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To: The Honorable Jay Musleh, President of the Council
The Honorable James Hilty, Sr., President Pro Tem
The Honorable Brent Malever
The Honorable John McLeod
The Honorable Mary Sue Rich
The Honorable Kent Guinn, Mayor
John Zobler, City Manager

Date: March 31, 2015

Re: External Audit Assistance – Capital Improvement Project Additions

Internal Audit assists the external financial auditors, Purvis Gray and Company, LLP, with specific audit procedures for the Financial Statement Audit for the Fiscal Year ending September 30, 2014. We have completed testing procedures for the Capital Improvement Project (CIP) Additions. Our objectives were to ensure additions to CIP were recorded to the appropriate project and accurately recorded in the City's financial records at September 30, 2014.

We selected 15 projects totaling \$12.9 million which represented 74% of the total CIP additions of \$17.3 million for the fiscal year. Our procedure included a detail review of the invoices and other supporting documentation to determine the appropriate classification and status of the project at year end.

Based upon the procedures performed, we conclude that all additions were supported with appropriate documentation. Per our review of the invoices and other documentation, a \$609,000 project completed July 2014 was not identified as complete and was not capitalized in FY 2014. This was discussed with management along with other opportunities to strengthen internal controls over the CIP process.

We appreciate the assistance of the Office of Business and Financial Services staff, especially Raymond Bachik, Jackie Cooper, and Lisa Mauldin.

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our observations and conclusions.

Handwritten signature of S. KaRhonda Leslie in blue ink.

S. KaRhonda Leslie, Assistant Internal Auditor

Handwritten signature of Jeanne Covington in blue ink.

Jeanne Covington, Internal City Auditor

c: Diane Reichard, Chief Financial Officer and Assistant City Manager
Mary Ann Davis, Finance Director