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Audit Committee
City of Tigard, Oregon
Tigard, Oregon

In planning and performing our audit of the financial statements of the City of Tigard, Oregon (the City) as of and for the year ended June 30, 2015, 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 opinion 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 City'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. We consider the following deficiencies in the City's internal control to be significant deficiencies:

During our test work, an error in the spreadsheet used to allocate indirect charges was discovered. While the indirect charges were correct in total, the allocation between funds and function were incorrect. A review of the journal entry failed to detect the error. In addition, the audit disclosed an omission in the spreadsheet used to calculate the utility billing accrual, resulting in an understatement of utility receivables and revenue. We recommend that all spreadsheets used to generate financial information be reviewed at a cellular level and all formulas be rechecked or proven.

Our testing of liabilities discovered that certain liabilities pertaining to fiscal year ended June 30, 2015 had not been accrued and that certain liabilities pertaining to the succeeding fiscal year had been accrued in error. In addition, during our tests over expenditures, we noted fixed asset purchases and an expense attributable to the prior year that were not previously recorded, thus overstating current year capital asset additions and expenses. It appears a contributing cause of these errors is a lack of understanding of proper accrual basis accounting. We recommend that staff be provided additional training on accrual accounting and that expenditures around year-end be reviewed by supervisory personnel for proper recording.

During the audit it was also found that a transfer of property from the City to Tigard City Center Development Agency was not recorded. This omission was discovered by the Assistant Finance Director. It is our understanding that the transfer occurred during a time when the Assistant Finance Director position was vacant. It is important that the finance department be informed when internal transactions take place and it is important that such transactions be recorded, and reviewed regardless of employment vacancies.

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

Talbot, Kowala & Warwick LLP

Lake Oswego, Oregon
February 23, 2016