

October 2, 2019

To the Management of the Town of
Winslow, Maine and the Winslow
School Department:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Winslow, Maine as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Winslow, 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 Town of Winslow, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Winslow, 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency in the Town of Winslow, Maine's internal control, and presented in the Schedule of Comments and Responses attached to this letter, to be a significant deficiency.

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 attached schedule as "Other Comments".

The Town of Winslow, Maine's responses to the significant deficiency and other comments identified in our audit are described in the accompanying Schedule of Comments and Responses. The Town of Winslow, Maine's responses have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We wish to express our appreciation for the cooperation and assistance we received from the officials and employees of the Town of Winslow, 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 them with various Town 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 recommendations.

This communication is intended solely for the information and use of management, the School Board, the Town Council, and others within the Town of Winslow, Maine, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



TOWN OF WINSLOW, MAINE
Schedule of Comments and Responses
June 30, 2019

SIGNIFICANT DEFICIENCY

Preparation of Financial Statements

Criteria: Client personnel designated as having responsibility over the financial reporting process would need to have the knowledge of all the various financial statement disclosure requirements in addition to an understanding of fund financial statements and government-wide financial statements.

Statement of Condition: Auditing standards require external auditors to determine whether or not client personnel designated as having responsibility over the financial reporting process possess the expertise to identify all financial reporting matters in compliance with generally accepted accounting principles without the reliance on external auditors.

Cause: The Town does not employ an individual that possesses the expertise to prepare a complete set of financial statements that are in accordance with generally accepted accounting principles.

Effect: The Town is considered to have a control deficiency in the design of internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles, and as a result, we are required to report this as such in this letter.

Recommendation: From a practical standpoint, the costs of maintaining the expertise in-house to meet these requirements often exceed the benefit. As a result, it is common practice for governmental entities to rely on assistance from their auditing firm to assist in the preparation of the financial statements and the related disclosures. When the auditing firm prepares the financial statements, the Town must assign a competent management level individual to oversee this service. Additionally, management must review, approve, and accept responsibility for the financial statements and related notes.

Management's response/corrective action plan: *Regarding the noted significant deficiency pertaining to the preparation of financial statements, management for the Town of Winslow, Maine understands the current accounting standards. The cost of having an expert in-house to prepare the financial statements exceeds the benefits; therefore, we hire an outside audit firm to prepare our financial statements.*

TOWN OF WINSLOW, MAINE
Schedule of Comments and Responses, Continued

OTHER COMMENTS - TOWN

Segregation of Duties (repeat)

Segregation of duties involves the assignment of responsibilities in such a way that different employees handle different parts of the same transaction. Anyone who records transactions or has access to assets ordinarily is in a position to perpetrate errors or irregularities. Appropriate segregation of duties helps to detect errors in a timely manner and deter improper activities. For example, having an employee with no cash receipts or disbursements responsibility perform the bank reconciliation is considerably more effective in meeting the applicable specific internal accounting control objectives than having the reconciliation performed by an employee with such responsibility. Similarly, internal accounting control is enhanced when the employee who handles the accounting for an asset, such as cash, is denied access to the asset.

Because of the small size of the Town's accounting staff, ideal segregation of duties is not practical. We wish to inform you that certain functions, ideally performed by separate individuals, cannot be accomplished and therefore, internal accounting controls are not as strong as they might otherwise be. Examples of these incompatible duties include the Finance Director performing all of the following functions:

- Performing payroll functions
- Preparing and posting journal entries
- Maintaining the general ledger

The Town has implemented several mitigating controls that compensate for the segregation of duties issues. However, because of the limitations of the size of the Town's staff, we suggest that cautious review of financial transactions, such as a review of journal entries, continue to be performed by responsible officials. We also recommend that monthly financial reports continue to be reviewed in depth to identify possible financial fluctuations of an unusual nature.

Cash Reconciliation Process and Posting Dates of Checks and Payroll

During the audit process, we identified several areas of the cash reconciliation process that could be improved. While performing our year-end test work on cash, we noted when manual checks are issued, they are not entered into the accounting software until the next warrant. This may cause a timing difference between the bank statements and the accounting software if the check is not recorded in the same month that it clears the bank. We recommend that all manual checks be recorded in the accounting software as of the date they are issued. This will help eliminate timing difference that may complicate the cash reconciliation process. In addition, payroll cash transactions are recorded in the aggregate, instead of by individual cash transactions. This has caused complications and timing issues during the cash reconciliation process. We recommend recording all payroll transactions so they align with the cash transactions that occur on the bank statement. This will help eliminate unnecessary complications during the cash reconciliation process.

TOWN OF WINSLOW, MAINE
Schedule of Comments and Responses, Continued

OTHER COMMENTS – SCHOOL DEPARTMENT

Non-fiduciary Activity in Activity Funds

During our review of the Winslow High School activity fund cash disbursements, we identified several purchases for items that were not student activity in nature. The disbursements identified included payments for math books and a portable air conditioner. These purchases should be paid for out of the School Department's general fund and not out of the student activity funds. Beginning in fiscal year 2020, the School Department will have to adopt Governmental Accounting Standards Board Standard (GASB Statement) No. 84, *Fiduciary Activities* which defines what types of activities are considered fiduciary. This statement will reduce the amount of activity that is allowable through these funds. It is our recommendation that the School Department ensure all future disbursements in the student activity accounts are student related.

Management's response/corrective action plan: We will more closely monitor expenses within the student activity accounts to ensure proper use of these funds.

Activity Fund Cash Receipts

While reviewing the cash receipts for Winslow Elementary School and Winslow Jr. High School activity funds, we noted several receipts selected for testing that were not deposited in the bank in a timely manner. Although the School Department does not have a specific policy for deposit timing, we recommend that all receipts be deposited within a week (sooner if possible) of the actual receipt of those funds. This will ensure that all funds collected are properly deposited in a timely manner, reducing the risk of misappropriation or error. It is also our recommendation that the School Department adopt a policy specifying the maximum length of time funds should be held.

Management's response/corrective action plan: For fiscal year 2019-2020, the Winslow Elementary and Winslow Junior High will do weekly student activity deposits.