

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

To the Honorable Mayor and City Council
City of Richland Hills, Texas
Richland Hills, Texas

In planning and performing our audit of the basic financial statements of the City of Richland Hills, Texas, for the year ended September 30, 2012, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 28, 2013, on the basic financial statements of the City of Richland Hills, Texas.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, 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.

Pattillo, Brown & Hill, L.L.P.

March 28, 2013

CITY OF RICHLAND HILLS, TEXAS

COMMENTS AND SUGGESTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

PRIOR YEAR COMMENTS

PURCHASING POLICIES

During our review of cash disbursement controls, we became aware that the City's purchasing policies were drafted in 1997 and are outdated as of fiscal year 2012. Policies and procedures that are not required to be updated yearly often can be overlooked. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. We recommend the City address this issue by adopting an updated purchasing policy.

Current Status:

Updated purchasing policies have been approved by City Council at the January 15, 2013 meeting.

CREDIT CARD LOG

Currently, the City is maintaining a credit card log for all credit cards checked out by City personnel. This log is currently filled out by the Finance Director and contains the employee's name, date and the credit card used. The credit cards are kept in the Finance Director's office and are distributed to the user by the Finance Director, who then enters the information on the log sheet. For an internal control to function properly, the entity must take steps to adequately detect and/or prevent mistakes/deviations. The above condition leaves the City exposed to the possibility of employees misusing credit cards with no liability to the employee or trail of use. We recommend the credit card log sheet require the employee to sign for the credit card when checking it out and physically sign the credit card back in when the credit card is returned. This makes the employee liable for the use of the credit card and all purchases made while the credit card is checked out and eliminates any question of where any particular card is at any time.

Current Status:

This matter has been resolved.

SEGREGATION OF DUTIES

Prior Year Comment:

The size of the City’s accounting and utility billing departments precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the City Manager and City Council remain involved in the financial affairs of the City to provide oversight and independent review functions.

Current Status:

Unchanged

MUNICIPAL COURT

Prior Year Comment:

There is one employee in the municipal court which precludes certain internal controls that would be preferred if there were additional employees. In addition, the one municipal court employee has access to a stamp with the judge’s signature.

Current Status:

Unchanged

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We appreciate this opportunity to be of service to the **City of Richland Hills, Texas**. Should you have any questions or require further information, please do not hesitate to call.