

December 15, 2016

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, 2016, 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 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 of this section 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 several 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 Department personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

The City of Biddeford Maine's responses to the comments identified in our audit are described in the accompanying Schedule of Comments and Responses. The City of Biddeford, Maine's responses were not subject 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 organization, 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 "Raymond Weston 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, 2016

OTHER COMMENTS

School Nutrition Claim Forms

During our testing of the School Nutrition Program for federal compliance purposes, we noted errors between the internal count sheets and what was reported to the State through the October 2015 and March 2016 claim forms. These errors resulted in over-reporting 25 adult meals for October 2015 and 200 adult meals in March 2016. The over-reported adult meals did not result in additional federal subsidy, however we suggest management ensure that meal counts and claim forms be reviewed for accuracy prior to making submissions to the State.

Management response/corrective action plan:

The nutrition director and her assistant have created a document to more accurately keep track of those meals provided to the food service workers. A copy of this record will now be available to view in the packet of each schools record which we use to prepare the report.

Uniform Guidance

Recently, the Office of Management and Budget (OMB) revised regulations applicable to federally funded programs. The new regulations are contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance replaces OMB Circulars A-133, A-87, and A-110 and incorporates new requirements for grant recipients. The Uniform Guidance includes not only protocols for program management and administration, but also updates compliance regulations for federal awards. We recommend that the City and School Department become familiar with the requirements of the Uniform Guidance, and take the necessary steps to ensure full compliance with the guidance.

One of the more significant provisions of the Uniform Guidance that affects the City and School Department is the procurement standards under 2 CFR sections 200.318 through 200.326. Under the new procurement standards, the City and School Department are required to have a documented purchasing policy, which at a minimum, incorporates the provisions of the Uniform Guidance. Currently, the City and School Department do not have a formal written procurement policy that incorporates the provisions of the Uniform Guidance. We recommend that management review the applicable provisions of the Uniform Guidance and update the procurement policy appropriately. The OMB has provided a grace period for non-federal entities to comply with the new procurement provisions, after which time non-compliance will be considered a federal finding. The grace period applicable to the City and School Department expires on June 30, 2017.

Management response/corrective action plan:

We will review the applicable provisions of the Uniform Guidance and update our procurement policy as necessary and appropriate.

CITY OF BIDDEFORD, MAINE
Schedule of Comments and Responses, Continued
June 30, 2016

OTHER COMMENTS, CONTINUED

Old Outstanding Checks – Middle School Activity Fund

During our review of the student activity bank reconciliations for Middle School, we noted 30 small outstanding checks are being carried on monthly cash reconciliations. This causes additional time to be spent by personnel to reconcile the bank accounts each month. If any of these checks should ultimately be voided, the possibility of using these funds currently is eliminated. The State of Maine requires holders of unclaimed property, which includes any type of outstanding check, to identify the unclaimed property by listing them on a form supplied by the State and then trying to locate the owners of the unclaimed property. Attempts to locate owners should be done between July 1 and September 1. The State also provides an Owner Identification sample letter to use. On November 1, the holders are required to send the Holder Report Form along with the funds to the Office of the State Treasurer. Checks should be made payable to the Treasurer, State of Maine. We recommend that this process be completed as soon as possible so that checks can be removed from the bank reconciliation and the original transactions reversed.

Management's Response/corrective action plan:

Middle School Activity Fund - The secretary at the Middle School will be sending out letters for everyone that we have an outstanding check for that is more than six months old and try to clear this issue. In the future, she will be reviewing the list and sending out letters once they are six months old.

Fire and Police Departments Payroll

During our review of the controls surrounding the Fire and Police Departments' payroll systems, we discovered that authorization of employee time is not being documented. It has been customary for both the Fire and Police Departments to submit weekly timesheet summaries to the City's payroll department without the payroll supervisor's signature. By not signing off on the employees' timesheets, it is difficult to determine if the time has been properly reviewed and approved. We suggest that prior to submitting weekly time sheets, that the Fire and Police Department's payroll supervisor sign off on them to indicate that they have been reviewed and approved.

