



Mayor and City Commission
City of Lawrence, Kansas

In planning and performing our audit of the financial statements of the City of Lawrence, Kansas, as of and for the year ended December 31, 2015, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated May 13, 2016, on the financial statements of the City of Lawrence, Kansas.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with various City personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform an additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. During the audit, we noted differences between general ledger account balances and supporting documentation balances on multiple capital asset accounts. In addition, we noted that general ledger account balances and supporting documentation on utility deposits payable also did not reconcile. We recommend that all supporting documentation agree to the general ledger.

Management Response:

There were two variances in capital assets between supporting documents and the general ledger balance.

- a. Water improvement values varied \$48,000. This variance has been carried on the books for many years. An adjustment will be made in 2016.
- b. Accumulated depreciation of Central Maintenance Garage equipment was off by \$1,630. This was adjusted in 2015.

The variances on the utility deposits documentation are primarily due to timing between the billing system and financials. Staff is working with the software provider to create more useful and timely reports in future years.

2. The schedule of expenditures of federal awards initially prepared for the financial statements had several misstatements that included incorrect CFDA numbers, the omission of multiple federal expenditures and the misclassification of expenditures between grants. To correct these errors in future schedules we recommend that an individual independent of the preparation of the schedule review the supporting documentation received and the schedule for reconciliation, proper CFDA numbers and clerical accuracy.

Management Response:

The City relies on the individual departments receiving grant awards to provide the necessary information for reporting. Finance department staff will work more closely with the departments to ensure more accurate information is provided in future years, and have internal staff review the schedule.

This report is intended for the use of the mayor, city commission and other members of management of the City of Lawrence, Kansas, and should not be used by anyone other than these specified parties.

Mize Houser & Company PA

Certified Public Accountants
Lawrence, Kansas

May 13, 2016