



**HINTONBURDICK**  
CPAs & ADVISORS

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

The Honorable Mayor and  
Town Council  
Tusayan, Arizona

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. We wish to commend the Town for their administrative achievements and oversight of the Town's accounting and budget system. During our audit of the funds of the Town of Tusayan for the fiscal year ended June 30, 2018 we found a few circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Significant Deficiencies:**

2011-001. Year-end Accounting (prior year reworded, reissued)

**Criteria:** Auditing standards indicate that the identification by the auditor of misstatements in the financial statements may be a significant deficiency in the Town's internal controls.

**Condition:** Accruals and adjustments to the general ledger were required that were not initially identified by the Town's internal controls. A copy of the audit adjustments proposed can be obtained from Management.

**Cause:** Procedures for year-end adjustments may need to be revised or improved in order to properly identify certain adjustments for new accounting standards or other non-routine adjustments.

**Effect:** The Town's financial statements would not have been fairly stated in all material respects without the adjustments.

**Recommendations:** We recommend that management review the audit adjustments in order to understand each adjustment and continue efforts to improve controls over year-end accounting and identify accruals and adjustments prior to the audit.

2011-002. Segregation of Duties (prior year reworded, reissued)

**Criteria:** An effective internal control structure, including adequate segregation of duties, should be implemented in order to properly safeguard Town assets.

**Condition:** The same individual who recorded cash receipts and cash disbursements in the accounting system also, prepared cash disbursements and prepared bank reconciliations.

**Cause:** The size of the Town's administrative staff prohibits the complete segregation of duties within its accounting function.

**Effect:** A material misstatement, due to fraud or error, may not be prevented or detected in a timely manner.

**Recommendations:** The Town Council and management should consider ways that segregation of duties can be improved or additional mitigating controls can be established within the accounting and administrative functions as the Town continues to grow and additional staff are considered necessary.

2011-003. Policies and Procedures (prior year reworded, reissued)

**Criteria:** A Policy and Procedure Manual is important in establishing the financial policies and procedures, flow of documents, job descriptions, responsibilities and duties, and general operating environment of any type of organization.

**Condition:** The Town does not have a complete Policy and Procedures Manual.

**Cause:** The Town is still relatively new and the size of the administrative staff hampers the Town's ability to complete projects such as these.

**Effect:** Without this document there could be confusion in regards to Town policies and expectations of its employees, management and the Town Council which in turn could weaken controls over compliance, financial reporting and the safeguarding of assets.

**Recommendations:** We did note that the Town prepared and adopted a Fiscal Policy and Procedure Manual during fiscal year 2016. We recommend that the Town continue to develop and implement a Policies and Procedures Manual that addresses such items as: budgetary procedures, purchase orders, capital asset management procedures, personnel duties and responsibilities, records retention, EEOC, Drug Free Workplace, related party, conflict of interest, chart of organization, compensation and fringe benefits and vacation and holiday compensation.

The Town may consider consulting with the Arizona League of Cities and Towns or local governmental entities of similar size to obtain Policies and Procedures manuals or materials that may help you in developing and implementing policies and procedures specific to the Town.

**COMPLIANCE AND OTHER MATTERS:**

None noted

Responses

Please respond to the above Findings and Recommendations in letter form.

This report is intended solely for the information and use of the Town Council, management, and various federal and state agencies and is not intended to be 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 Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HintonBurdick, PLLC  
Gilbert, Arizona  
May 17, 2019