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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Members of City Council
and City Manager
City of New Port Richey, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Port Richey, Florida (City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police Officers' Retirement System and the Firefighters' Pension Plan, which represent 100% of the total assets, total revenues, and total net position of these Pension Trust funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those components, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Pension Trust Funds were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Honorable Mayor, Members of the City Council,
and City Manager
City of New Port Richey, Florida

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note **xx**, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and the related GASBS No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. As a result of the implementation of GASBS No. 68 and No. 71, the City reported a restatement for the change in accounting principle. Our opinion was not modified with respect to this matter.

As described in Note **xx**, the financial statements for the year ended September 30, 2015 reflect certain adjustments impacting prior periods. Our opinion was not modified with respect to these restatements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A), budgetary comparison schedules for the general fund and community redevelopment agency fund, and pension and other postemployment benefit schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Mayor, Members of the City Council,
and City Manager
City of New Port Richey, Florida

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and budget and actual schedules and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budget and actual schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Tampa, Florida
REPORT DATE



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of the City Council
City of New Port Richey, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Port Richey, Florida (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated REPORT DATE. Our report includes a reference to other auditors who audited the financial statements of the Police Officers' Retirement System, and the Firefighters' Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the, the Police Officers' Retirement System, and the Firefighters' Retirement System were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit 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.

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.

Honorable Mayor, Members of the City Council
and the City Manager
City of New Port Richey, Florida

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Findings 2015-001 and 2015-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of New Port Richey, Florida's Response to Finding

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses in which the findings are reported. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Tampa, Florida
REPORT DATE

CITY OF NEW PORT RICHEY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, **Error! Unknown document property name.**

SECTION I – CURRENT YEAR FINDINGS

Finding 2015-001: Review of Transactions and Reconciliation of Account Balances

Material Weakness in Internal Control over Financial Reporting

Criteria: City management is responsible for establishing and maintaining internal controls over the proper recording of all of the City's transactions and reconciliation and review of the City's account balances.

Condition: Numerous journal entries were posted incorrectly, resulting in material adjustments affecting both prior and current fiscal years. A proper review of journal entries was not consistently performed. In addition, various account balances were not adequately reconciled as a part of the City's month-end and year-end closing process. These lingering reconciliation issues caused a significant delay in the external audit process and preparation of the City's Comprehensive Annual Financial Report (CAFR) for fiscal year 2015. Examples of identified misstatements include, but are not limited to, the following:

- As a result of our audit procedures, numerous post-closing entries were required to be posted to several water and sewer accounts such as retail water and sewer receivables, governmental accounts receivable, intergovernmental revenue, charges for services- water and sewer, bulk water and sewer sales, unbilled revenue and the allowance for doubtful accounts. Also, deposits over water and sewer were not reconciled, and the City does not monitor the detail aging of outstanding receivables nor reconciles the accounts receivable sub-ledger to the general ledger.
- During the fiscal year under audit, the City did not maintain reliable processes and related internal controls surrounding the identification and proper recording of capital assets. Additionally, the City did not record retainage payable relating to outstanding construction projects; this was subsequently corrected after audit inquiry.

Cause: The City did not have responsible individuals and reliable processes in place to perform the necessary review and reconciliation procedures during the fiscal year 2015.

Effect: Misstatement of various account balances occurred, which resulted in current year and prior period adjustments.

Recommendation: Journal entries should be supported by relevant documentation and account balances reconciled on a regular basis. Journal entries and reconciliation routines should be properly reviewed and approved by management within Finance. In addition, all approved entries should be properly recorded in the correct period.

Management's Response: Management concurs with the finding and recognizes that during fiscal year 2015 proper recording and review of journal entries and reconciliation of account balances were not being performed on a consistent basis. Since the fiscal year under audit, a new Finance Director and Assistant Finance Director, who both have professional governmental accounting experience, were appointed and have already begun prioritizing among the changes deemed necessary to improve the City's accounting and financial reporting processes. There were many prior year audit findings and recommendations that were prioritized and remediated relating to debt covenant monitoring and compliance, fund balance, redevelopment properties, special event billing, and technology solutions. Further restructuring and the reengineering of processes and internal controls are currently being

CITY OF NEW PORT RICHEY, FLORIDA
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designed. Management is committed to improving financial reporting and implementing more efficient processes to prevent and detect possible misstatements.

Finding 2015-002: Payroll Processing

Material Weakness in Internal Control over Financial Reporting

Criteria: Review and authorization procedures should be implemented over payroll related transactions to ensure that wage and benefits expenses and liabilities are recorded accurately.

Condition: The City lacked proper segregation of duties over the recording of payroll transactions throughout fiscal year 2015.

Cause: Payroll processing was largely performed by a single individual with no independent review which resulted in several errors throughout the fiscal year.

