

December 21, 2015

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, 2015, 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 matters that are opportunities for strengthening internal controls and operating efficiency. They have been identified on the attached schedule as "Other Comments".

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  
December 21, 2015

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 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 that reads "Raymond Kurten Ouellette".

CITY OF BANGOR, MAINE  
Schedule of Comments  
June 30, 2015

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**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.*

**OTHER COMMENTS, CONTINUED**

**Cross Insurance Center**

***Cash Disbursements***

During our testing of cash disbursements, we noted several instances in which documentation for disbursements was not approved by a department manager and not coded. We recommend that the Center reinforce its policy that all disbursements be supported by sufficient documentation that has been approved by a department manager and coded appropriately.

*Management's response/corrective action plan:*

*Management will ensure that Global Spectrum's cash disbursement policies and procedures are followed, including that which states that all disbursements be supported by sufficient documentation that has been approved by a department manager and coded appropriately. No disbursement will be issued without the appropriate documentation and manager approval, except in the following circumstances; the general manager's signature on event settlements relates to all associated disbursements listed therein, recurring monthly utility, sales tax, processing fees do not require additional approval nor do premiums and stipends tied to contracts or offerings related to the operation of the Bangor State Fair.*

***Inventory***

During our testing of inventory counts at the Cross Insurance Center, we noted several counts that were different than those recently counted by the catering staff. On further inquiry, we determined that inventory that was counted in certain locations had been moved to other locations after the counts had been done. In another instance, there was a meat count that the chef had not actually counted, but had assumed that it had not changed from the prior count.

In order to improve inventory counts, we recommend that the Center implement controls to ensure that the items that were originally counted remain unchanged until the counts have been verified. If inventory is moved to another location, the items should either be moved before the counts are done or that inventory should be segregated in its new location and a count sheet with the original location should be attached so that it can be verified separately. In addition, only actual counts should be used to ensure the inventory valuation is as accurate as possible.

*Management's response/corrective action plan:*

*Building food and beverage inventory policies have been revised to account for item transfers between warehouse/freezer/dry storage/refrigerator locations to prep/serving locations. Warehouse and kitchen have both been organized with new labeling system to allow for more accurate and efficient counting. The facility finance department is now conducting random spot checks to verify food and beverage staff's accuracy of inventory.*

***Journal Entries***

During our review of the City's journal entries, we noted a few instances in which the journal entries were prepared and approved by the same individual. In order to improve internal controls over journal entries, we recommend that someone other than the individual preparing the journal entry, approve the entry.

*Management's response/corrective action plan:*

*Finance staff will no longer process journal entries that do not have a second individual's signature.*

**CITY OF BANGOR, MAINE**  
**Schedule of Comments, Continued**

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**OTHER COMMENTS, CONTINUED**

***Finance Committee Minutes***

During our review of the Finance Committee minutes, we noted several dates for which there were no minutes available. On further inquiry, we determined that there is a significant lag between when meetings occur and minutes are summarized; sometimes up to six months. We recommend that minutes be drafted and posted when approved in a more timely manner, so that the Committee has an official record of its decisions and the public is informed of those decisions.

*Management's response/corrective action plan:*

*The minutes are prepared immediately following the meetings, and a staff member is posting to the website on a regular schedule.*

***Airport Capital Assets***

During our review of the Excel workbook that is used to track airport capital assets, we discovered some errors in the depreciation expense calculations, some of which went back a couple of years. We gave the workbook back to management and they did a comprehensive review of the file and discovered even more errors going back several years. The result was that the City determined that accumulated depreciation for the Airport was materially misstated. We have noted that the workbook is complex, with over 25 tabs used to track capital assets and depreciation expense calculations for multiple years. The size of the workbook, combined with the fact that none of the cells are protected and that all of the calculations are manual leaves the file prone to error. In addition, the time involved to verify the workbook's calculations and maintain the file is very time consuming and cumbersome. We recommend that the City investigate ways to make the workbook less complicated. For example, instead of tracking additions by year of acquisition, the City could track them by type of asset, so that land will not be mixed in with other assets and erroneously depreciated. In addition, assets of similar useful lives can be grouped together so assets with shorter lives are not mixed in with assets with longer lives and erroneously over-depreciated. Another option would be to purchase software to track the airport's capital assets, which would save time and ensure that depreciation calculations were correct.

*Management's response/corrective action plan:*

*The Airport finance department has experienced significant turnover the last few years. Once staffing is stabilized, this issue will be addressed to more easily track and depreciate fixed assets.*

***Disaster Recovery Plan***

Currently the City does not have a formal contingency plan should a disaster disrupt City services. According to the GFOA's recommended best practices, "every government should formally establish written policies and procedures for minimizing disruptions resulting from failures in computers or other advanced technologies following a disaster. These written policies and procedures should be evaluated annually and updated periodically, no less than once every three years". Although the City currently backs up its data on a regular basis, more is needed to plan for a catastrophe, such as assigning responsibility to a disaster coordinator and establishing guidelines for procedures immediately following a disaster. The full text of GFOA's recommendation can be located on their website at [www.gfoa.org](http://www.gfoa.org).

*Management's response/corrective action plan:*

*The current disaster recovery plan for the City of Bangor's IT department will be updated, and hardware/software will be upgraded over the upcoming 6 - 12 months. With the transition to a new financial system in December of 2013, and the implementation of a new Document management system in the first quarter of 2016, a new updated policy will be critical to ensure the City of Bangor is protected against a disaster.*

**CITY OF BANGOR, MAINE**  
**Schedule of Comments, Continued**

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**OTHER COMMENTS, CONTINUED**

***Grant Payroll Costs***

During our testing of the Healthy Maine Partnership Grant, we judgmentally selected certain payroll transactions and obtained back up documentation for the amounts paid to employees. Of the eight transactions selected, two were missing time sheets. In order to improve internal controls over grant expenditures, including payroll costs, the grant administrators should ensure that all costs charged to the grant are sufficiently documented and approved.

*Management's response/corrective action plan:*

*In order to comply with the various grant requirements, the department has instituted a time tracking process to ensure adequate documentation exists as to hours worked by area.*