

June 30, 2025

To: City of Bangor Finance Committee, acting as Audit Committee  
and School Committee, City of Bangor, Maine

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, 2024, 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.

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 in the Schedule of Comments and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. A significant deficiency is a deficiency, or a 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 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 June 30, 2025 on the financial statements.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Bangor's responses to the findings and comments identified in our audit described in the accompanying schedule of comments and responses. The City of Bangor's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

City of Bangor  
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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 cursive script, reading "Remya Hudson Ouellette". The signature is written in black ink and is positioned below the text "Very truly yours,".

**CITY OF BANGOR, MAINE**  
**Schedule of Comments and Responses**  
**June 30, 2024**

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**MATERIAL WEAKNESS**

**2024-001 – Cash Account Reconciliations**

Criteria: To ensure cash balances are correctly reported and to deter errors or fraud, the City should complete monthly bank reconciliations in a timely manner, and ensure the reconciling items are accurate based on their timing.

Condition: During the audit, we determined several July 2024 wire transfers totaling over \$1.5 million were improperly included as outstanding checks in the June 2024 reconciliation, and deposits in transit of over \$700k were improperly excluded from the reconciliation. In addition, the bank reconciliations for the pooled cash accounts were not completed for several months after fiscal year-end.

Cause: The City experienced a staff shortage, which has put them behind on bank reconciliations.

Effect: The June 2024 bank reconciliation was not completed until January 2025.

Recommendation: The City should perform monthly bank reconciliations in a timely manner to reduce the risk of fraud or errors going undetected.

Management's Response/Corrective Action Plan: *The City continued to have staffing issues with regards to the departments that handle the cash receipting, mailed payments, and reconciliations. Cash-ups and reconciliations were subsequently impacted as the primary focus was maintaining service to the public. Processing remained delayed as new staff were being trained. During the City's Fiscal Year 2025, employee retention continues to be an issue and current staff utilizes overtime to become current on the processing and depositing of payments and reconciliations.*

*The City School Department operates on a separate financial system than the City and during FY24 the City and School continued to work on developing procedures for posting School transactions to the City system. Both City and School staff understand the need for timely reconciliations and are addressing and modifying procedures to ensure such issues do not occur in the future.*

**SIGNIFICANT DEFICIENCY**

**2024-002 – Material Audit Adjustments and Financial Statement Preparation**

Criteria: Fundamental to proper financial reporting is the routine analysis of accounts and reconciliation of balances to underlying documentation. Such analysis and reconciliation aids in identifying errors and irregularities so they can be corrected in a timely manner.

Condition: During the audit, we identified several material audit adjustments required to correct year-end balances.

Cause: Due to staff shortages, the Finance Department has had less time to review year end balances, reconcile amounts to supporting documentation, and prepare required adjusting entries.

**CITY OF BANGOR, MAINE**  
**Schedule of Comments and Responses, Continued**  
**June 30, 2024**

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**SIGNIFICANT DEFICIENCY, Continued**

Effect: The adjusting entries resulted in several changes to the financial statements, which further delayed the audit. In addition, the risk of a material misstatement going undetected and corrected was increased.

Recommendation: The City should prioritize audit sections that are more complex and require more reconciliation to ensure there is sufficient time to review and adjust year end balances.

Management's response/corrective action plan: *The City continued to have staffing issues and utilized overtime to become current on routine activities. For FY25, current staff will continue to utilize overtime while attempting to fill vacancies and train new staff.*

**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 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 prevent 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.

**CITY OF BANGOR, MAINE**  
**Schedule of Comments and Responses, Continued**  
**June 30, 2024**

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**OTHER COMMENTS, Continued**

***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 within the City's current operating structure would be difficult without adding additional staff, however, typical day to day needs do not always justify such a solution. As such, to minimize risk, other compensating controls are put into place whenever possible. The City anticipates that the combining of the Treasury and Clerk's office will provide the ability to segregate the duties within those areas which of the above Departments, would represent the largest processor of received payments.*

**Airport GSE Shop Inventory Discrepancies**

During our testing of the GSE Inventory counts done near year end, we identified two items on the inventory counts that had discrepancies. Of those items, one was due to a miscalculation but was corrected on the final inventory count. The other item, however, agreed at the time of the count but not on the final inventory list. Although the item is immaterial to the overall airport inventory, care should be taken to ensure that the final counts agree with those counts taken at year end. The potential is that miscounts could materially misstate the inventory balance.

