



March 17, 2015

To City Management of the City of Garland:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Garland (the City) as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

However, during our audit we became aware of opportunities for strengthening controls and/or operational efficiency. A separate letter dated March 17, 2015 contains our communications on internal controls and compliance in accordance with governmental auditing standards. This letter does not affect our report dated March 17, 2015 or the financial statements of the City of Garland.

Transactions Subsequent to Year End

During our testing of accounts payable, we tested two invoices paid after year end, with services rendered in fiscal year 2014, but the transactions were recorded in fiscal year 2015. We also tested three similar construction transactions where the service period was split between fiscal year 2014 and 2015 and noted that the City was accounting for them in two different ways. In two instances, the City partially accrued for the services, and in one instance, they did not accrue for the services. We recommend the City formalize a process relating to this type of transaction and communicate and train staff to account for them accordingly.

We also selected two significant refunds from Texas Municipal Power Authority recorded in fiscal year 2014 and noted that one of the refunds was for fiscal year 2013. It was received in February of 2014, or subsequent to the City's year end of September 30, 2013.

We recommend the City formalize year end closing procedures to ensure all recurring material transactions are reflected in the proper period.

Management's response: Procedures have been set-up to enhance the review process which occur subsequent to year end.

Amortization Schedules

During our testing of the premiums, we noted that a new software program had been implemented for the amortization of premiums and it was using a significantly different amortization method than the prior year amortization method. Although the current year effect was immaterial, we recommend maintaining a consistent method of amortization.

Management's response: The amortization method related to the software will be utilized for all new debt issuances. Management will consider a true up process for all other amortization that remains on the books prior to the implementation of the new software.

IT Recommendations

During the course of the audit, our IT advisory group performed tests of controls and made recommendations, which were discussed with management on January 15, 2015.

- Management should consider updating the security policy, located on the City's intranet, at least annually to ensure that relevant information is documented and made available to all employees and system users.
- Management should ensure that application systems are tested for restore capability on at least a semi-annual basis for Banner, Ventyx, iNovah, and the Courts System and on at least an annual-basis for Cayenta, Highline and Happy. Management should consider opening a recurring ticket for notification of this restore test to document the results of the test.
- Management should ensure that user access to Active Directory is reviewed on a quarterly basis. Reviews should include a review of terminated users, dormant and generic accounts and duplicate accounts.
- Management should consider formulating a solution that provides "Dwright" the privilege to perform code changes without being admitted into the ADD-ADMIN group for proper segregation of duties.
- Management should remove terminated users access in a timely manner. Management should consider ensuring access is appropriate by comparing a review of active application users to the terminated user list on a quarterly basis.

Management's response: The suggestions have been implemented or are in the process of being implemented.

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

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