

MANAGEMENT LETTER - REVISED

The Honorable Mayor, and
 Members of the City Commission
 City of Oak Hill, Florida

Report on the Financial Statements

We have audited the financial statements of City of Oak Hill, Florida (the “City”) as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 29, 2020.

Auditors’ Responsibility

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 and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on 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 Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 29, 2020, 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 (FY 2018). Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below, and as addressed in the accompanying Schedule of Findings and Responses:

<u>Tabulation of Corrected and Uncorrected Audit Findings</u>	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
Information Systems Security		x	ML 2015-03
Segregation of Duties	x		SD01 (2009)

To the Honorable Mayor, and
Members of the City Commission
Coty of Oak Hill, Florida

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 legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and communicate 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 to identify 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 for the City. 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. The assessment was done as of the fiscal year end.

Section 10.554(1)(i)2., Rules of Auditor General, requires that we communicate any recommendations to improve financial management. See our commentary in the attached Schedule of Findings and Responses.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2019, 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, 2019. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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.

Purpose of this Letter

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, Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

BMC CPAs

August 18, 2020

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended September 30, 2019
CITY OF OAK HILL, FLORIDA

The following table summarizes the status of the prior year findings and responses included in the prior year's 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*. For fiscal year 2019, we have revised our management letter thereon dated August 18, 2020.

Auditors' Responsibility

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 and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on 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 Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 29, 2020 and revised on August 18, 2020, 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 (FY 2018). Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, and are addressed in Exhibit A, except as noted below:

Tabulation of Corrected and Uncorrected Audit Findings:	Corrective	Comment Has	Prior Year
	Action Not Yet Complete	Been Addressed Or Is No Longer Relevant	
Information Systems Security		x	#ML 2015-03
Segregation of Duties	x		SD01 (2009)

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 legal authority is disclosed in the notes to the financial statements.

Purpose of this Letter

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, Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

BMC CPAs

August 18, 2020

PRIOR YEAR MATTERS

Pursuant to Section 10.554(1)(i)(1), Rules of the Auditor General, the following is a summary of the status of any unresolved prior year findings and management letter comments issued by the external auditor in fiscal year 2018:

ML 2015-03 Information Systems Security

While the City currently has informal information systems security policies in place, we continued to note that comprehensive, formal and written security policies are not in place to define the security objectives for the City.

Recommendation: To reduce the exposure to unauthorized access to the City's IT systems, we recommend that the City create a comprehensive Information Security Policy that defines the requirements for granting access, terminating access, periodically reviewing access, password security, confidentiality of information, segregation of duties, physical and logical access to sensitive data, network security, backup and disaster recovery procedures. In addition, this policy should be reviewed and updated annually to accurately reflect changes in the information systems environment.

The client has adopted a comprehensive Information Security Policy. ML 2015-03 has been addressed and is no longer a finding.

SD01 (2009): Segregation of Duties

The City's general stewardship responsibilities include the development and utilization of management and internal control systems that provide reasonable assurance to management and the City's elected officials that its governmental resources are effectively and efficiently used in accordance with applicable laws, ordinances, and other guidelines. During the current year audit, we continued to note that the City's ability to implement adequate managerial and internal control systems is affected by the City's limited staffing (only 2 employees), the extent of the accounting staff's overlapping administrative duties, and financial resources.

We also continued to note that the City has not completed the drafting and reviewing of formal accounting policies and procedures in order to provide adequate controls as it relates to the accounting functions and processes. Due to the limited number of staff working within the administrative and finance departments, many of the critical overlapping duties are combined with virtually no managerial oversight or control. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

Recommendation: We continue to recommend the City complete formal written accounting policies and procedures. Strictly following formal written procedures will ensure that all accounting functions are performed in a timely manner while maintaining proper segregation of duties. This change will greatly benefit the organization with more efficient accounting processes that produce more timely financial statements, which will aid in the planning and budgeting process. We also suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

Auditee Response: *Due to budgetary constraints the City's finance functions continue to be performed by only two administrative staff members. The City will continue to consider its limited options and constraints to separate the important finance functions and duties to further strengthen internal controls.*