

Honorable Mayor and
Members of the City Council
of the City of Tustin
Tustin, California

In planning and performing our audit of the financial statements of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of the City of Tustin, California (the City), as of and for the year ended June 30, 2016, 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 that are appropriate in the circumstances 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.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 19, 2016, on the financial statements of the City. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. Our comments with our recommendations for improvement are summarized as follows:

Purchasing Card

Auditors' Comment and Recommendation

The City's purchasing card policy for non-city manager department employees requires the authorization form to be signed by a supervisor or director, depending on the dollar amount of their signing authority, and submitted to accounts payable within three days of the transactions. During our testing of one month's transactions for all purchasing cards, we noted sixteen transactions that did not comply with the policy and fifteen transactions that we could not verify compliance with the policy. We recommend the City follow the policy or amend the policy to reflect actual practices.

Management's Response

The City will review the exceptions noted to the Purchasing Card policy with the City Manager and the Audit Commission and consider amending the existing policy to provide appropriate response time for obtaining approvals. City departments using purchasing cards have been notified of the issues concerning dates of approval and accounts payable employees are verifying that the approval signatures include date signed.

City Policies

Auditors' Comment and Recommendation

During our review of the overall internal control environment of the City, we noted that the City does not have formal written policies regarding the below:

- Prohibiting loans to employees and governing body members
- Debt management

We recommend the City adopt formal written policies to address the above items to communicate and encourage adherence to the City's intended practices, prevent possible confusion, inconsistent treatment, or misunderstandings among personnel.

Management's Response

The City will adopt formal written policies prohibiting loans to employees and governing body members and debt management.

City's Responses to Auditors' Comments and Recommendations

The City's responses to the comments and recommendations identified in our audit are described above. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

White Nelson Dick Evans LLP

Irvine, California
December 19, 2016