



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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December 6, 2016

Honorable Mayor, City Council, and Management
City of Sweet Home
Sweet Home, Oregon

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 Sweet Home as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 certain deficiencies in internal control that we consider to be significant deficiencies.

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 deficiencies in internal control to be significant deficiencies:

LACK OF REVIEWS

Situation:

Multiple situations exist for which there is a lack of review. The Finance Director has the ability to process a check without any other documented review and approval of the transaction, there is no review of the bank reconciliation process or journal entries, and there is no review of adjustments made within the municipal court software.

Recommendation:

We recommend that a documented review process for checks prepared by the Finance Director be implemented which should include a review of supporting documentation and the check log to ensure that cash disbursements processed are obligations of the City, and that a documented review process be implemented over bank reconciliations and journal entries to ensure that items clearing the bank and journal entries recorded in the financial software are appropriate. We also recommend a timely review process be implemented over adjustments made within the municipal court software to ensure that adjustments to citations are allowed and appropriate.

We also became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with management, 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.

We consider the following deficiencies in the City's internal control to be control deficiencies:

MAINTENANCE OF EQUIPMENT LISTING

Situation:

The equipment listing maintained in the system does not reflect additions and deletions for the period July 1, 2013 through June 30, 2016.

Recommendation:

We recommend that the listing be updated to include changes in order to maintain an accurate supporting list.

APPROPRIATIONS OF TRANSFERS

Situation:

Transfers to the Equipment fund for the Building Inspection, Parks Maintenance and Community Development departments in the General fund were appropriated as expenditures.

Recommendation:

We recommend that transfers be properly appropriated.

This communication is intended solely for the information and use of management, City Council, and others within the City of Sweet Home, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


CERTIFIED PUBLIC ACCOUNTANTS