



February 4, 2021

To the City Council and School Committee
City of Biddeford, 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 Biddeford, Maine as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Biddeford, 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 Biddeford, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Biddeford, 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 City'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. They have been identified in the Schedule of Comments and Responses as "Other Comments".

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

The City of Biddeford Maine's responses to the other comments identified in our audit are described in the accompanying Schedule of Comments and Responses. The City of Biddeford, 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.

This communication is intended solely for the information and use of management, City Council, School Committee, and others within the City of Biddeford, 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 "Remya Keston Ouellette". The signature is written in a cursive style with a large initial 'R'.

CITY OF BIDDEFORD, MAINE
Schedule of Comments and Responses
June 30, 2020

OTHER COMMENTS

Authorized Bank Signer

A significant audit area for the City's annual audit is cash and cash equivalents. One of the key audit steps in auditing this area is performing third party confirmations with banks. During fiscal year 2020, management was unable to accurately determine the authorized account signer on certain bank accounts in the City's name. When this occurs, we are unable to receive confirmation of bank account information, which increases the risk of material misstatement. Additionally, this greatly reduces audit efficiency and causes extra resources to be dedicated to addressing these confirmations. We suggest that management prepare a spreadsheet with all bank accounts in the City's name accompanied by the authorized signer. This spreadsheet should be updated and provided to the auditor annually.

Management response/corrective action plan: On March 13, the City's former Finance Director left the employment of the City. She was instructed to prepare all signatory paperwork before her last day. It was not done. As a result, some isolated accounts did not get changed over. The City has since created an internal list of all active bank accounts along with their respective account signatory. This list will be maintained/updated as needed.

TIF Valuation (City)

As part our tax increment financing (TIF) district testing, we review the original assessed value (OAV) that the assessor is using in the TIF calculation worksheet and confirm that the amount matches the most recent TIF agreement. During the current fiscal year, we discovered that management had miscalculated the OAV of the Lofts at Saco Falls by \$10,478. This results in a TIF commitment error of \$157, which is trivial, however, accurate assessing and reporting is imperative to TIF compliance. We suggest that management update the OAV for the Lofts at Saco Falls in the TIF calculation worksheet to avoid future commitment errors. Additionally, management needs to ensure that all information in the assessor's TIF calculation worksheet is reviewed for accuracy annually by a second individual.

Management response/corrective action plan: Over the last two years, the City has changed the process it uses to verify the accuracy of credit enhancement payments via the TIF program. An additional step will be added to the process to have either the Chief Operating Officer or City Manager sign off on the final review prior to any payments being made starting in 2021.

CITY OF BIDDEFORD, MAINE
Schedule of Comments and Responses, Continued
June 30, 2020

City Payroll

As part of our control testing for the payroll process, we ensure that management is paying employees based on their approved pay rates, which are documented in their personnel files. In fiscal year 2020, we discovered that thirty-one out of the forty employees tested, did not have individual pay rate sheets in their personnel files. This creates an issue where their personnel files are incomplete, however a master pay rate sheet is maintained that documented approved 2020 pay rates. Additionally, we found two employees that were being charged incorrectly for MainePERS based on their applicable plan election. We suggest that management implement a procedure where employee files are reviewed annually to ensure documentation for pay rates, as well as other critical employee information, is complete and accurate. Additionally, retirement contribution errors need to be investigated and corrected in the month that they occur.

Management response/corrective action plan: Human resources did not create the individual pay changes sheets for the non-union merit increases. This was an oversight because of a misunderstanding in directions that authorized the adjustments. It will not be repeated.

City Credit Card

During our testing of the City's credit card disbursement process, we found that in five of the forty transactions tested, supporting receipts for purchases were not retained. Additionally, in twenty-one transactions, the business purpose was not documented on the supporting receipt. When receipts are not turned in and a transaction's business purpose is not documented regularly, the risk of credit card abuse is increased. We suggest that management designate someone in the Finance Department to reconcile each month's credit card charges and agree them with supporting receipts. Management should also discuss with credit card holders the importance of business purpose documentation and ensure this is provided on each receipt moving forward.

Management response/corrective action plan: Starting in 2021, a person is being assigned to reconcile all credit card transactions within the Finance Department. All transactions that were flagged by the audited have resulted in corrective action. Any future and continuous disregard of the credit card policies will result in further corrective action.

Estimated date of corrective action:

Corrective action will take place within the next year.

Persons responsible for corrective action:

Allison Garrison, City Finance Director (207-284-9333)

Terry Gauvin, School Business Manager (207-282-8281)