

December 22, 2020

To the Management of the City of Augusta,
Maine and Augusta School Department:

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 Augusta, 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 Augusta, 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 Augusta, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Augusta, 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 Augusta, 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, as well as the Audit Committee, and we will be pleased to discuss it in further detail at your convenience, to perform any additional studies of these matters, or to assist you in implementing the recommendations.

The City of Augusta, Maine's responses to the other comments identified in our audit are described in the accompanying Schedule of Comments and Responses. The City of Augusta, 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, the Audit Committee, and others within the City of Augusta, 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 that reads "Ryan Keston Ouellette". The signature is written in a cursive style with a large initial 'R' and 'O'.

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

OTHER COMMENTS

Central Garage Inventory

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

Statement of Condition: The central garage maintains a detailed inventory of all parts and supplies on hand with values per item. The value of the inventory held at the central garage varied from the amount recorded in the accounting system as of June 30, 2020.

Cause: A reconciliation between the inventory listing and the amount recorded in the accounting system was not done as of June 30, 2020.

Effect: The inventory recorded in the accounting system was understated at year end.

Recommendation: It is our recommendation that the inventory balance on the general ledger be reconciled on a monthly basis to ensure that the value of the inventory on hand reconciles with the amount reported in the accounting system.

Management response/corrective action plan: *The audit department will be requiring reports to be run with inventory balances to verify what was used to what was booked.*

Allowance for Uncollectable Accounts

Criteria: Accounting standards require the recording of an allowance for uncollectible and doubtful accounts receivable when there is sufficient doubt about the collectability of the receivables.

Statement of Condition: The City has many older accounts receivable balances where the collectability is doubtful, but are not included in the allowance for uncollectible accounts.

Cause: The City has not recorded an allowance for uncollectible accounts receivable for certain balances which have been outstanding for over 90 days.

Effect: The City's accounts receivable may be overstated due to the balance including amounts that are reasonably estimated as uncollectible. However, the amount in question is immaterial to the financial statements.

Recommendation: It is our recommendation that the City investigate the old outstanding accounts receivable balances and estimate their collectability. The City should record allowances for those balances that are deemed uncollectible or estimate a percentage of those old receivables that are considered uncollectible.

Management response/corrective action plan: *The fiscal year the City had a larger amount of unpaid general bills due to COVID-19. It was thought that once the companies reopened the City will receive payment. This City will, going forward, make sure that we send reminders with the phone calls that we do towards the end of each quarter.*

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

School Department Worker's Compensation Rates

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

Statement of Condition: The workers' compensation liability account appeared to be overstated at year end.

Cause: Management's estimated employer rate for workers' compensation in the payroll system was too high when compared with the actual rate that is being charged by the insurance provider.

Effect: The workers' compensation liability account in the accounting system was overstated at year end.

Recommendation: It is our recommendation that the workers' compensation liability account on the general ledger be reconciled on a monthly basis to ensure that the rates in the payroll system are correct.

Management response/corrective action plan: On December 2, 2020, on the recommendations of Maine Municipal (our Workers' Compensation insurer), the deduction rates for school employees were changed. The Professional/Clerical rate was changed from 0.58 % to 0.31% while the rate for Custodial/Food Service Workers was changed from 5.26% to 2.63%.

Estimated date of corrective action:

Corrective action will take place within the next year.

Persons responsible for corrective action:

Ralph St. Pierre, City Finance Director (207-626-2340)
Kathy Casparius, City Finance Director (207-626-2468)