

CITY OF RIALTO, CALIFORNIA

**SINGLE AUDIT REPORT ON
FEDERAL AWARD PROGRAMS**

Year Ended June 30, 2018

CITY OF RIALTO, CALIFORNIA
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2018

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**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***

City Council
City of Rialto
Rialto, California

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the City of Rialto, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 16, 2019.

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) to determine the 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-003 to be a significant deficiency.

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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-004.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

Jeannan Ramirez & Smith, Llc.

Riverside, California
September 16, 2019

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

City Council
City of Rialto
Rialto, California

Report on Compliance for Each Major Federal Program

We have audited the City of Rialto, California's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questions costs as item 2018-005. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response has not been subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness and item 2018-003 that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rialto, California as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 16, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and the other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Jeannan Ramirez & Smith, Llc.

Riverside, California
September 16, 2019

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

| Federal Grantor/Pass-Through Grantor Program Title | Federal CFDA Number | Grant/Contract Number | Federal Expenditures | Subrecipient Expenditures |
|--|------------------------|--|---|-------------------------------------|
| <u>United States Department of Housing and Urban Development</u> | | | | |
| Direct Assistance: | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-14-MC-06-0571 B-15-MC-06-0571 B-16-MC-06-0571 B-17-MC-06-0571 B-08-MN-06-0518 B-11-MN-06-0518 | \$ 145,773 176,252 114,678 550,202 9,485 5,405 | \$ - - - 132,620 - - |
| Total United States Department of Housing and Urban Development | | | 1,001,795 | 132,620 |
| <u>United States Department of Justice</u> | | | | |
| Direct Assistance: | | | | |
| Public Safety Partnership and Community Oriented Policing Grants | 16.710 | 2012-UM-WX-0032 2014-UM-WX-0171 | 56,151 28,120 | - - |
| Total Public Safety Partnership and Community Oriented Policing Grants | | | 84,271 | - |
| Direct Assistance: | | | | |
| Equitable Sharing Program | 16.922 | CA0360900 | 134,004 | - |
| Total United States Department of Justice | | | 218,275 | - |
| <u>United States Department of Transportation</u> | | | | |
| Passed through State of California: | | | | |
| Highway Planning and Construction | 20.205 | HSIP 08-017 | 160,167 | - |
| Passed through Omnitrans: | | | | |
| Federal Transit - Capital Investment Grants | 20.500 | FTA 5307 CA-90-T850-01 | 104,706 | - |
| Passed through State of California | | | | |
| Office of Traffic Safety: | | | | |
| Federal Transit - Capital Investment Grants | | 17-OTS09 | 16,517 | - |
| Total Federal Transit - Capital Investment Grants | | | 121,223 | - |
| Passed through State of California | | | | |
| Office of Traffic Safety: | | | | |
| State and Community Highway Safety | 20.600 | PT18122 PT1799 | 49,114 28,305 | - - |
| Total State and Community Highway Safety | | | 77,419 | - |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | | | | |
| | 20.608 | PT18122 PT1799 | 47,475 50,815 | - - |
| Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated | | | 98,290 | - |

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
Year Ended June 30, 2018

| Federal Grantor/Pass-Through Grantor Program Title | Federal CFDA Number | Grant/Contract Number | Federal Expenditures | Subrecipient Expenditures |
|--|------------------------|--------------------------|-------------------------|------------------------------|
| <u>United States Department of Transportation - Continued</u> | | | | |
| Direct Assistance: | | | | |
| State Traffic Safety Information System Improvement Grants | 20.610 | PT1799 | \$ 63,981 | \$ - |
| Total United States Department of Justice | | | 521,080 | - |
| <u>United States Department of Homeland Security</u> | | | | |
| Passed through San Bernardino County Fire Protection District: | | | | |
| Homeland Security Grant Program | 97.067 | 2015-SS-00078 | 20,160 | - |
| Total United States Department of Homeland Security | | | 20,160 | - |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 1,761,310 | \$ 132,620 |

CITY OF RIALTO, CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the City that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of the program expenditures reimbursable with such federal funds is reported in the accompanying schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized in the period incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

c) Major Programs

The City had one major program for the year ended June 30, 2018, consisting of expenditures from several grants from the United States Department of Housing and Urban Development. The major program had disbursements of \$1,001,795. This amount calculates to 57% of the total disbursements from federal awards. The City did not meet the requirements to be a low risk auditee. Therefore, the City's major programs have to cover at least 40 percent of the total expenditures of federal awards.

d) Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

e) Relationship to Basic Financial Statements

Federal award expenditures agree or can be reconciled with the amounts reported in the City's financial statements.