Effect: Without an effective independent review process in place, compensation paid to employees each pay period could be inaccurate, either due to error or fraud.

Recommendation: We recommend that the City include additional responsible individuals in the review and approval process during each pay cycle. Additionally, the City should ensure that appropriate access controls are in place to restrict adjustments to pay rates, payments to employees, and posting of payroll entries within the general ledger to authorized individuals not involved in payroll processing.

Management's Response: Management agrees with this recommendation and the conditions identified have since been remediated. Proper segregation of duties have been implemented and independent controls are now in place to prevent, or at least minimize, inaccuracies.

SECTION II – CURRENT YEAR STATUS OF PRIOR YEAR FINDINGS

Finding 2014-01: Cash Account Balance

Condition: During the year-end audit procedures, it was noted that the City had a cash account specifically for red light camera citations, which was not recorded to the general ledger. This account had approximately \$1.2 million of activity during the year.

Recommendation: It is the responsibility of the Finance Department to ensure proper internal controls are in place to reconcile and record all cash accounts to the general ledger.

Current Year Status: The City has established a general ledger account for the Red Light Camera; however, monthly reconciliations are not being performed on a timely basis.

Management's Response: Management agrees with this recommendation. Staffing and processes are being evaluated to ensure that monthly reconciliations are performed on a timely basis.

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SCHEDULE OF FINDINGS AND RESPONSES
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Finding 2014-02: Debt Covenants

Condition: During the course of the audit, it was noted that the City was not monitoring its compliance with debt covenants.

Current Year Status: Corrective action has been taken.

Finding 2014-03: Bank Reconciliations

Condition: Per examination of bank reconciliations as of fiscal year end, it was noted that several miscellaneous debit and credit items were included in the bank reconciliations, but were not being properly recorded to the general ledger. There were several reconciling items that were over a year old and certain items that were shown as reconciling items, but shouldn't have been. The process by the Finance Department was to place items in a suspense account. Finally, a review was being performed by a separate individual in the Finance Department; however, the review process was not adequate.

Current year status: This finding was partially corrected. The bank reconciliations during the year were not performed timely, nor was there proper review over the reconciliations or an understanding of the reconciliation process. See Finding 2015-001 for current year deficiency and management's response.

Finding 2014-04: Review of Journal Entries

Condition: As a result of the audit, numerous entries were identified to have been posted incorrectly in the prior and current fiscal year, resulting in prior period audit adjustments and current period audit adjustments. A proper review was not being done over journal entries.

Current Year Status: This finding has not been corrected. See Finding 2015-001 for current year deficiency and management's response.

Finding 2014-05: Financial Reporting

Condition: During our year-end audit procedures, it was noted that sufficient internal controls were not in place to prevent, detect, or correct errors that could impact the accuracy of financial results. As a result, several proposed prior period and current period adjustments were made. Additionally, the closing process resulted in several post-closing entries and the preparation of the CAFR was not completed for 9 months after September 30, 2014 fiscal year end.

Current year status: This finding has not been corrected. See Finding 2015-001 for current year deficiency and management's response.

Finding 2014-06: Investment Policy

Condition: The City is not in compliance with its investment policy as it is not monitoring its investment policy.

Current Year Status: This finding has not been corrected. Evidence was not obtained concerning the former Finance Director earning 8 hours of continuing education on courses of study relating to investment practices and products during fiscal year 2015. Quarterly investment reports, which were to

CITY OF NEW PORT RICHEY, FLORIDA
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include analysis of the City's current investment portfolio and transactions made over the past quarter, were not submitted to City Council during fiscal year 2015. And the allocation of the City's investment portfolio did not adhere to the City's maximum concentration limits per its policy.

Management's Response: Management agrees with the recommendation. Since the fiscal year under audit, the City has appointed a new Finance Director. The new Finance Director has the required hours of continuing education over investment practices and will continue to obtain these hours on an annual basis. Additionally, as improvements are made to properly reconcile accounts on a more timely basis, and as the City transitions to its new accounting software, regular analysis and reporting of the City's financial statements, including its investment portfolio, will be performed and provided to City Council on a regular basis.

Finding 2014-07: Reconciliation of Fund Balance

Condition: As a result of the audit, it was identified that beginning fund balance for the Water and Sewer Fund did not reconcile to the prior year audited ending fund balance.

Current Year Status: Corrective action has been taken.

Finding 2014-08: Decline in Value of Community Redevelopment Agency (CRA) Property

Condition: The Community Redevelopment Agency's (CRA's) property held for resale was appraised by the Property Appraiser's Office and a decline in the value of the property, totaling approximately \$2.3 million, was identified. The decline was due to the demolition of several structures on these parcels in previous years. Total value was re-measured and a prior period adjustment was posted.

Current Year Status: Corrective action has been taken.

