

December 21, 2018

To the School Board and Management of
Cape Elizabeth 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 Cape Elizabeth, 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 Cape Elizabeth, Maine School Department'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 Cape Elizabeth, Maine School Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Cape Elizabeth, Maine School Department'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 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. The attached schedule summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 21, 2018 on the financial statements of Town of Cape Elizabeth, Maine.

The Town of Cape Elizabeth, Maine School Department's responses to the comments identified in our audit are described in the accompanying schedule of comments and responses. The Town of Cape Elizabeth, Maine School Department'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 School Board, and others within the School Department, and is not intended to be and should not be used by anyone other than these specified parties.

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We wish to express our appreciation for the cooperation and assistance we received from the officials and employees of the Town of Cape Elizabeth, Maine 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 it with various School Department personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in black ink, reading "Remya Weston Ouellette". The signature is written in a cursive style with a large initial 'R'.

TOWN OF CAPE ELIZABETH SCHOOL DEPARTMENT
Schedule of Comments and Responses
June 30, 2018

OTHER COMMENTS (NON-SIGNIFICANT DEFICIENCIES)

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. Internal accounting control is enhanced when the employee who handles the accounting for an asset, such as cash, is denied access to the asset. An example would be the Planning and Codes office, where one person collects the cash, accounts for the receipts, and prepares the deposit. Because of the small size of the accounting staff, ideal segregation of duties is not practical. Certain functions, ideally performed by separate individuals, cannot be accomplished and therefore, internal accounting controls are not as strong as they might otherwise be. Because of the limitations of the small size of the Town's staff, we suggest that cautious review of financial transactions, such as a review of bank reconciliations, be performed for all funds by responsible officials. We also recommend that monthly financial reports continue to be prepared and reviewed for all funds to identify possible financial fluctuations of unusual nature.

Management's Response and Corrective Action Plan: Management notes that this or a similar comment is included every year. Monthly financial reports continue to be reviewed for all funds. The appropriations and revenue control reports are also posted online every month and a link is provided from the monthly council and school board agendas. The council chair and the finance chair sign all warrants. The majority of school board members sign school all warrants.

Budget

During our review of the budget entered into the accounting software, we noticed variances with what was approved by the Council and what was entered into the accounting software. We identified about \$708,000 in capital projects that were entered into the software that were included in a preliminary capital plan, but not included in the final budget as approved by the Council. In addition, we noted the School Department budget was not adjusted for the late change in education subsidy, even though the Council approved amending the taxes raised for such a change. In order to ensure compliance with the budget, the Town should ensure that the budget, as entered in the accounting software, agrees with the budget as passed and should ensure that all planned expenditures are included in the final budget to be approved by the Council.

Management's Response and Corrective Action Plan: The Town Manager will verify that the capital plans are included in the final budget and the School Business Manager will make sure that any adjustment to subsidy is corrected at the time of the subsidy change. Additionally, the town council approved fund transfers to address the funding of capital projects in the September 10, 2018 council meeting.

Anticipated Completion Date: Immediately.