CITY OF RIALTO, CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

f) Contingencies

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

| | |
|--|------------|
| Type of Auditors' Report Issued: | Unmodified |
| Internal Control Over Financial Reporting: | |
| Material Weakness(es) Identified? | Yes |
| Significant Deficiency(ies) Identified not Considered to be Material Weaknesses? | Yes |
| Noncompliance Material to Financial Statements Noted? | Yes |

Federal Awards

| | |
|---|------------|
| Internal Control Over Major Programs: | |
| Material Weakness(es) Identified? | Yes |
| Significant Deficiency(ies) Identified not Considered to be Material Weaknesses? | Yes |
| Type of Auditors' Report Issued on Compliance for Major Programs: | Unmodified |
| Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a) | Yes |

Identification of Major Programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|--------------|--|
| 14.218 | U.S. Department of Housing and Urban Development; Community Development Block Grants/Entitlement Grants |

| | |
|--|-------------------|
| Dollar Threshold used to Distinguish Between Type A and Type B Programs: | \$ <u>750,000</u> |
|--|-------------------|

| | |
|--|----|
| Auditee Qualified as Low-Risk Auditee? | No |
|--|----|

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 - Material Weakness: Bank Reconciliations

Federal Agencies: U.S. Department of Housing and Urban Development

Programs: Community Development Block Grants/Entitlement Grants

Award Numbers: All grant awards under the above programs.

Award Years: 2017-2018

Repeat Finding: No

Condition: During the audit, we noted that the City's general checking bank account balance in the general ledger was not reconciled to the bank statements in a timely manner.

Criteria: Proper internal controls require that bank reconciliations are prepared and reviewed in a timely manner.

Questioned Costs: None.

Cause: Finance Department did not complete the bank reconciliations in a timely manner due to lack of personnel.

Effect: When bank reconciliations are not prepared in a timely manner, the risk of fraud, theft or errors going undetected by management increases significantly.

Perspective Information: This matter is a systemic problem effecting all months within the fiscal period.

Recommendation: We recommend that bank statements be reconciled on a monthly basis to the general ledger, and that all unusual reconciling items be promptly investigated and adjusted for with adequate explanations.

Management's Response: Management recognizes the importance and risk of not having bank reconciliations complete in a timely manner. The city agrees with the recommendation and will implement a monthly close process that will include Bank Reconciliations to be completed within 60 days. Any reconciling item will be investigated and adjusted with the review and approval of a supervisor/manager. The City is hiring additional Accounting staff to ensure the timeliness of the Bank Reconciliations.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2018-002 - Material Weakness: Year-End Closing Procedures

Condition

Capital Assets

Detail schedules for capital assets did not include several construction in progress projects that were in progress during the fiscal year. There was a similar finding regarding capital assets in the prior year number 2017-003.

Due from Other Governments

During our review of gas tax revenues, we noted the City did not accrue certain payments related to the 2018 fiscal year.

Land Held for Resale/Development

During our review of land held for resale/development by the Successor Agency, we noted several properties that were to be transferred to the City based on the Long Range Property Management Plan had not been appropriately transferred to the City from the Successor Agency. There as a similar finding regarding Land Held for Resale/Development in the prior year finding number 2017-003.

Unearned Revenue

During our review of the balances in the Fair Share Agreement Capital Projects Fund, the City's fair share fees were recorded as unearned (unavailable) revenue. Upon further inquiry, it was determined that these amounts represented revenues collected that should have been recorded as revenue in the current year. There is a similar finding regarding Unearned Revenue relating to the enterprise funds in the prior year finding number 2017-003.

Compensated Absences

We noted that the supporting schedule for the amount of compensated absences recorded in the general ledger contained several errors as a result of the use of incorrect pay rates for certain employees. This is a repeat finding from the prior year based on finding number 2017-003.

Long-Term Debt Recognition

During our review of long-term debt, it was noted that the City had not timely recorded several debt issuances during the fiscal year.

Evidence Monies Held in Trust

During our audit, it was noted that the Evidence Monies held in trust by the City had not been reconciled to the records of the Police Department.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2018-002 - Material Weakness: Year-End Closing Procedures - Continued

Criteria

Capital Assets

All capital projects that take place during the year should be tracked and reflected in the capital asset detail schedules.

Due from Other Governments

Receivables should include all amounts for revenue that should be recognized during the year.

Land Held for Resale

All property that were to be transferred to the City should be appropriately recorded and reflected in the general ledger in the appropriate fund.

