



Management Letter

March 8, 2017

To the Honorable Mayor and
City Council Members of the
City of Deer Park, Texas:

The American Institute of Certified Public Accountants Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 115), provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to the City. Accordingly, the City's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Deer Park, Texas (the "City") as of and for the year ended September 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 our auditing 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 a certain deficiency in internal control that we consider to be an other matter.

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. 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.

Our findings and additional comments are as follows:

MATTERS PREVIOUSLY REPORTED

Other Matter:

2016.001. ESCHEATING CHECKS

Background

Under Texas State *Property Code Chapter 72, Subchapter B. § 72.101*, property is presumed abandoned if the owner of the property does not claim the property within three years. Under Texas State *Property Code Chapter 74, Subchapter D. § 74.301*, each holder who on March 1 holds property that is presumed abandoned under Chapter 72 shall deliver the property to the comptroller on or before the following July 1 accompanied by the report required to be filed under Section 74.101. Under Texas State *Property Code Chapter 74, Subchapter B. § 74.101*, each holder who on March 1 holds property that is presumed abandoned under Chapter 72 of this code shall file a report of that property on or before the following July 1.

Findings

It was noted during the audit that the City has outstanding checks dating back to 2001 that have not been escheated. This is a repeat of prior year finding 2013.003.

Recommendation

The City should remit and report applicable unclaimed property to the State by the July 1, 2017 reporting deadline.

Management's Response

Previous management elected not to escheat unclaimed property to the State of Texas and outstanding checks dating back to 2001 have not been turned over to the State. The Financial Management Policy was updated in 2014 to include a policy for filing the necessary reports on an annual basis to turn over any checks outstanding more than three years to the State Comptroller. The Finance Department continues to work to identify and report all unclaimed property not previously filed with the State. However, because of the volume of outstanding checks under review, the City was unable to file a report in 2016 but is working toward the July 1, 2017 deadline.

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

We would like to thank the City Council and the City's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

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