

September 24, 2018

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, 2018, 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 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,

A handwritten signature in cursive script that reads "Remy Kristen Ouellette".

TOWN OF WINSLOW, MAINE
Schedule of Comments and Responses
June 30, 2018

SIGNIFICANT DEFICIENCY

Preparation of Financial Statements

Auditing standards require external auditors to determine whether or not client personnel designed 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. This means that these individuals 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. 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.

Unfortunately, when this approach is taken, 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.

Management's response/corrective action plan: Regarding the noted significant deficiency pertaining to the preparation of financial statements, management for the Town of Winslow 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.

Anticipated date of corrective action:
N/A

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 Assistant Treasurer 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.

Sewer Receivables (repeat)

During our testing of sewer receivables, we noted that the receivables as posted to the general ledger did not match with the detailed receivable lists. These differences were due to billings and payments that were posted to incorrect accounts. In order to improve internal controls over sewer receivables, the sewer clerk should work with the treasury clerks on the correct accounts to which payments should be posted. In addition, the sewer clerk should review the general ledger balances once a month and verify they agree with balances outstanding by category (liens versus receivables) and by year (e.g., 2017 versus 2018).

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

OTHER COMMENTS – TOWN, CONTINUED

Accounting Manual

Presently, the Town does not have a formal, written set of accounting policies and procedures. We recommend that a formal manual of such practices be created and reviewed by all relevant staff and management, and that this manual incorporate not only the recommendations contained in this letter, but other instructions as deemed necessary. The writing and maintaining of such a document can serve to improve internal controls by providing a readily available source of guidance for management and staff to refer to on an ongoing basis. Training of staff can also be enhanced by having such a resource available.

In view of the many intricacies of the Town's accounting system, we recommend the accounting manual include an up to date chart of accounts, adequate explanations of account content, and appropriate descriptions of all accounting procedures and routines for each fund. The manual would provide a greater understanding of the financial operations by members of management, more successful transitions in Finance Office employees, and would ensure smooth operations during vacation periods when other personnel assume financial responsibilities.

Routine General Ledger Review

The general ledger includes activity and balances of the Town's assets and liabilities. Several of these accounts required adjustments at year-end, including sewer, and taxes receivable, accounts payable, and accrued expenses.

In order to maintain an accurate accounting of all assets and liabilities on an on-going basis and provide accurate financial reports, we recommend that the ending balances of each general ledger account be reconciled by Town staff on a monthly basis and that this process be verified by oversight officials. Specifically, we recommend the following:

- . Reconciliation of bank statements and general ledger.
- . Reconciliation of detailed outstanding tax receivable listings and general ledger.
- . Reconciliation of detailed outstanding sewer receivable listings and general ledger.
- . Identification of composition of the accounts receivable balances.
- . Identification of composition of the accounts payable balances.
- . Analysis of balances of the various withholding accounts.
- . Analytical review of each revenue account to identify misclassifications or errors.
- . Analytical review of expenditures to identify misclassifications or errors.

We would recommend that the Town institute a monthly checklist to ensure that all required reconciliations are performed. Additionally, we recommend the Town work with the software vendor to ensure that taxes and sewer receivables are being posted properly.

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

OTHER COMMENTS – SCHOOL DEPARTMENT

Elementary School and High School Activity Fund Receipts

During our testing of the Winslow Elementary School activity fund and High School activity fund cash receipts, we found that 5 receipts out of the 35 tested at the Elementary School, and 5 receipts out of the 40 tested at the High School were not deposited in a timely manner. It is our recommendation that all funds collected are deposited within a week (sooner if possible). This will minimize the risk of misuse, error, or fraud.

Management's response/corrective action plan: All deposits must be done on a weekly basis at both the High School and Elementary School beginning in fiscal year 2019.