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To: The Honorable Jay Musleh, President of the Council  
The Honorable James Hilty, 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 13, 2015

Re: External Audit Assistance – Search for Unrecorded Liabilities

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 procedures for the Search for Unrecorded Liabilities. Our objectives were to determine if payments made subsequent to the end of Fiscal Year 2014 through the City's Accounts Payable system and Electronic Fund Transfers were properly recorded as either liabilities for Fiscal Year 2014 or expenses for Fiscal Year 2015. The review was limited to payments exceeding dollar thresholds as established by Purvis Gray and Company, LLP at the start of the audit process.

For the period of October 1, 2014 – February 4, 2015, we reviewed 290 transactions totaling \$22.4 million processed through accounts payable and 41 transactions totaling \$50.2 million processed through electronic fund transfers.

Based upon the procedures performed, we conclude that payments made through Accounts Payable and Electronic Fund Transfers for the period of October 1, 2014 – February 4, 2015 have been appropriately recorded as liabilities for Fiscal Year 2014 or expenses for Fiscal Year 2015, with six exceptions.


At the time of review, two invoices totaling \$48,379.07 for bulk fuel purchases and one invoice totaling \$374,989 for a workers' compensation settlement were initially accounted for in the wrong fiscal year. Management adjusted the General Ledger prior to finalizing the financial records for FY2014 and submitting the financials to the external financial auditors, preventing audit adjustments.

There were also three invoices that if pro-rated between fiscal years, a net additional \$26,900.22 would have been recorded as an expense in FY 2014. Individually the sums were deemed insignificant to the financial statements, therefore no adjustments were made. These items were brought to management's attention to identify opportunities to further enhance controls and to assure all transactions are recorded in the proper period going forward.

We appreciate the assistance of the Finance accounting staff, especially Anthony Webber, Accountant II.

*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.*

  
Suzy Heinbockel, Assistant Internal Auditor

  
Jeanne Covington, Internal City Auditor

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