Unearned Revenue

Amounts collected from developers for fair share fees should recorded in the period in which they were earned.

Compensated Absences

Supporting schedules used to calculate compensated absences should contain data that agrees to the payroll records.

Long-Term Debt Recognition

All debt should be recorded once the obligation has been incurred and reflected in the general ledger in a timely manner.

Evidence Monies Held in Trust

The evidence monies that are held in trust should be reconciled to the Police Department's records to ensure completeness and accuracy.

Cause

Capital Assets

The City did not identify all capital projects that were still in progress during the fiscal year when updating the capital asset detail schedules and general ledger balances.

Due from Other Governments

The City did not accrue certain gas tax payments related to the 2018 fiscal year as a receivable.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2018-002 - Material Weakness: Year-End Closing Procedures - Continued

Land Held for Resale/Development

The City did not transfer the properties from the Successor Agency to the City based on the Long Range Property Management Plan.

Unearned Revenue

The City recorded revenues from fair share fees as unearned revenue during the fiscal year and also within the wrong funds.

Compensated Absences

The supporting schedule contained inaccurate payroll information.

Long-Term Debt Recognition

The long-term debt incurred during the fiscal year, which included a Refunding Tax Allocation Bond in the Successor Agency, Capital Lease, and Margin Loan, was not timely recorded into the general ledger.

Evidence Monies Held in Trust

The Finance Department did not reconcile the Evidence Monies with the Police Department's records throughout the fiscal year.

Effect

Capital Assets

Capital asset balances had to be updated to reflect the construction projects in progress that occurred during the year.

Due from Other Governments

The lack of accrual of certain gas tax payment resulted in an audit adjustment to recognize revenue and a receivable.

Land Held for Resale/Development

The properties had to be reclassified to the appropriate fund from the Successor Agency.

Unearned Revenue

This resulted in a significant prior period adjustment as the revenues relating to the fair share fees were erroneously classified as unearned revenues for several years.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2018-002 - Material Weakness: Year-End Closing Procedures - Continued

Compensated Absences

Compensated absences liabilities were miscalculated.

Long-Term Debt Recognition

The long-term debt was recognized in the general ledger several months after the end of the fiscal year.

Evidence Monies Held in Trust

This required a significant reconciliation of the balance and corrections several months after the end of the fiscal year.

Recommendation

Capital Assets

We recommend the City implement policies and procedures to ensure that all capital projects are tracked and reflected in the year-end balances and detail schedules.

Due from Other Governments

We recommend the City review the gas tax fund revenues for completeness at year-end, review the receivable detail schedules for accuracy and ensure the totals agree to the general ledger prior to finalizing the year-end balances.

Land Held for Resale/Development

We recommend the City communicate with the appropriate departments so that approved properties are classified in the appropriate funds.

Unearned Revenue

We recommend the City review unearned revenue balances at year-end to ensure such balances represent unearned revenue to the fund in which it is recorded or make correcting entries as is necessary.

Compensated Absences

We recommend that the compensated absences schedule be reviewed and corrected to ensure the accuracy of the amounts being recorded in the general ledger for compensated absences.

Long-Term Debt Recognition

We recommend that the City record long-term debt upon issuance in the general ledger.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2018-002 - Material Weakness: Year-End Closing Procedures - Continued

Evidence Monies Held in Trust

We recommend that the Finance Department reconcile the account in conjunction with the Police Department throughout the fiscal year.

Management's Response:

Capital Assets

Management agrees with the recommendation. Finance will set policies and procedures that it will communicate to other departments to ensure completeness of schedules and completion of projects. Finance will request a master list of ongoing and completed projects from city departments to make appropriate adjustments to the capital balance sheet accounts and maintain a capital detail schedule. This will be a part of the year-end request list.

Due from Other Governments

Management agrees with the importance of reviewing gas tax fund revenues for completeness, the city will perform a year-end reconciliation prior to finalizing the general ledger/trial balance. This allows the city proper time to investigate any discrepancies and process any adjustments.

Land Held for Resale/Development

Management agrees with the recommendation. The city will communicate more frequently and effectively with other city departments to ensure that approved properties are classified in the appropriate fund. Finance will designate accounting staff to review and reach out to departments proactively during the City's year end close process.

Unearned Revenue

Management understands the importance of analyzing the balances at year-end of unearned revenue. Finance staff is hiring additional professional accounting staff that will dedicate more time to analyzing balance sheet accounts. Finance will make adjustments to the general ledger and year-end schedules with review and approval by a supervisor/manager. The schedule will also be updated to reflect correct and complete balances. Any item affecting unearned revenue will follow revenue recognition standards.