Finding 2014-09: Redevelopment Fund Properties

Condition: An adjustment was made to fund balance at the fund level to record three properties purchased by the community redevelopment fund and held for resale. These properties were being recorded in the government-wide capital assets. Amounts resulted in a prior period adjustment to record said properties in the proper fund. Additionally, properties had to be re-measured to net realizable value.

Current Year Status: Corrective action has been taken.

Finding 2014-10: Water and Sewer Fund Prior Period Adjustment

Condition: Due to incorrect billings and improper recording of transactions in the previous year within the Water and Sewer Fund, the beginning net position of the respective fund has been restated in the amount of \$232,753.

Current Year Status: Corrective action has been taken.

MANAGEMENT LETTER

To the Honorable Mayor, Members of City Council
and City Manager
City of New Port Richey, Florida

Report on the Financial Statements

We have audited the financial statements of the City of New Port Richey, Florida (City) as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated REPORT DATE.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated REPORT DATE, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. See Appendix A.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City discloses this information in the notes to the financial statements.

Honorable Mayor, Members of City Council,
and City Manager
City of New Port Richey, Florida

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. **In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.**

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. **In connection with our audit, we determined that these two reports were in agreement.**

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The City does not have any special district component units.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Our current year recommendations are listed in Appendix B to this Management Letter.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Mayor, City Council, City Manager, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Tampa, Florida
REPORT DATE

CITY OF NEW PORT RICHEY, FLORIDA
MANAGEMENT LETTER
SEPTEMBER 30, 2015

APPENDIX A– PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| Prior Year Findings | | Current Year Status | | |
|---------------------|---|---------------------|-------------------|-------------|
| Finding Reference # | Comment | Cleared | Partially Cleared | Not Cleared |
| MLC-1 | Off Duty Billings | X | | |
| MLC-2 | Close-Out of Capital Improvement Projects | X | | |
| MLC-3 | Improper Utility Rates Billed | | | X |
| MLC-4 | Inconsistent Rates Between Ordinance and Billing System | | | X |
| MLC-5 | Code Enforcement Fines | X | | |
| MLC-6 | Special Assessments – Government-Wide | X | | |
| MLC-7 | Unrecorded Unbilled Revenues | X | | |
| MLC-8 | Recognition of Accounts Receivable and Revenue | X | | |
| MLC-9 | Data Conversion - High | X | | |
| MLC-10 | User Access Provisioning | X | | |
| MLC-11 | Firewalls | X | | |
| MLC-12 | Passwords | X | | |
| MLC-13 | Physical Security | X | | |
| MLC-14 | Security Policies | | X | |

CITY OF NEW PORT RICHEY, FLORIDA
MANAGEMENT LETTER
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APPENDIX A– PRIOR YEAR FINDINGS AND RECOMMENDATIONS

MLC-3 Improper Utility Rates Billed

Condition: The City became aware it was improperly billing customers for water retail from fiscal year 2007 through the beginning of the fiscal year 2014. Despite the adjustment made after coming to such a realization in 2014, the City continued to improperly bill customers. As a result of utility rate testing, it appeared that all base rates and outside city limits wastewater consumption rates were understated by \$0.01.

Current Year Status: Corrective action has not been taken. During the course of our audit, we identified individual customer bills issued during fiscal year 2015 that contained inaccuracies due to incorrect utility rates incorporated in the calculation of customer charges.

Management's Response: The City's current accounting system limits the entering and annual updating of utility rates to a manual process, which, unfortunately, can result in human error. This issue will be resolved with the implementation of the City's new accounting software system, which will provide for annual updates to be performed automatically. In the meantime, a review and verification process is being designed and implemented to ensure utility accounts are properly billed.

MLC-4 Inconsistent Rates between Ordinance and Billing System

Condition: The City issued Ordinance No. 2014-2030 to update utility rate charts and clarify the billing system. The reclaimed water section of this ordinance contains rate amounts from fiscal year 2007. However, the City bills customers using the current year rate, which has increased 4% annually from the numbers disclosed in the ordinance.

Current Year Status: Corrective action has not been taken. See current year status reported at MLC-3.

Management's Response: The City's current accounting system limits the entering and annual updating of utility rates to a manual process, which, unfortunately, can result in human error. This issue will be resolved with the implementation of the City's new accounting software system, which will provide for annual updates to be performed automatically. In the meantime, a review and verification process is being designed and implemented to ensure utility accounts are properly billed.

MLC-14 Security Policies – Low

Condition: Currently, the IT department does not maintain formal IT policies or procedures. An IT policy would assist the City with outlining IT responsibilities, objectives, and ensures consistency when personnel changes occur. Without policies and procedures in place, the City does not have guidelines to enforce rules and as such, employees cannot be held accountable.

