

March 21, 2022

To: City of Bangor Finance Committee, acting as Audit Committee
Debbie Laurie, City Manager and David Little, Deputy Finance Director, City of Bangor, Maine
Gerald Hayman Jr., Director of Business Services, Bangor School Department

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine (the City) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Bangor, 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 Bangor, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bangor, 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 other matters that are opportunities for strengthening internal controls and operating efficiency. The attached schedule summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 21, 2022 on the financial statements.

The City of Bangor's responses to the comments identified in our audit are described in the accompanying schedule of comments and responses. The City of Bangor'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.

City of Bangor Finance Committee, acting as Audit Committee
Debbie Laurie, City Manager and David Little, Deputy Finance Director, City of Bangor, Maine
Gerald Hayman Jr., Director of Business Services, Bangor School Department

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

This communication is intended solely for the information and use of management of the City and School Department, the City Council and School Committee, and others within the City of Bangor, Maine, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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 BANGOR, MAINE
Schedule of Comments and Responses
June 30, 2021

OTHER COMMENTS

Segregation of Duties (repeat)

Treasurer's Office

In the Treasurer's Office, mail receipts are opened and processed in certain circumstances by the same individual. Ideal segregation of duties provides for separation of functions by different individuals and, therefore, would have mail receipts opened by an employee different from the person processing the receipts. This practice provides for verification of receipts processed and prevents receipts from being diverted for unauthorized purposes. We recommend that the City consider establishing a system requiring that a person different from the employee opening the mail process all mail receipts.

Code Enforcement

In Code Enforcement, the same individual that receives payments also reconciles cash received to permits issued. Ideal segregation of duties provides for separation of functions by different individuals and, therefore, would have payments received by an employee other than the employee reconciling such receipts. This practice would provide for verification of permits issued and prevents receipts from being diverted for unauthorized purposes.

Assessor's Office

In the Assessor's Office, any employee may accept payment and any employee may perform a reconciliation of such receipts. Furthermore, cash-outs occur once a week and all employees in the office have access to the cash box. Ideal segregation of duties provides for separation of functions by different individuals and, therefore, would have payments received by an employee other than the employee performing reconciliations. We also recommend that access to the cash box be restricted to one individual who has sole responsibility for its safeguard and cash outs be performed daily.

Police Department

In the Police Department, any one of three employees may accept payments and process the payments on the cash register. In addition, the same employee who opens the mail also processes payments for parking tickets and cashes out the register at the end of the day. Ideal segregation of duties provides for separation of functions by different individuals and, therefore, would have payments received by an employee other than the employee responsible for daily cash outs. We also recommend that access to the register be restricted to one individual who has sole responsibility for its safeguard.

Public Works

In the Public Works Department, the employee who has custody of the materials inventory is the same employee who updates the software for inventory usage. To improve internal controls over inventory, an employee who does not have physical access to the inventory should update the software counts.

Management's response/corrective action plan: Total segregation of duties is very difficult to achieve within our current operating environment. Where appropriate and able, compensating controls are put into place to minimize risk.

CITY OF BANGOR, MAINE
Schedule of Comments and Responses, Continued
June 30, 2021

OTHER COMMENTS, CONTINUED

Bank Reconciliations

During our testing of cash accounts, we identified two bank accounts for which the balances on the trial balance did not agree with the bank statements. On further inquiry, we determined there were bank transfers that had been posted to those accounts even though the transfers did not take place until the following month. In addition, City staff did not prepare reconciliations at year end for those accounts to document the differences. In order to improve controls over cash accounts, reconciliations should be done for all accounts with outstanding items. In addition, the City should post cash transfers in the same period that the transfers occur or ensure transfers are done before year end.

Management's response/corrective action plan: These were new accounts established to segregate funds for school debt service sinking fund and ARPA funds. The debt service sinking fund is an internal transfer of funds only. The ARPA account was established to segregate the one receipt of funds in FY 2021. No activity regularly occurs within either account that isn't initiated by City staff. A department staff person has been assigned the task of ensuring a reconciliation of each account is prepared.

Treasury Cash Receipts

As part of our testing of Treasury cash receipts, we judgmentally selected forty daily cash sheets to test. Of the forty selected for testing, thirty-one sheets were signed by someone other than the clerk who collected the funds. According to the City's cash receipts policy, the sheets are to be signed by the clerk that collected the funds during the day.

Management's response/corrective action plan: Due to severe staffing issues, cash sheets were at times reconciled by other available staff. The staff member doing the reconciliation signs the cash sheet and indicates the initials of the clerk who originally collected the funds. The policy will be modified to for this possibility.