Compensated Absences

Management agrees with the recommendation. The city will ensure to thoroughly review the entry for compensated absences ensuring accuracy. Finance staff will prepare it and it will be reviewed and approved by a supervisor or manager as well as reviewed by payroll to ensure the accuracy of the calculation.

Long-Term Debt Recognition

Management understands the importance of recording long term debt upon issuance rather than at the end of the Fiscal Year. The city will implement a procedure to have debt recorded at issuance.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2018-002 - Material Weakness: Year-End Closing Procedures - Continued

Management's Response: Continued

Evidence Monies Held in Trust

Management agrees with the recommendation above. The city will assign accounting staff to work in conjunction with the Police Department on a regular basis. Finance will perform a quarterly reconciliation to the Police Department's audit log to account and adjust for any missing or unusual items. The city is establishing new Year-End procedure and is being more proactive in requesting items from departments and internally analyzing and preparing schedules.

Planned Corrective Action:

The City's Finance department and other vital City departments have continued to have significant turnover which have caused Finance to miss adjustments that would be completed through the ordinary course of business. Finance is hiring additional accounting staff to help mitigate this occurrence. This will allow the city to complete a more thorough review and analysis of the accounts in question.

2018-003 - Significant Deficiency: Accounting Procedures and Policies Manual

Federal Agencies: U.S. Department of Housing and Urban Development

Programs: Community Development Block Grants/Entitlement Grants

Award Numbers: All grant awards under the above programs.

Award Years: 2017-2018

Repeat Finding: No

Condition: During the audit, we noted that the City's Accounting Procedures and Policies Manual had not been updated in several years and was also not readily available to employees in the Finance Department for reference purposes.

Criteria: In order to ensure accuracy and consistency, the employees in the Finance Department should have an updated Accounting Procedures and Policies Manual available for reference.

Questioned Costs: None.

Cause: The Finance Department had not updated their Accounting Procedures and Policies Manual since the 1990s to conform to current practices and procedures.

Effect: The lack of an updated manual resulted in inconsistent procedures being performed and outdated policies within the Finance Department.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2018-003 - Significant Deficiency: Accounting Procedures and Policies Manual - Continued

Perspective Information: The Finance Department had not updated their Accounting Procedures and Policies Manual to confirm to current practices and procedures.

Recommendation: We recommend that the City update its Accounting Procedures and Policies Manual and communicate with all City departments to ensure consistency and appropriate control procedures.

Management's Response: Management agrees with the recommendation and recognizes the importance of a consistent message across all city departments. Finance will make all existing and future adopted policies available on a central location on the intranet. Finance will also host training sessions for affected staff in other city departments for all updated policies as necessary. Finance will send out Memos notifying other city departments of any changes to accounting policies and procedures. Overall, the city will improve the lines of communication between departments ensuring that consistent and appropriate control procedures are followed.

2018-004 - Compliance: Cemetery Endowment Fund

Condition: The Endowment Fees received by the City's Cemetery Fund are to be accounted for in a separate fund from regular cemetery operations under California Health and Safety Law 8738.2.

Criteria: The Endowment Fees were comingled in the City's Cemetery Fund.

Cause: The City's Finance Department did not appropriately account for the Endowment Fees in a separate fund.

Effect: A separate fund had to be created to separately account for the Endowment Fees.

Recommendation: We recommend that the City review California Health and Safety regulations relating to Cemeteries to ensure the appropriate treatment and accounting for Cemetery operations.

Management's Response: Management acknowledges the importance of periodically reviewing any regulations applicable to City Functions including the California Health and Safety regulations relating to cemeteries. In FY2018, Finance created a new Cemetery Endowment fund within the general ledger to separate general cemetery funds and an endowment funds.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-005 – Compliance with Federal Awards: Procurement Policies

Federal Agencies: U.S. Department of Housing and Urban Development

Programs: Community Development Block Grants/Entitlement Grants

Award Numbers: All grant awards under the above programs.

Award Years: 2017-2018

Repeat Finding: No

Condition: The City did not formally document that they would continue to use the previous Uniform Guidance in their internal procurement policies during the implementation grace periods.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) direct the administration of Federal awards issued by Federal awarding agencies regulations were changed and became effective by December 26, 2014 with implementation grace periods specific to federal procurement requirements until fiscal years beginning on or after December 26, 2017. However, in order to utilize these grace periods, non-federal agencies must document their decision in their internal procurement policies that they are choosing to use the previous procurement standards for all or part of the three fiscal year grace periods.

