Attachment A

NEWPORT URBAN RENEWAL AGENCY
LINCOLN COUNTY, OREGON

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2014

CERTIFIED PUBLIC ACCOUNTANTS
PAULY ROGERS AND CO PC

12700 SW 72nd Ave.
Tigard, OR 97223

PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

December 26, 2014

To the City Council
City of Newport Urban Renewal Agency
Newport, Oregon

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the City of Newport Urban Renewal Agency as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 deficiency in internal control to be a significant deficiency:

1. During our testing of cash, we noted that bank reconciliations were not always prepared or reviewed on a timely basis. We recommend that all reconciliations be prepared within a few weeks of receiving all necessary information, and then reviewed shortly thereafter by someone independent of the preparation process.

Best Practices – Not Significant Deficiencies

1. Governing Council Monitoring

   An integral part of internal controls is the monitoring of financial activities by those charged with the governance. This can be accomplished by asking specifically designed questions to senior staff, by reviewing financial statements and projections and by comparing financial results to pre-established benchmarks. While the Council participates in the budget adoption process and receives staff prepared financial statements, these only partially fulfill the monitoring function.

   We recommend that the Council articulate their monitoring practices and record in the minutes when those activities occur.

   Since monitoring activities, including benchmarking, are unique to each entity, we are available to assist the Council in establishing checklists, questions and benchmarks that are customized for your use.

2. Fidelity Insurance Coverage

   In reviewing fidelity insurance (employee honesty) coverage, we noticed that the Agency often carries cash and investment balances in excess of the insurance coverage amount. We recommend that the Council examine this exposure risk and make a determination as to the amount of insurance coverage they feel is prudent in regard to their oversight.

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

Roy R Rogers
Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.