Current Year Status: The City has policies for acceptable use of internet, email, social usage, passwords, physical security, data ownership, and voice communications/voicemail. However, certain policies and procedures used to create the security culture for the City and support technology related operations were not in place and formally documented. The City should develop policies and procedures relating to the following: mobile devices, information security policy, and a technology strategic plan.

CITY OF NEW PORT RICHEY, FLORIDA
MANAGEMENT LETTER
SEPTEMBER 30, 2015

APPENDIX A– PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Management's Response: The technology policies of the City are currently broken out into multiple documents, which are given to all employees during the new hire orientation. A larger document is currently being drafted which will replace the existing documents and include the following categories:

- General Use
- Electronic Mail and Voicemail
- Internet and Mobile Device
- Information Security
- Social Media
- Incident Response / Disaster Recovery

In addition, the Technology Solutions Department is currently drafting a strategic plan that should be completed in the current fiscal year

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CITY OF NEW PORT RICHEY, FLORIDA
MANAGEMENT LETTER
SEPTEMBER 30, 2015

APPENDIX B – RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT

Finding 2015-003: Compliance with Florida Statutes: Budget

Criteria: Per Florida Statute 166.241, the governing body of each municipality at any time within a fiscal year or within 60 days following the end of the fiscal year may amend a budget for that year.

Condition: During the audit we noted that the budget amendments were not approved in a timely manner. Formal approvals were made in February 2016).

Cause: There was turnover within key management positions in the Finance Department.

Effect: The City was not in compliance with Florida statutes relating to budget amendments.

Recommendation: It is the responsibility of the City to ensure budget amendments are approved within 60 days after the fiscal year end in accordance with Florida Statutes.

Management's Response: During the 60 day period after year end mentioned above, the City had just hired a new Finance Director. Because of the amount of account reconciliations that needed to be performed, year-end budget amendments could not be prepared and presented to City Council before the mandated deadline. Moving forward, the yearend closing process will be performed in a more timely manner to ensure that this requirement is complied with.

Finding 2015-004: Consideration of Information Technology Controls

Criteria: Information technology systems are an integral component of the financial reporting system. Best practices should be employed with respect to the computer processing environments to help ensure the reliability of the business and financial systems that support business objectives during the current and future reporting periods.

Condition: The following conditions represent opportunities to improve general controls over the information systems supporting the financial reporting system:

- The City currently does not maintain a formal and ongoing risk assessment process and approach that focuses on external penetration testing to assess any potential security and/or access weaknesses.
- User accounts for Active Directory and the financial application, Naviline, are not formally validated on a periodic basis to ensure only current employees and approved business partners have active user accounts.
- The City accepts credit card payments as a merchant. Any entity that processes, stores or transmits cardholder data is required to be compliant with the Payment Card Industry Data Security Standard (PCI DSS). The City is not fully aware of all of the compliance requirements under the standard and therefore may not be compliant with the PCI DSS.

Cause: Best practices are continually evolving and security measures need to be reassessed continually.

Effect: Risk exposure is elevated when best practices are not employed with respect to general controls over the computer processing environment.

CITY OF NEW PORT RICHEY, FLORIDA
MANAGEMENT LETTER
SEPTEMBER 30, 2015

APPENDIX B – RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT

Recommendation: We recommend that the City engage a third party to perform annual External Penetration Testing to properly identify any areas of technical weaknesses on an annual basis. Also, a formal review of user accounts in Active Directory and Naviline should take place. This review should be performed at least every 6 months and documentation should be maintained with the results of the review. Finally, the City should research the PCI DSS requirements that are applicable to the City's credit card acceptance environment and implement a plan in order to progress toward compliance with the standard.

Management's Response: In the 2015-16 fiscal year, Technology Solutions worked to improve its testing methods and increase security to the City's network. A network assessment was completed by a third party vendor to review vulnerabilities in the City's network and make corrections, as necessary. This testing will continue to be performed on an annual basis as the City keeps current with security trends and protecting City technologies.

The City monitors its active directory accounts closely and staff accounts are disabled upon termination. Account statuses are reviewed annually as part of an internal audit performed the by Technology Solutions Department. The Technology Solutions Department will increase the frequency of this review and will perform it on a semi-annual basis.

The City currently uses third-party vendors, which are PCI-compliant, to process its credit card transactions. However, the Technology Solutions Department, in conjunction with the Finance Department, will review these requirements to establish policies and procedures for staff PCI compliance.



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INDEPENDENT ACCOUNTANTS' REPORT

Honorable Mayor, Members of the City Council,
and City Manager
City of New Port Richey, Florida

We have examined the City of New Port Richey, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

Our examination disclosed material noncompliance with requirements set forth in Section 218.415, Florida Statutes, applicable to the City's investment of public funds during the year ended September 30, 2015. The City is not in compliance with certain requirements of its investment policy.

This report is intended solely for the information and use of the City and the Florida Auditor General and is not intended to be, and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Tampa, Florida
REPORT DATE