Questioned Costs: None.

Cause: The City was unaware they had to formally document in their internal procurement policies the decision to utilize the implementation grace periods.

Effect: The City's internal procurement policies are not in compliance with §200.317 through §200.326 of the Uniform Guidance.

Perspective Information: There was only one procurement policy related to the above grant awards with the City.

Recommendation: We recommend that the City update their internal procurement policies to be in compliance with the Uniform Guidance. Additionally, a senior member of the grant staff and/or management should review, at least annually, federal regulations and other grant compliance requirements so they are aware of the latest regulations and compliance requirements (e.g. attending grant compliance trainings and seminars).

Management's Response: The City has updated their internal procurement policies to be in compliance with the Uniform Guidance and was approved on September 16, 2019. Additionally, the appropriate grant staff and management will review, at least annually, federal regulations and other grant compliance requirements so they are aware of the latest regulations and compliance requirements.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-005 – Compliance with Federal Awards: Procurement Policies

Planned Corrective Action:

The City has updated their internal procurement policies to be in compliance with the Uniform Guidance and was approved by the City Council on February 12, 2019 (TAB 5). Additionally, the City's grant personnel will review, at least annually, federal regulations and other grant compliance requirements so they are aware of the latest regulations and compliance requirements.

For any questions regarding this Corrective Action Plan, please contact Jessica Brown, Finance Director.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Financial Statement findings reported in accordance with *Government Auditing Standards*.

2017-001 - Significant Deficiency: Use of Third Parties to Administer Non-Federal Grants

Condition: We noted that the City contracted with a third party to administer a non-federal grant. Quarterly, non-federal grant proceeds were advanced by the City to the third party for estimated costs. Included in those costs were estimated payments due to subrecipients of the non-federal grant that would be paid directly from the third party to the subrecipient.

Criteria: A best practice is for grant proceeds to only be provided to third parties on a reimbursement basis. This provides for a more accurate and reliable method to monitor the use of grant funds. Another best practice is for the City to make any payments directly to subrecipients, which allows for certainty regarding the timing and accuracy of these reimbursements.

Cause: The City set up the contract with the third party in the manner noted above.

Effect: Utilizing the best practices noted above will improve the monitoring and control the City has over the grant.

Recommendation: We recommend that the City implement policies and procedures to incorporate the best practice of only providing payments to third parties on a reimbursement basis and to make payments directly to subrecipients.

Current Status: The City has corrected the finding relating to the use of third parties for grant administration by utilizing a reimbursement based process.

2017-002 - Significant Deficiency: Utility Billing Customer Adjustments

Condition: During our review of utility billing, we noted that the Customer Service Representatives can both receive payments from customers and make customer adjustments, which is a lack of segregation of duties. A mitigating control is that the Customer Service Supervisor or Customer Service Manager will review and approve all customer adjustments, which is documented by their initials on the customer adjustment. During our testing of customer adjustments, we noted one instance out of seventeen adjustments where the Customer Service Supervisor or Customer Service Manager did not initial the customer adjustment. Due to the lack of documentation, we were unable to verify that this customer adjustment was reviewed approved by the required supervisor. In addition, we noted one instance out of seventeen adjustments in which the Customer Service Supervisor both prepared and reviewed the adjustment, which is not in accordance with the utility billing policies and procedures.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2017-002 - Significant Deficiency: Utility Billing Customer Adjustments - Continued

Criteria: The Customer Service Supervisor or Customer Service Manager must initial all customer adjustments to document the review process. Also, the Customer Service Supervisor prepared and reviewed the adjustment, which is not in accordance with the utility billing policies and procedures.

Cause: The Customer Service Supervisor or Customer Service Manager did not initial the customer adjustment. The Customer Service Supervisor prepared and reviewed the customer adjustment.

Effect: Internal controls did not operate as designed.

Recommendation: We recommend that all customer adjustments be prepared in accordance with the policies and procedures and be reviewed and approved by the appropriate supervisor who should initial the customer adjustment to document the approval.

Current Status: The City has corrected the finding relating to utility billing customer adjustments.

2017-003 - Significant Deficiency: Year-End Closing Procedures

Condition

Capital Assets

During our review of the City Council meeting minutes, we noted that the City sold land to a third party; however, the capital asset balances had not been updated to reflect this sale. There was a similar finding regarding capital assets in the prior year number 2016-001.

Accounts Receivable and Due from Other Governments

During our review of gas tax revenues, we noted the City did not accrue the July payment to the prior year.

During our review of receivables, we noted the net receivable for ambulance fees had increased significantly from the prior year with little to no change in collectability.

