

December 21, 2018

To: City of Bangor Finance Committee, acting as Audit Committee
Debbie Cyr, Finance Director, City of Bangor, Maine
Alan Kochis, 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, 2018, 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 December 21, 2018 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 Cyr, Finance Director, City of Bangor, Maine
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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 "Remy Kristen 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, 2018

OTHER COMMENTS

Segregation of Duties

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.

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OTHER COMMENTS, CONTINUED

Public Works and Airport Ground Service Equipment Inventory

During our review of the year-end inventory counts for public works and GSE, we noted several instances in which inventory items were miscounted. In addition, we noted certain non-inventory items that were stored with inventory items but were not identified as non-inventory items. This practice prevents the inventory counts from accurately capturing inventory items and can cause the inventory balance to be misstated. It is our recommendation that when the year-end inventory counts are being performed, the counts should be confirmed by a second staff member. We also recommend all non-inventory items that are identical to inventory items be properly identified or segregated to ensure accurate counts.

Management's response/corrective action plan: All non-inventory items will be either labeled as such or physically segregated to ensure accurate counts, and physical counts shall be counted by at least two staff members.

Third Party Bus Ticket Sales

During our testing of third party bus ticket and monthly pass sales, we noted the following:

- There were no written controls or procedures related to third party sales.
- There was very little consistency with how receipts were processed.
- All receipts from third-party ticket and pass sales were held until the end of the month before being deposited.
- There was no documentation of when tickets and passes are delivered to the vendors.

We recommend the following to improve controls:

- Establishing a written policy to ensure there are defined controls over the receipts process.
- Using a form that indicates the amount of money collected, the date, and having the receipt signed by the vendor and the Community Connector employee.
- Documenting when employees deliver new tickets and passes each month, they indicate on the delivery slip what inventory was returned to the vendor, and have the employee and vendor sign and date the delivery slip.
- Depositing sale receipts from third-party vendors once a week to reduce the risks associated with excess cash on hand.

Management's response/corrective action plan: Staff has developed a written policy, which outlines the process to be employed for third party bus ticket sales. The policy addresses the timing of the work as well as deposits and incorporates a form. The form includes information about tickets delivered and returned as well as funds received, which is to be signed by both the third party seller and staff.

Activity Fund Cash Disbursements

During our testing of activity fund cash disbursements, we identified multiple checks that were issued to Walmart and Hannaford that were issued as blank checks. When blank checks are issued, the risk of fraud and improper use of funds increases significantly. For this reason, we recommend that the student activity accounts not issue blank checks and instead reimburse for such expenditures.

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Management's response/corrective action plan: This practice has been addressed with the principal of the school in question and no further violations should occur.