Management's Response/corrective action plan:

The Fire Department does not submit weekly timesheet summaries to the City's payroll department. Instead, the Fire Department processes its own payroll and stores the payroll documentation at the Fire Department.

The Fire Department has 4 shifts. Each day the Captain or Lieutenant fills out a Daily Attendance Sheet, which states the employees who are on duty and to which apparatus they are assigned. If they are out sick, on vacation, have taken a floating holiday or are working overtime, it is also noted on this Daily Attendance Sheet with the hours that they will be out. In addition, if an employee is out, the Captain or Lieutenant fills out a "blue paper" with the employees name, the date, the reason the person is out and how many hours they are out. If there is overtime, an overtime card will be filled out with the employees name, date, reason for overtime and how many hours they are here for. The overtime card is signed by the Captain or Lieutenant and forwarded to the Chief of the Fire Department, who also signs the overtime card. The Daily Attendance Sheet, the "blue papers" and the overtime cards are turned into the Chief at the end of each shift.

To indicate their review and approval, the Captain and Lieutenant have been instructed to sign the Daily Attendance Sheet and "blue paper" before those documents are turned into the Chief.

The Police Department also does not submit weekly timesheet summaries to the City payroll department. Instead, the Police Department processes its own payroll and stores the payroll documentation at the Fire Department. The Administrative Assistant maintains the payroll records and verifies hours work. She will start signing the weekly payroll records to indicate that they have been reviewed and approved.

CITY OF BIDDEFORD, MAINE
Schedule of Comments and Responses, Continued
June 30, 2016

OTHER COMMENTS, CONTINUED

Mission Hill TIF

During our review of Tax Incremental Financing (TIF) related expenditures, we discovered that the City erroneously reimbursed a tax payment to the developer of the Mission Hill TIF prior to the start of the TIF district. The Mission Hill TIF district will not begin until fiscal year 2017, at which point a Credit Enhancement Agreement (CEA) will require partial reimbursement of tax payments made by the developer of the TIF. As the TIF had not yet begun in fiscal year 2016, there was no amount due to the developer and reimbursement of tax payments should not have occurred. We suggest that management review all TIF agreements and CEAs prior to disbursing funds to ensure that the payments are for active TIFs and that payments accurately reflect agreements.

Management's Response/corrective action plan:

This does not impact the financial statements, as the tax payment was treated as a prepaid expense. Prior to disbursing any funds, the Finance Director will obtain the Economic Development Director's sign-off on each proposed disbursement to indicate that the Economic Development Director has reviewed the applicable Credit Enhancement Agreement and TIF Agreement, that the proposed disbursement of funds accurately reflects those agreements and is for an active TIF.

Moring Fees

During interviews with City personnel, it was disclosed that controls surrounding the mooring fee program could be strengthened. Currently, the City is not maintaining an accurate listing of delinquent mooring fee accounts and as a result, some mooring lessees are not being accurately billed. This error has caused some lessees to hold moorings for multiple summers without remitting payment. We recommend that they City's Harbor Masters review all current mooring agreements and prepare a listing, by mooring of the current lessee, annual fee, current payments, and balance to be paid. This listing should be reviewed and updated during the summer months to ensure that all mooring fees are being properly remitted to the City within a timely manner.

Management's Response/corrective action plan:

The City Clerk will continue to work with both Harbor Masters (and the Harbor Commission) to keep the mooring holders list up to date and ensure that fees are getting paid annually for all active moorings. Mooring waiting lists will continually be updated and provided to the Harbor Masters so that moorings may be issued as soon as one becomes available. The City Clerk has spoken with both Harbor Masters over the past couple of months, and both understand the importance of keeping the City's mooring records current and that if mooring fees are not paid, delinquent mooring holders will be dealt with by either hauling their moorings ashore, or by some other means acceptable to the Harbor Masters.