During our review of the detail schedules for due from other governments, we noted that the detail schedule did not agree to the general ledger balance.

Sale of Land Held for Resale

During our review of dispositions of land held for resale by the Successor Agency, we noted a land sale for which the title had transferred, but the sales proceeds were not yet released from escrow. The land had been appropriately removed from land held for resale; however, the anticipated proceeds had not been recorded as a receivable. In addition, proceeds from the sale of land in the Successor Agency must be remitted to the County, which would also result in a payable. The portion of the finding related to recording a payable is repeated from the prior year finding number 2016-001.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2017-003 - Significant Deficiency: Year-End Closing Procedures - Continued

Accounts Payable

During our audit inquiries, we became aware of a settlement agreement that was previously reported by the City as potential litigation in the prior year. However, there was no liability recorded for this amount.

Unearned Revenue

During our review of the balances in the water and wastewater enterprise funds, we noted significant balances for unearned revenue, which is unusual for an enterprise fund. Upon further inquiry, it was determined that these amounts represented revenues collected by the enterprise funds on behalf of the general fund that had not yet been remitted due to the timing of receipt of the revenue.

Compensated Absences

We noted that the supporting schedule for the amount of compensated absences recorded in the general ledger contained several errors as a result of the use of incorrect pay rates for certain employees.

Criteria

Capital Assets

All transactions that take place during the year should be recorded and reflected in the capital asset detail schedule.

Accounts Receivable and Due from Other Governments

Accounts receivable should include all amounts for revenue that should be recognized during the year. In addition, an allowance should be recorded for receivables when collectability is doubtful. Also, detailed schedules for due from other governments should agree to general ledger balances.

Sale of Land Held for Resale

All transactions that take place during the year should be recorded and reflected in the general ledger.

Accounts Payable

All settlement agreements should be reviewed for possible accrual at year-end.

Unearned Revenue

Amounts collected by enterprise funds on behalf of governmental funds should be shown as an interfund transaction at year-end and the corresponding revenue should be recorded in the governmental fund.

Compensated Absences

Supporting schedules used with compensated absences should contain detail that agrees to the payroll records.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2017-003 - Significant Deficiency: Year-End Closing Procedures - Continued

Cause

Capital Assets

The City did not identify all dispositions during the fiscal year when updating the capital asset detail schedules and general ledger balances.

Accounts Receivable and Due from Other Governments

The City did not accrue the July gas tax payment as a receivable at year-end. In addition, the City's allowance for doubtful accounts did not reflect the historical collectability of the receivable balance. Also, the City did not agree to the detail schedules for due from other governments to general ledger balances.

Sale of Land Held for Resale

The City did not accrue a receivable and corresponding payable to the County for a land sale at year-end.

Accounts Payable

The City did not accrue costs related to a settlement agreement.

Unearned Revenue

The City recorded the interfund transactions at year-end only in one fund as unearned revenue.

Compensated Absences

The supporting schedule contained inaccurate payroll information.

Effect

Capital Assets

Capital asset balances had to be updated to reflect the sale of land that occurred during the year.

Accounts Receivable and Due from Other Governments

The lack of accrual of the July gas tax payment resulted in an audit adjustment to recognize revenue and a receivable. Our inquiries regarding the allowance for doubtful accounts resulted in an audit adjustment to reduce revenue and receivables to the amount reasonably estimated to be collectable. An audit adjustment was required to the due from other governments account to correct the general ledger balance to agree to the detail schedule.

Sale of Land Held for Resale

An audit adjustment was needed to record the receivable and revenue associated with the sale and the expense and payable for the amount due to the County.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2017-003 - Significant Deficiency: Year-End Closing Procedures - Continued

Accounts Payable

This resulted in an audit adjustment to recognize the expense and payable for this liability.

Unearned Revenue

This resulted in an audit adjustment to recognize revenue and a corresponding receivable in the general fund and to reclassify unearned revenue in the enterprise funds to a payable.

Compensated Absences

This resulted in inaccurate compensated absence data.

Recommendation

Capital Assets

We recommend the City implement policies and procedures to ensure that capital asset dispositions are tracked and reflected in the year-end balances and detail schedules.

Accounts Receivable and Due from Other Governments

We recommend the City review the gas tax fund revenues for completeness at year-end.

We recommend the City revise the year-end procedures for recording the ambulance receivable allowance account to include a review of the net receivable balance in comparison to the cash received within 60 days of year-end. This will produce a reasonable estimate for this receivable balance.

