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To: The Honorable Mary Sue Rich, President of the Council
The Honorable John McLeod, President Pro Tem
The Honorable Suzy Heinbockel
The Honorable Jay Musleh
The Honorable Daniel Owen
The Honorable Kent Guinn, Mayor
Matthew Brower, City Manager

Date: March 19, 2013

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, 2012. 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 2012 through the City's Accounts Payable system and through outgoing Electronic Fund Transfers were properly recorded as either liabilities for Fiscal Year 2012 or expenses for Fiscal Year 2013. 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, 2012 – February 18, 2013, we reviewed $33.1 million of the total $45.1 million accounts payable transactions (73%) and $63.8 million of the total $71.2 million electronic fund transfers (90%).

Based upon our procedures performed, we conclude that payments made through Accounts Payable and Electronic Fund Transfers for the period of October 1, 2012 – February 18, 2013 have been appropriately recorded as liabilities for Fiscal Year 2012 or expenses for Fiscal Year 2013.

For Fiscal Year 2013, Internal Audit and Finance will work together to strengthen monthly reconciliation procedures for Accounts Payable, with specific attention to Capital Project Retainage Payables automatically posted from the City's contract software which ultimately will bring efficiencies to the year-end reconciliation process.

We appreciate the assistance of all personnel involved in the review, especially Michelle Russell, Senior Accountant; Marie Brooks, Senior Treasury Analyst; and Johnna Agin, Accountant.

*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.*

KaRhonda Leslie

KaRhonda Leslie, Audit Specialist

Jeanne Covington

Jeanne Covington, Internal City Auditor

c: Cindy Kelley, Interim Chief Financial Officer and Assistant City Manager
Mary Ann Davis, Controller