

To the Honorable Mayor and City Council
City of Dover, New Hampshire
Dover, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dover, New Hampshire (the City) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Dover'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 City of Dover's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dover'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. However, as discussed below, we identified a 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 following deficiency in City of Dover, New Hampshire's internal control to be a significant deficiency:

General Fund Cash Account Not Reconciled Timely

While performing our audit procedures in July 2014, we found that the City was behind in performing bank reconciliations for the general fund cash account. The October 2013 reconciliation had not been completed due to an outstanding item for which the proper accounting for had not been determined. We found that this cash account had not been reconciled during the period of October 2013 through June 2014 while the City was working to identify the outstanding item from October 2013. Timely reconciliations are important internal controls that aid in the detection of errors in financial reporting, errors made by banks, or fraud. Financial institutions require that fraud or errors be reported within a certain time frame after occurring, which can be as soon as 60 days after the statement is available. If bank and investment accounts are not reconciled timely, any claims the City may have against a financial institution could be forfeited and fraud or errors could go undetected. We recommend that bank and investment accounts be timely reconciled to the general ledger on a monthly basis and that someone other than the preparer reviews and approves the reconciliation.



City's Response

The City concurs with the recommendation of performing timely monthly reconciliations of the General Fund checking account. This delay occurred as a result of attempting to resolve a reconciling item that occurred in October and carried over to November. Considerable time was spent trying to resolve the reconciling item and therefore resulted in a delay reconciling subsequent months' General Fund checking account activity. General Fund checking account reconciliations for the entire fiscal year were eventually provided to the auditors during the course of the audit. The Treasurer has created a spreadsheet to track completed account reconciliations. This file is available for the Finance Director to monitor. The Finance Director has scheduled monthly meetings with the Treasurer to review all City bank account reconciliations to ensure timely completion.

In addition, during our audit we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated January 28, 2015, on the financial statements of City of Dover, New Hampshire

Approval of Purchases

Upon our review of credit card transactions, we found instances of purchase orders being completed at the end of the month when the manual purchase reconciliation is being completed. We compared the order date per the invoice to the date of the purchase order and determined that the purchase order was created subsequent to the purchase. While we understand that these expenditures are included on the accounts payable warrant which is reviewed by the City Manager and is then presented to the City Council, the policy for preparing and approving purchase orders was not followed for the credit card invoices we examined. The risk by not following the purchase order policy is improper purchases could occur. We recommend that purchase orders be completed, if required, prior to using the credit card.

City's Response

The City concurs with the recommendation. In accordance with the City's Credit Card Administrative Regulation the use of a city credit card is to be limited to those situations when the issuance of a Field Purchase Order is not practical. Since implementing the City's current financial system the internal control practice is that every accounts payable disbursement requires a purchase order. This appears to have created some confusion relative to purchases utilizing the city credit cards. The administrative regulation will be updated to address the audit recommendation and reviewed with nine (9) City employees who have been issued a city credit card.

Detailed Invoice to Support Travel Expense

As part of our expenditure testing, we selected a travel expense of \$881.80 that was approved for payment in the December 12, 2013 warrant. The City was unable to provide us with a detailed invoice to support the travel expense. The support provided was a copy of an employee's personal credit card statement with a hotel charge of \$611.10. Without a detailed invoice it is not possible to determine what was included in the charge and if any of the items are unallowable under the City's policies. The risk is that the City could be paying for items that are not allowed by the City's purchasing policy and it could go undetected. We recommend that the City make it a policy that detailed invoices are required for reimbursement.

City's Response

The City concurs with the recommendation. The City will update the Travel Voucher Reimbursement form and have the form clearly note that itemized receipts must be attached for all expenses being claimed for reimbursement. The updated form will be provided to all City departments and expectations will be communicated to all City employees.

Update Credit Card Policy

We recommend that the City review and update its current "City Credit Cards" policy. As part of our audit procedures, we requested the most recent copy of the policy and noted that the effective date was October 1, 2005. We recommend that the City expand its current credit card policy to include which positions are authorized to have a card and establish spending limits. We also found that credit card payments were not approved by someone independent of the holder of the card. To improve internal control over credit cards, all credit cards should be approved by another member of management.

City's Response

The City concurs with the recommendation. Each city credit card has established per transaction limits and overall monthly purchase limitations. The City will update the Credit Card Administrative Regulation with the suggestions provided by the auditor. The payment voucher for the City's monthly credit card invoice will be reviewed by the Finance Director, as that management position does not have a city credit card.

We will review the status of these comments and suggestions during our next audit engagement. We already have discussed these comments and suggestions with various City 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.

The City's response to our comments and suggestions has not been 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 the Honorable Mayor and City Council, management and others within the City, and federal awarding agencies, state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



South Portland, Maine
January 28, 2015