We recommend the City review the receivable detail schedules for accuracy and ensure the totals agree to the general ledger prior to finalizing the year-end balances.

Sale of Land Held for Resale

We recommend the City review the policies and procedures for recording land sales to ensure all aspects of land sales have been recorded in appropriate fiscal year.

Accounts Payable

We recommend the City implement policies and procedures to review all such agreements for possible accrual at year-end.

Unearned Revenue

We recommend the City review unearned revenue balances in enterprise funds at year-end to ensure such balances represent unearned revenue to the fund in which it is recorded or make correcting entries as is necessary.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2017-003 - Significant Deficiency: Year-End Closing Procedures - Continued

Compensated Absences

We recommend that the compensated absences schedule be reviewed and corrected to ensure the accuracy of the amounts being recorded in the general ledger for compensated absences.

Current Status

Capital Assets

The Capital Asset finding has been corrected; however, there is a different capital asset finding included in the current year as finding 2018-002.

Accounts Receivable and Due from Other Governments

The Accounts Receivable finding has been corrected.

The Due from Other Governments finding has not been adequately corrected. See current year finding at 2018-002.

Sale of Land Held for Resale

The Sale of Land Held for Resale has not been adequately corrected. See current year finding at 2018-002.

Accounts Payable

The Accounts Payable finding has been corrected.

Unearned Revenue

The Unearned Revenue finding has been corrected; however, there is a different Unearned Revenue finding included in the current year as finding 2018-002.

Compensated Absences

The Compensated Absences finding has not been adequately corrected. See current year finding at 2018-002.

2017-004 - Noncompliance: Compliance with Senate Bill 341

Condition: The City obtained Council approval of the Annual Progress Report (APR) on May 11, 2017 and submitted the AAPR to Housing and Community Development (HCD) after this date, which is after the April 1 due date.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2017-004 - Noncompliance: Compliance with Senate Bill 341 - Continued

Criteria: Senate Bill 341 (SB 341) requires all successor housing entities to comply with annual reporting requirements. One requirement is for the City to report housing financial and activity information by including specified information with the APR required to be annually submitted to Department of HCD by April 1 of the subsequent year pursuant to State housing law in reporting progress in implementing the Housing Element

Cause: The submission of the APR was delayed.

Effect: The APR was not submitted timely to the HCD.

Recommendation: We recommend the City implement policies and procedures to ensure timely reporting of the APR to HCD.

Current Status: The City has corrected the finding relating to the compliance with Senate Bill 341 through timely submission of the 2018 reporting.



City of Rialto

FINANCE DEPARTMENT

California

CORRECTIVE ACTION PLAN

In Response to Findings Relating to the Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

September 16, 2019

City of Rialto respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Teaman Ramirez & Smith, Inc.
4201 Brockton Avenue, Suite 100
Riverside, CA 92501

Audit Period: July 1, 2017 – June 30, 2018

The finding for the fiscal year 2017-18 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2018-001 – Material Weakness: Bank Reconciliations

Recommendation:

We recommend that bank statements be reconciled on a monthly basis to the general ledger, and that all unusual reconciling items be promptly investigated and adjusted for with adequate explanations.

Planned Corrective Action:

Management recognizes the importance and risk of not having bank reconciliations complete in a timely manner. The city agrees with the recommendation and will implement a monthly close process that will include Bank Reconciliations to be completed within 60 days. Any reconciling item will be investigated and adjusted with the review and approval of a supervisor/manager. The City is hiring additional Accounting staff to ensure the timeliness of the Bank Reconciliations.

2018-002 – Material Weakness: Year-End Closing Procedures

Recommendation:

Capital Assets

We recommend the City implement policies and procedures to ensure that all capital projects are tracked and reflected in the year-end balances and detail schedules

Management agrees with the recommendation. Finance will set policies and procedures that it will communicate to other departments to ensure completeness of schedules and completion of projects. Finance will request a master list of ongoing and completed projects from city departments to make appropriate adjustments to the capital balance sheet accounts and maintain a capital detail schedule. This will be a part of the year-end request list.

Due from Other Governments

We recommend the City review the gas tax fund revenues for completeness at year-end, review the receivable detail schedules for accuracy and ensure the totals agree to the general ledger prior to finalizing the year-end balances.

Management agrees with the importance of reviewing gas tax fund revenues for completeness, the city will perform a year-end reconciliation prior to finalizing the general ledger/trial balance. This allows the city proper time to investigate any discrepancies and process any adjustments.

Land Held for Resale/Development

We recommend the City communicate with the appropriate departments so that approved properties are classified in the appropriate funds.

