems and must be coordinated with several different personnel. The coordination of reporting and data tracking was impeded during the year due to staff turnover.

Effect: Maintaining continuity of information on different systems is burdensome and can lead to inaccuracies and improper use of funds.

Recommendation: All information entered into Munis, Profund, the Mortgage Office software, Microsoft Excel, and IDIS should be reconciled monthly to ensure that financial information and data is consistent across all platforms. Quarterly and year-end financial reporting should be prepared and reconciled to the Munis accounting system and supporting documentation should be maintained on file according to the City's document retention policies. Additionally, daily routines and procedures should be established to ensure coordination between key City and School Department personnel so that all grant requirements and data are communicated and understood.

Questioned Costs: None

Management's response/corrective action plan: *During FY23, we have been putting into place processes to make sure that these things are happening on a regular basis. We will continue to monitor until all processes comply with recommendations.*

CITY OF AUBURN, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2022

OTHER COMMENTS

City Accounting Software to School Accounting Software Reconciliation

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.

For the year ended June 30, 2022, balance sheet, revenue, and expenditure accounts on the School Department's accounting system did not fully reconcile with the balance sheet, revenue, and expenditure accounts on the City's accounting system.

We recommend that the reconciliation between the City and School Department accounting systems continue to 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. It is also crucial that the School Department's activity is appropriately classified on the City's books.

Management's response/corrective action plan: The Assistant Business Manager of the School Department and the Finance Director have been meeting on a monthly basis to go over reconciliations and correct any errors that are found. We will continue until the process is perfect.

School Lunch Cash Receipts

Our testing over the school lunch cash receipts collections revealed certain weaknesses in the process. Specifically, certain online transactions included a processing fee which was not properly segregated from the receipts and reported as an expenditure. Additionally, we found certain cash collections were not deposited in a timely manner. Finally, we noted that there is no review of cash collection as each cashier summarizes and reconciles their own till and prepares their own bank deposit. These deficiencies in internal control increase the risk of error or fraud in the school lunch cash receipts process. We recommend that management implement a secondary review for school lunch cash receipts to ensure amounts collected are accurate, properly reported, and deposited in a timely manner.

Management's response/corrective action plan: During FY 2023 the School Department began segregating online processing fees as miscellaneous expenditures, and changed responsibility for timely deposits to the Nutrition Director, with a monthly reconciliation of those deposits to the bank statement by the Assistant Business Manager.

Beginning with the 2023-2024 school year, each day each Kitchen Assistant will count their cash drawer and compare it with the cash sales report generated by the point-of-sale software. The Kitchen Manager will then verify the cash count, reconcile it to the cash sales report, initial the report, and note any discrepancies to the Nutrition Director.

CITY OF AUBURN, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2022

OTHER COMMENTS, CONTINUED

Accrued Payroll Procedures

As part of routine audit procedures, we examined the accrued payroll at the Auburn School Department. Our testing revealed the accrued payroll was incomplete as it did not include hourly wages earned before year end. All salaries and wages earned prior to year-end are subject to accrual. The School Department should implement procedures and utilize the accounting software to identify all employees eligible for accrued pay at year end to ensure that the liability is properly reported and complete.

Management's response/corrective action plan: This item has already been addressed. During the process of closing FY 2022, an erroneous assumption was made about the settings in the School Department's Profund software system for accruing salaries. This was a result of staff turnover after a five-month vacancy in the School Department's primary accounting position. Profund settings have since been corrected to automatically accrue salaries as appropriate for the FY 2023 fiscal year.

Person responsible for corrective action of School comments:

*Mark Conrad, 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.