*Management's response/corrective action plan: Management and staff will be cautioned to take more care in tracking inventory and to perform another inventory count closer to year end to ensure accuracy.*

**Motor Pool Inventory Count Discrepancies**

During our testing of the motor pool inventory counts done near year end, we identified three items on the inventory counts that had discrepancies. Although the items agreed at the time of the count, the items did not agree with the final inventory list obtained after year end. In addition, we identified two items in the counts that had amounts that were switched on the final inventory list. Although the discrepancies are immaterial to the overall General Fund, care should be taken to ensure that the final counts agree with those counts taken at year end. The potential is that miscounts could materially misstate the inventory balance.

*Management's response/corrective action plan: Management and staff will be cautioned to take more care in tracking inventory and that inventory must be adjusted to reflect any incoming or outgoing items if inventory counts are performed before year end due to scheduling or staffing.*

CITY OF BANGOR, MAINE  
Schedule of Comments and Responses, Continued  
June 30, 2024

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**OTHER COMMENTS, Continued**

**Cross Insurance Center (CIC) Cash Receipts**

According to the CIC policies, the Administration receives all cash receipts and enters them into a cash log, Administration signs off on the cash log packet that they have prepared, and they send it to the Finance Director for processing and check deposit. After the check deposits are made by the Finance Director, the deposit detail report, check log, deposited checks, and cash are given to the staff accountant. After the Staff Accountant verifies the amount of cash to be deposited is correct, the Staff Accountant and Finance Director sign off. At the end of the month, when the bank reconciliation is prepared by the staff accountant, it is sent to the Finance Director and General Manager to review and approve. For FY 2024, the Administration position was not filled and instead of designating someone to temporarily perform the administrative duties of logging the cash receipts, the Finance Director performed those duties while still reviewing the cash log that they prepared themselves. As the Staff Accountant position had high turnover, the Finance Director also completed the deposits and the bank reconciliation and then signed the reconciliation for approval. The bank reconciliations show no General Manager approval. In order to reduce the risks of fraud, errors, or omissions, more than one employee should be involved in the cash receipts process.

*Management's response/corrective action plan: Management will review current policy and procedures regarding Cash Receipts. A separate designated person will be found to take care of the deposits in cases where the Director of Finance is unable to handle when required.*

**Cross Insurance Center Payroll Forms**

During our audit, we tested the payroll disbursement procedures for the Cross Insurance Center. Of the 35 employees tested, 11 were missing payroll action forms and one employee's personnel file contained a payroll action form, but it was not approved. The Cross Insurance Center currently uses payroll action forms to document new hires and changes in pay rates and those forms were missing for these employees.

*Management's response/corrective action plan: Management will review current policies and procedures regarding payroll changes and will make sure that any payroll action change will be initiated only after a complete Personnel Action Form is completed. Mass payroll changes, such as payrate increases, will follow the same approval procedures as individual changes.*

**Cross Insurance Center Promotor Reserve**

Management of the Cross Insurance Center is utilizing a Promotor's Reserve within Fund Balance to set aside revenues from over-performing productions to fund under-performing productions. The fund is meant to reduce the number of under-performing productions in order to attract promotors. The practice results in misleading financial results because operating revenues and expenses, reported on a monthly basis, are changed to appear more profitable.

*Management's response/corrective action plan: Per auditor's recommendations, this practice has been discontinued and actual revenue numbers are posted for each event.*

**Cross Insurance Center Box Office Receipts**

Currently, bank statements are not approved by a second individual after the Finance Director prepares them. Segregation of duties are lacking due to vacant positions in the Finance Department. We recommend the General Manager review bank reconciliations until a Staff Accountant can be hired.

*Management's response/corrective action plan: General Manager will review and sign off on bank reconciliations until proper staffing is achieved.*