

# City of Tomball, Texas

Government Auditing Standards Report  
For the Fiscal Year Ended September 30, 2022



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**Independent Auditor's 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**

To the Honorable Mayor and  
Members of City Council  
City of Tomball, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tomball, Texas (the City) as of and for the year ended September 30, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 1, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001, which we consider to be a material weakness.

The Honorable Mayor and  
Members of City Council  
City of Tomball, Texas

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
June 1, 2023

## City of Tomball, Texas

Schedule of Findings and Responses  
For the Fiscal Year Ended September 30, 2022

### Finding 2022-001

**Material Weakness in Internal Control:** Information Technology Security

#### Criteria

Management is responsible for the accuracy and completeness of all financial records and related information and for establishing and maintaining effective internal control over financial reporting, including its information technology (IT) infrastructure used in the preparation of financial statements.

#### Condition

In December 2022, the City fell victim to a breach in its information technology security by a third-party strain of ransomware, which resulted in the City's systems, including enterprise resource planning (ERP), utility systems and backup data being inaccessible.

#### Cause

The City did not have sufficient IT security protocols in place, leaving their systems at risk.

#### Effect or Potential Effect

The above condition is indicative of a material weakness in the City's internal controls over financial reporting since the event was pervasive and resulted in a halt to most of the City's operations. The City developed alternative methods of conducting daily operations while rebuilding its IT environment. The recovery of encrypted information may result in missing source documentation and/or unanticipated corrections to the financial statements.

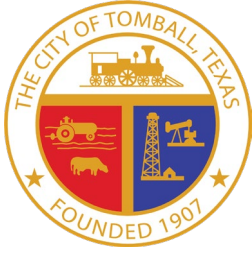
#### Recommendation

We recommend that City's management should:

- Obtain the recommendations and final status of the recommendations from recovery partners;
- Establish an incident response policy;
- Establish a process to document incidents and the activities through the completion an "Incident Summary and Investigation";
- Ensure IT general control processes, security administration, change management, backup and recovery, interface management, physical security, patch management are in place and documentation is maintained to support the processes;
- Perform periodic user access reviews;
- Ensure that administrator access is restricted to appropriate personnel, and where segregation of duties conflicts exist, that sufficient monitoring controls are in place, and;
- Review the City's cybersecurity insurance policy and ensure required processes are in place.

#### City's Response - Views of Responsible Officials:

*See corrective action plan.*



# City of Tomball

**Lori Klein Quinn**  
Mayor

**David Esquivel, PE**  
City Manager

## Current Year Findings

### Finding 2022-001

**Material Weakness in Internal Control:** Information Technology Security

#### Corrective Action Plan

- Obtain the final status from remediation vendor
- Compile documentation from all vendors
- Complete an incident response
- Document existing periodic user reviews
- Review the City's cybersecurity insurance to verify requirements
- Utilize detection and response software for 24x7 monitoring of data
- Deploy patch management and inventory systems
- Create documentation for all IT processes, security administration, change management, patch management, inventory, and backups

#### Person(s) Responsible

Doug Tippey – IT Director

Ben Lato – Senior IT Specialist

#### Anticipated Completion Date

The anticipated completion date is September 30, 2024.