



TOWN OF GRAY

Henry Pennell Municipal Complex
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www.graymaine.org

OFFICE OF THE TOWN MANAGER

Nate Rudy, Town Manager
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Dear Town of Gray Residents,

Under Article II, Section 16 of the Town Charter, the Town is required to engage an independent auditor, who must submit their report to the Town Council and Town Manager within 180 days of the end of the fiscal year. The Council is permitted to grant an extension of that timeframe for cause.

The FY2022 audit began in July 2022 and around August 8, 2022, the auditor notified the Town they had concerns regarding certain payments made as well as transactions and fund transfers that had not been made. Because of these concerns, the Town Council granted an extension so the auditor could conduct a further review.

The Town Manager received the audit report on April 11, 2023, and it is published on the Town's FY24 budget webpage. Two issues were identified:

1. Approximately \$27,000 in municipal funds were misappropriated in FY2022.
2. Financial accounting errors that resulted in transactions and transfers that were not made when required.

We are extremely troubled by these findings and take them very seriously. Our goal is to be as transparent as possible about these issues and we have taken steps to ensure they do not occur in the future.

In response to the misappropriation of funds, we have consulted with legal counsel and referred the matter to state and local law enforcement for further investigation. As this is now being investigated, we are not at liberty to discuss it further. As part of our commitment to government transparency, we will keep the Town's citizens and residents updated as we are legally able to do so.

The Town Council is as disappointed and angry about this misappropriation as we are sure Town residents and citizens will be learning of it. We will pursue all available remedies to ensure the Town recovers these missing funds.

In response to the financial accounting errors, we have ensured all funds are now accounted for and available. The auditor has corrected all transactions and transfers that required adjustment and has completed a comprehensive reconciliation of the Town's accounting for the current FY 2023. This reconciliation resulted in a net positive increase to available funds and did not negatively impact this fiscal year or next fiscal year's budget.

We recognize this is a fortunate outcome and it could have turned out differently. We do not want to see this situation repeated and are committed to ensuring it does not happen again.

We are reviewing all Town fiscal procedures, practices, and policies and will implement whatever additional controls are necessary to prevent these inconsistencies from happening again. The Town Manager has already begun implementing additional procedures and controls which are identified in his memo to the Town Council, presented at its May 2, 2023, regular meeting.

Additional information about the Town budget is available on the Town's website: <https://www.graymaine.org/home/home/pages/fy2024-budget-documents>.

Thank you,

Town Manager Nate Rudy
Gray Town Council