



Proven Expertise and Integrity

May 3, 2017

Board of Selectmen
Town of Rome
8 Mercer Road
Rome, Maine 04963

We have audited the financial statements of the Town of Rome, Maine, for the year ended December 31, 2016.

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 Rome, Maine as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Rome, Maine's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been 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.

A control deficiency 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. However, as discussed below, we identified both deficiencies in internal control that we considered to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in the design of internal controls exists when:

- A control necessary to meet the control objective is missing; or
- An existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

A deficiency in the operation of internal control exists when:

- A properly designed control does not operate as designed; or
- The person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or 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 control 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.

These matters do not modify our opinion on the financial statements for the year ended December 31, 2016, where we expressed an unmodified opinion on our independent auditors' report dated April 21, 2017.

Significant Deficiencies:

Petty Cash:

While performing the audit for the fiscal year noted above, it was noticed that the Town utilizes three cash drawers. Each drawer has a varying amount in it. We would recommend that the Town keep the same amount of Petty Cash in each drawer. May we suggest \$100. This will allow consistency with start-up cash in reconciling daily cash receipts at the Town. The general ledger should be adjusted to show the actual amount of three drawers. The petty cash drawers were physically counted by the Treasurer. During the physical count it was noted that the Town Clerk's petty cash drawer was in an unlocked desk drawer and not in the safe. Cash should be in a secured place at all times. The Excise Tax Collector's petty cash drawer was short \$37.00 at the time of counting. This was due to the employee getting change for the drawer but a note was not put in the drawer indicating that nor did she let anyone know. Many times the employees make change from their personal funds. This practice should be discontinued.

Cash Disbursements – Timeliness:

While performing the audit for the fiscal year noted above, it was noticed that on multiple occasions some of the items selected from sampling on warrants were paid in excess of 30 days. We recommend the Town review its warrant process and make adjustments where necessary. All bills should be paid timely to insure the accuracy of the Town's financial reporting.

Material Weaknesses:

Bank Reconciliations:

Bank statements are reconciled to the Trio Check Reconciliation Program but they are not reconciled to the client's general ledger. This practice was changed by the Treasurer during the audit fieldwork.

Cash Receipting:

We noted during the above-mentioned year audited that internal controls on cash receipting could be improved to better practice. Specifically, we noticed the Town posts several days of cash receipting activity to its financial accounting software at one time as opposed to daily. Internal documentation of cash receipts in this manner made accurate comparison to banking records difficult. While we believe this is merely an accounting procedural change, we recommend that the Town post all cash receipts daily.

Material Weaknesses (Continued):

Cash Receipting (Continued):

We also noted some deposits were not being made in a consistent and timely manner. Up to eight (8) days may pass before receipts are deposited with the bank. Although the Town has the legal right in accordance M RSA 30-A, Chapter 221, §5603, subsection 2.C., which states, "...the treasurer shall deposit all cash receipts in the bank within 10 days." we recommend that receipts are deposited on a weekly if not more frequent basis to improve cash flow and to reduce the risk of loss. Further, the Town should establish a cash and depository policy which would complement the needs of the Town and ensure safety of all Town funds.

General Ledger Reconciliations:

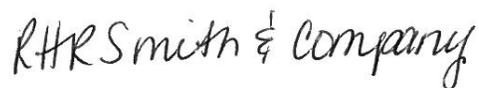
All general ledger accounts should be reconciled on a monthly basis and when necessary to subsidiary ledgers. At the time of fieldwork for the above-mentioned year end, many general ledger accounts were not reconciled. As a result, numerous adjustments were required. We consider this area crucial for the Town to avoid material misstatement of financial information and to assist in fraud detection. We recommend that the Town reconcile within 21 days from month end its general ledger accounts and all receivables to the receivable registers provided by its fiscal software. Further, these reconciliations should be reviewed, dated and signed by another Town employee with knowledge of the fiscal operations to provide complete oversight. Finally, we recommend that the Town review its current fiscal staffing and consider restructuring duties and responsibilities to ensure timely completion of general ledger reconciliations and improve internal controls.

This letter is intended solely for the information and use of management, the Board of Selectmen and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank Tammy and all the staff at the Town of Rome, Maine for their cooperation throughout this audit process.

If there are any questions regarding this letter, please do not hesitate to call.

Very Best,



RHR Smith & Company, CPAs