



**Findings and Recommendations  
For the Fiscal Year Ended June 30, 2018**

The Honorable Mayor and City Council  
City of Fernley, Nevada

Professional standards require that we communicate, in writing; deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit for the fiscal year ended June 30, 2018 we found the noted circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration. We did not identify any deficiencies in the City's compliance with laws and regulations.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weaknesses:**

None noted.

**Significant Deficiencies:**

None noted.

**Control Deficiencies:**

2017-001      Cash Receipts Drawers, reworded, reissued

*Criteria:* To help prevent fraud and errors, best practices are to assign individual cash drawers to staff performing cash receipting duties, each with their own unique log in and password assigned through the City's accounting system. Cash drawers should not be accessible by others. Cash drawers should be reconciled at the beginning and end of each business day by the staff responsible for the drawers and verified by a second staff member or member of management.

*Condition:* Responsibility for custody of assets is not assigned to individual staff members over cash receipting. They are not given restricted, individualized access to cash drawers. Staff, through their individual log in and password, have access to any cash receipting drawer regardless of department. Cash drawers are not properly reconciled at the beginning of the business day and not all departments are properly verifying the cash reconciliation by a second individual at the end of the day.

*Cause:* New cash drawers had not yet been installed for use at year end. Cash management procedures as established by the management have not yet been implemented.

*Effect:* There is risk that the current cash receipting processes may not prevent or correct fraudulent or erroneous cash receipting.

*Recommendation:* Management should implement proper cash management procedures as established by the Finance Department, which should include assigning staff with individual cash drawers and keys for locking the drawers. These procedures include prohibiting staff from opening cash drawers other than their own assigned drawer. In addition, they include procedures for staff to reconcile their own cash drawer at the beginning and end of each business day, or beginning and end of shift as applicable, with a second individual providing verification. Management should oversee these procedures and verify they are properly adhered to.

**Compliance/Other:**

None noted.

This communication is intended solely for the information and use of management, city council members and others within the City and is not intended to be used and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to the City staff that assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

Sincerely,



HintonBurdick, PLLC

November 19, 2018