



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*

To the Honorable Mayor and Members of the City Council
City of 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 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.

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 were not identified. However, we identified 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-001 to be a material weakness.

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 responses as item 2022-002 to be a significant deficiency.



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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*.

Management's Response to Findings

The Management's response to the findings identified in our audit 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.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
March 30, 2023



To the Honorable Mayor and Members of the City Council
City of Rialto, California

SCHEDULE OF FINDINGS AND RESPONSES

Accounts Payable Accrual

Reference Number: 2022-001

Evaluation of Finding:
Material Weakness

Condition:

During our audit, we noted three material checks totaling \$1,183,169 relating to services provided in fiscal year 2022-2023 were improperly recorded and accrued as accounts payable for the 2021-2022 fiscal year. These items were also improperly capitalized as construction work in progress capital assets during the 2021-2022 fiscal year.

Criteria:

Generally Accepted Accounting Principles.

Cause of Condition:

Error due to oversight during the AP and capital asset review process at year end.

Effect or Potential Effect of Condition:

The misstatement resulted in overstated expenditures and accounts payable at the fund level and overstated non-depreciable capital assets at the governmental activities level.

Recommendation:

We recommend the City perform a thorough review of the accounts payable accrual in conjunction with capital assets, including beyond the City's accounts payable cutoff date, to ensure that items are properly accrued and reflected into the correct fiscal year.

Management's Response and Corrective Action:

The City agrees with LSL's recommendation, and will enhance and improve its year end close and review processes.

General Ledger Reconciliation

Reference Number: 2022-002

Evaluation of Finding:
Significant Deficiency

Condition:

During our audit and review of the general ledger, it was noted that a material amount of adjusting journal entries were required to be provided by the City after receipt of the final trial balance

Criteria:

Generally Accepted Accounting Principles

Cause of Condition:

City personnel are not routinely reconciling underlying accounting records to the City's general ledger to ensure accuracy in the reporting of the final trial balance.



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SCHEDULE OF FINDINGS AND RESPONSES (continued)

Effect or Potential Effect of Condition:

Ending Fund Balances and Net Position are at risk of material misstatement if the underlying accounting records are not routinely reconciled to the general ledger for accuracy.

Recommendation:

We recommend the City perform a thorough review of the final trial balance for accuracy of financial reporting prior to approval and submission for auditor review.

Management's Response and Corrective Action:

The City agrees with LSL's recommendation and will enhance and improve its year end close and review processes surrounding the final trial balance.