

**CITY OF MCKINNEY, TEXAS**

**MANAGEMENT LETTER**

**YEAR ENDED SEPTEMBER 30, 2011**

DRAFT

March 1, 2012

To the Honorable Mayor, City  
Council and City Manager  
City of McKinney, Texas  
McKinney, Texas

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of McKinney, Texas (the City) as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States., we considered City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, certain matters came to our attention that we wish to report to you. These matters, which were considered by us during our audit of the financial statements and do not modify the opinion expressed in our report dated March 1, 2012, are presented in the following paragraphs.

#### **Current Year Issues:**

#### **Cash Disbursements**

##### Observation:

During internal control testing over cash disbursements, we noted one invoice that was lacking evidence of formal approval from a division or department head.

##### Recommendation:

We recommend that the City improve controls over cash disbursements to reduce the likelihood that unauthorized purchases could be made without detection in a timely manner.

## **Public Funds Investment Act**

### Observation:

During our testing of the City's compliance with the Public Funds Investment Act, we noted that the City's investment policy was not adopted prior to the beginning of the fiscal year; the investment officer position was vacant a portion of the fiscal year; and the investment reports were not reviewed at least quarterly during the fiscal year.

### Recommendation:

We recommend that the City form review the investment policy, review quarterly reports, and formally designate an investment officer in accordance with the Public Funds Investment Act.

## **Prompt Payment Act Compliance Finding**

### Observation:

During our testing of the City's compliance with the Texas Prompt Payment Act (Local Governmental Code Chapter 2251), we noted two invoices that were not paid within 30 days of the invoice date as mandated by the Act.

### Recommendation:

We recommend that the City improve controls over the timeliness of payments to ensure compliance with the Prompt Payment Act.

## **Status of Prior Year Management Letter Comments/Recommendations**

We reviewed the prior year management letter comment/recommendation and the extent to which the recommendation has been implemented by the City. The following is a brief summary of the results of our review:

### **Municipal Court Controls**

### Recommendation:

We recommended that the City implement formal policies and procedures designed to formalize the Court Supervisor's review and verification of the individual clerk's receipts. This will help provide evidence that the review has been done.

### Status:

This comment has been resolved.

## **Allowance for Uncollectible Accounts**

### Recommendation:

We recommended that the City adopt a formal policy for estimating uncollectible accounts receivable and writing off bad debt. This will help ensure that estimates are prepared in accordance with management policies, and help ensure that the methodologies use to develop the estimates are applied consistently from year to year.

### Status:

This comment has not been resolved.

This report is intended solely for the information and use of the City and its management. This restriction is not intended to limit the distribution of this letter and the accompanying memorandum, which, upon issuance to the City, are a matter of public record.

If we may be of assistance in further discussion of the above comments and recommendations, please call upon us. We appreciate the opportunity to be of service to you and the courtesies and cooperation extended to us during our audit.

*Weaver and Tidwell, L.L.P.*  
WEAVER AND TIDWELL, L.L.P.