Management agrees with the recommendation. The city will communicate more frequently and effectively with other city departments to ensure that approved properties are classified in the appropriate fund. Finance will designate accounting staff to review and reach out to departments proactively during the City's year end close process.

Unearned Revenue

We recommend the City review unearned revenue balances at year-end to ensure such balances represent unearned revenue to the fund in which it is recorded or make correcting entries as is necessary.

Management understands the importance of analyzing the balances at year-end of unearned revenue. Finance staff is hiring additional professional accounting staff that will dedicate more time to analyzing balance sheet accounts. Finance will make adjustments to the general ledger and year-end schedules with review and approval by a supervisor/manager. The schedule will also be updated to reflect correct and complete balances. Any item affecting unearned revenue will follow revenue recognition standards.

Compensated Absences

We recommend that the compensated absences schedule be reviewed and corrected to ensure the accuracy of the amounts being recorded in the general ledger for compensated absences.

Management agrees with the recommendation. The city will ensure to thoroughly review the entry for compensated absences ensuring accuracy. Finance staff will prepare it and it will be reviewed and approved by a supervisor or manager as well as reviewed by payroll to ensure the accuracy of the calculation.

Long-Term Debt Recognition

We recommend that the City record long-term debt upon issuance in the general ledger.

Management understands the importance of recording long term debt upon issuance rather than at the end of the Fiscal Year. The city will implement a procedure to have debt recorded at issuance.

Evidence Monies Held in Trust

We recommend that the Finance Department reconcile the account in conjunction with the Police Department throughout the fiscal year.

Management agrees with the recommendation above. The city will assign accounting staff to work in conjunction with the Police Department on a regular basis. Finance will perform a quarterly reconciliation to the Police Department's audit log to account and adjust for any missing or unusual items. The city is establishing new Year-End procedure and is being more proactive in requesting items from departments and internally analyzing and preparing schedules.

Planned Corrective Action:

The City's Finance department and other vital City departments have continued to have significant turnover which have caused Finance to miss adjustments that would be completed through the ordinary course of business. Finance is hiring additional accounting staff to help mitigate this occurrence. This will allow the city to complete a more thorough review and analysis of the accounts in question.

2018-003 – Significant Deficiency: Accounting Procedures and Policies Manual

Recommendation: We recommend that the City update its Accounting Procedures and Policies Manual and communicate with all City departments to ensure consistency and appropriate control procedures.

Planned Corrective Action:

Management agrees with the recommendation and recognizes the importance of a consistent message across all city departments. Finance will make all existing and future adopted policies available on a central location on the intranet. Finance will also host training sessions for affected staff in other city departments for all updated policies as necessary. Finance will send out Memos notifying other city departments of any changes to accounting policies and procedures. Overall, the city will improve the lines of communication between departments ensuring that consistent and appropriate control procedures are followed.

2018-004 - Compliance: Cemetery Endowment Fund

Recommendation: We recommend that the City review California Health and Safety regulations relating to Cemeteries to ensure the appropriate treatment and accounting for Cemetery operations.

Planned Corrective Action:

Management acknowledges the importance of periodically reviewing any regulations applicable to City Functions including the California Health and Safety regulations relating to cemeteries. In FY2018, Finance created a new Cemetery Endowment fund within the general ledger to separate general cemetery funds and an endowment funds.

2018-005 – Procurement Policies

Recommendation:

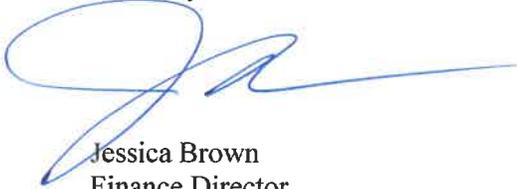
We recommend that the City update their internal procurement policies to be in compliance with the Uniform Guidance. Additionally, a senior member of the grant staff and/or management should review, at least annually, federal regulations and other grant compliance requirements so they are aware of the latest regulations and compliance requirements (e.g. attending grant compliance trainings and seminars).

Planned Corrective Action:

The City has updated their internal procurement policies to be in compliance with the Uniform Guidance and was approved by the City Council on February 12, 2019 (TAB 5). Additionally, the City's grant personnel will review, at least annually, federal regulations and other grant compliance requirements so they are aware of the latest regulations and compliance requirements.

For any questions regarding this Corrective Action Plan, please contact Jessica Brown, Finance Director.

Sincerely,

A handwritten signature in blue ink, appearing to be 'JB', with a long horizontal flourish extending to the right.

Jessica Brown
Finance Director