Public Works Inventory

During our testing of Public Works materials inventory, we identified eleven items for which the test counts were different than the original counts, in some instances by as many as twenty units. In addition, during our testing, we identified several items on the inventory list that management had identified as obsolete and that should have been removed from the inventory list. Although the total variance for these items was not material to the total inventory balance, the number of differences was significant. We recommend that the Public Works department review its entire list to remove all obsolete items before year-end counts. In addition, inventory items should be carefully labeled and counted to ensure accurate year-end counts.

Management's response/corrective action plan: Staff removed obsolete inventory and will establish a procedure to review and remove obsolete inventory on an annual basis. The Department is looking into asset management software and plan to perform random monthly counts and full inventory counts twice a year.

CITY OF BANGOR, MAINE
Schedule of Comments and Responses, Continued
June 30, 2021

OTHER COMMENTS, CONTINUED

Parking Cash Receipts

As part of our testing of parking cash receipts, we discussed updated procedures with City staff. We determined that the company that runs the parking lots for the City sends remittances of online collections for parking tickets and monthly parking passes without information as to how much was collected, when the amounts were collected, and how much was owed to the City, if anything. We recommend that City Staff follow up with the company to obtain additional information, such as monthly collections, to ensure that all of the amounts collected and owed to the city are being remitted. In addition, the City should assign responsibility to an individual to reconcile the information to the payments remitted.

Management's response/corrective action plan: Staff will review and develop procedures to reconcile all parking receipts to ensure they are accounted for and posted.

School Department Cash Receipts

During our testing of School Department cash receipts, we judgmentally selected forty receipts to test. Of the forty receipts selected, twenty were deposited more than ten days after the amounts were received. Sixteen of those receipts were deposited between fourteen and sixty-four days after the original funds were received. Although most of these amounts were received as checks, there were some that were actual cash receipts. We recommend that deposits be performed at least once a week or more often, depending on the amount of payments received.

Management's response/corrective action plan: In the world of "Covid", delivery of the mail was delayed on many occasions. It has always been our position to be as timely as possible when it comes to doing deposits and feel that we have made extra effort over the last year to do so. However, so that we are aware how long we have held on to money that we receive, we are going to date stamp the checks when they are received and review them to determine if additional action is needed, such as a creation of a new account or a potential invoicing that may need to done. With this step we will made more aware of how long the checks have been held before deposit, and it will also help us to be more proactive in seeing that the deposits stay timelier.

School Department Payroll

During our testing of School Department payroll procedures, we judgmentally selected forty employees to test. Of those forty employees, we identified one employee who was paid the incorrect pay rate based on the incorrect number of years of experience. We also identified two employees that had the incorrect amount of health insurance withheld, and three employees that had the incorrect amount of health insurance recognized for the employer portion. The School Department should consider reviewing its procedures to ensure the correct amounts for health insurance are calculated and entered. In addition, pay rates should be verified after they are entered.

Management's response/corrective action plan: Due to staffing, it is quite often difficult to have a second pair of eyes on the work done by staff. An effort will be made to design a report to compare the documentation received from the Superintendent's office to what is keyed into the payroll system. In regards to health insurance a monthly reconciliation process will be implemented in order to match the invoicing received to our deduction structure for accuracy.

CITY OF BANGOR, MAINE
Schedule of Comments and Responses, Continued
June 30, 2021

OTHER COMMENTS, CONTINUED

High School Activity Fund Cash Receipts

As part of our tests of internal controls over the high school activity funds, we judgmentally selected seven cash receipts. Of those seven receipts, four of those amounts were deposited fifteen or more days after they were originally received. In order to improve internal controls over cash receipts, the School Department should remind personnel of the existing policies and procedures related to activity funds, which call for amounts to be deposited on a weekly basis.

Management's response/corrective action plan: Staff will be notified that they will be responsible for timely deposits. Date stamping of monies received will be implemented so that we will be certain to complete the deposits more regularly.

SNAP ED Grant

During our testing of a supplemental nutrition grant, we noted that the closeout report for the grant that ended on September 30, 2020 was filed in November, even though the report was due by October 31, 2020. The City should ensure that all reports required for grants are filed by the required filing date.

Management's response/corrective action plan: The SNAP ED grant process involves a third party providing the closeout report to staff for verification and signature. The closeout report in this situation was not received from the third party until November 6, 2020 although all invoices from the City were reported on time. Staff found some discrepancies which were corrected and the final approved report was signed on 11/12/20. Staff will continue to ensure that all items are reported on time to the third party but staffing levels and delays at the third party are beyond the City's control.