

**TOWN OF WINDHAM, MAINE**

**Reports Required by  
*Government Auditing Standards***

**For the Year Ended June 30, 2017**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Town Council  
Town of Windham, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Windham, Maine's basic financial statements, and have issued our report thereon dated November 30, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Windham, Maine's internal control over financial reporting (internal control) to determine the 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 Windham, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Windham, 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. 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.

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 or, significant deficiencies. 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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Windham, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our recommendations are included on the attached schedule of comments and responses.

**Town of Windham, Maine's Responses to Other Comments**

The Town of Windham, Maine's responses to the other comments identified in our audit are described in the accompanying schedule of findings and responses. The Town of Windham, 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.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 30, 2017  
South Portland, Maine

**TOWN OF WINDHAM, MAINE**  
**Schedule of Comments and Responses**  
**June 30, 2017**

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**Segregation of Duties**

Fundamental to proper internal controls is the division of duties in such a manner that no single individual handles the transactions completely from beginning to end. Because of the small staff in the finance office, appropriate segregation of duties is not always possible. We believe, however, that every effort should be made to segregate duties in sensitive areas such as those that involve transactions with liquid assets. Improved controls could be obtained, for instance, if one person in the finance office matched invoices with purchase orders, verifying the accuracy of the invoice, with another employee processing and printing the checks and a third person signing and distributing the checks.

Appropriate segregation of duties helps to detect errors in a timely manner and deter improper activities. Ideal segregation of duties is not practical in the finance office of the Town of Windham, Maine. 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:

- Personnel performing both purchasing and receiving functions
- Finance Director maintaining general ledger and authorizing bank/investment transactions
- Finance staff processing disbursements and making general ledger entries

Because of limitations of the small size of the staff, we suggest that cautious review of the financial transactions continue to be performed by responsible officials. We also recommend that monthly financial reports continue to be reviewed by the Town Manager and department heads in depth to identify possible financial fluctuations of an unusual nature.

*Management Response: The Finance Director carefully reviews every batch of invoices for accuracy and proper documentation, and then signs off on each batch. Once checks are cut and the warrant is produced, he makes sure that batch totals agree with the warrant total. This serves to strengthen controls over the disbursement function.*

**Tax Assessment**

In our review and testing over the budget process, we noted a variance between the approved budget and the amounts used to prepare the tax assessment. The approved budget should reconcile to the tax assessment without variation. The variance noted was \$129,662, which was the difference between other non-tax revenues as reported on the Certificate of Assessment and other non-tax revenues as approved in the municipal budget. As a result, the Town assessed \$129,662 more than necessary to cover the budgeted expenditures. We recommend that the tax assessment be reviewed and reconciled to the final approved budget prior to final commitment.

*Management Response: Management concurs with the notation of a variance between the approved budget and the tax rate calculation, resulting in \$129,662 more going to overlay despite our review process. This has been corrected in the review process for ensuing years. The \$129,662 variance became part of unassigned fund balance at June 30, 2017 and will be used to reduce the levy for fiscal year 2019.*