

CITY OF OXNARD

**SINGLE AUDIT OF FEDERAL AWARDS
WITH INDEPENDENT AUDITOR'S REPORT**

FOR YEAR ENDED JUNE 30, 2016

CITY OF OXNARD
CONTENTS
JUNE 30, 2016

	PAGE
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 <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards	4
Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs Schedule of Expenditures of Federal Awards	8
Notes to the Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs	14
Status of Prior-Year Findings and Questioned Costs	21



CERTIFIED
PUBLIC
ACCOUNTANTS
& BUSINESS
ADVISORS

**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**

The Honorable City Council
City of Oxnard, 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 Oxnard, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2017.

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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, 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 deficiencies described in the accompanying schedule of findings and questioned costs (marked MW) 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 deficiencies described in the accompanying schedule of findings and questioned costs (marked SD) to be significant deficiencies.

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*, which are described in the accompanying schedule of findings and questioned costs (marked NC).

During our audit, we also became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and best practices. The accompanying schedule of findings and questioned costs includes our comments and recommendations regarding those matters (marked BP).

The findings noted above include those that were found during our audit of fiscal year 2015. These findings are listed in the accompanying schedule of findings and questioned costs - status of prior-year findings and questioned costs. The audit of fiscal year 2015 was completed two weeks prior to the end of fiscal year 2016; therefore, the City did not have sufficient time to implement a corrective action plan.

City's Response to Findings

City of Oxnard'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eddie and Payne CPA

January 31, 2017
Redlands, California



CERTIFIED
PUBLIC
ACCOUNTANTS
& BUSINESS
ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

The Honorable City Council
City of Oxnard
Oxnard, California

Report on Compliance for Each Major Federal Program

We have audited City of Oxnard's 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, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 the audit 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). 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, 2016.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that were not identified. We identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-001 to 2016-004 that we consider to be significant deficiencies.

City's Response to Findings

City of Oxnard'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 response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the City as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 31, 2017, which contained qualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the 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 financial statements or to the financial statements themselves, and 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 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.

Eadie and Payne LLP

March 3, 2017
Redlands, California

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF OXNARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CATALOG NUMBER	PROGRAM IDENTIFICATION NUMBER	TOTAL PROGRAM EXPENDITURES
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants	14.218	B-15-MC-06-0534	\$ 1,011,695
		B-14-MC-06-0534	<u>848,274</u>
			1,859,969
Direct:			
Emergency Solutions Grants Program	14.231	E-15-MC-06-0534	161,748
		E-14-MC-06-0534	<u>20,860</u>
			182,608
Direct:			
HOME Investment Partnership Program	14.239	M-15-MC-06-0526	276,661
		M-14-MC-06-0526	16,789
		M-12-MC-06-0526	<u>815</u>
			294,265
Total U.S. Department of Housing and Urban Development			<u>2,336,842</u>
U.S. Department of Justice			
Direct:			
Edward Byrne Justice Assistance Grant	16.738	2015-DJ-BX-0764	38,204
		2014-DJ-BX-0862	54,995
		2013-DJ-BX-0737	8,262
		2012-DJ-BX-1010	<u>27,249</u>
			128,710
Passed through the Ventura County Sheriff's Office:			
Edward Byrne Justice Assistance Grant	16.738	BSCC 655-15	35,321
Edward Byrne Justice Assistance Grant		BSCC 655-14	<u>37,606</u>
			72,927
Total U.S. Department of Justice			<u>201,637</u>
U.S. Department of Homeland Security			
Direct:			
Assistance to Firefighters Grant	97.044	EMW-2013-FP-00246	70,901
		EMW-2013-FO-04097	114,914
		EMW-2013-FR-00298	<u>2,691</u>
			188,506

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CATALOG NUMBER	PROGRAM IDENTIFICATION NUMBER	TOTAL PROGRAM EXPENDITURES
U.S. Department of Homeland Security (Continued)			
Passed through the Ventura County Sheriff's Office:			
Homeland Security Grant Program	97.073	2015-00078-111-00000	\$ 21,724
		2014-00093-111-00000	<u>111,279</u>
			<u>133,003</u>
Staffing for Adequate Fire and Emergency Response Grant	97.083	EMW-2014-FH-00701	783,303
		EMW-2012-FH-00072	<u>823,844</u>
			<u>1,607,147</u>
Total U.S. Department of Homeland Security			<u>1,928,656</u>
U.S. Department of Transportation			
Pass through the State of California Department of Transportation:			
Highway Planning and Construction	20.205	STPLN-5129(012)	358,423
		CML-5129(029)	(109)
		BHLS-5129(069)	262
		BHLS-5129(070)	2,691
		CMLNI-5129 (076)	13,226
		TCSPL-5129 (077)	226
		CML-5129 (078)	3,934
		CML-5129 (079)	21,586
		CML-5129 (081)	41,057
		CML-5129 (086)	35,663
		CML-5129 (087)	219
		HSIPL-5129(082)	2,063
		HSIPL-5129(083)	781
		HSIPL-5129(084)	494,850
		STPL-5129(085)	87,297
		STPL-5129 (048)	<u>886,699</u>
			<u>1,948,868</u>
Federal Transit Formula Grant	20.507	CA-95-X196-00	<u>180,198</u>
Total U.S. Department of Transportation			<u>2,129,066</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CATALOG NUMBER	PROGRAM IDENTIFICATION NUMBER	TOTAL PROGRAM EXPENDITURES
Corporation for National and Community Service			
Direct:			
Retired and Senior Volunteer Program	94.002	13SRPCA010	\$ 54,078
Corporation for National and Community Service			<u>19,643</u>
Total Corporation for National and Community Service			<u>73,721</u>
U.S. Department of Health and Human Services			
Pass through the County of Ventura Area Agency on Aging:			
Special Programs for the Aging, Nutrition Services	93.045	3C-007-071212	<u>85,906</u>
U.S. Environmental Protection Agency			
Direct:			
Environmental Workforce Development and Job Training	66.815	99T03501	<u>77,344</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,833,172</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and on the Schedule of Expenditures of Federal Awards.

CITY OF OXNARD
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016

1. **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards 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). All federal financial assistance passed through other government agencies to the City is included in the accompanying schedule.

2. **BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note I.B. of the notes to the City's financial statements.

3. **RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amount reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, with amounts reported in the financial statements of the City of Oxnard. The following presents a reconciliation of federal expenditures to those reported in the financial statements:

	<u>AMOUNT</u>
Total expenditures per the schedule of expenditures of federal awards	\$ 6,833,172
Add: Expenditures of nonfederal awards	<u>176,813,692</u>
TOTAL GOVERNMENTAL FUNDS EXPENDITURES PER THE FINANCIAL STATEMENTS	<u>\$ 183,646,864</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

4. PAYMENTS TO SUBRECIPIENTS

For the year ended June 30, 2015, payments to subrecipients consisted of the following:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided
Department of Housing and Urban Development		
Community Development Block Grants	14.218	
Saint Vincent de Paul		\$ 50,000
Community Action of Ventura County		44,200
Livingston Memorial Visiting Nurses		15,000
		<u>109,200</u>
Emergency Solutions Grants Program	14.231	
Kingdom Center		30,000
Ventura County-HSA for Homeless Prevention		24,027
Ventura County-HSA for Rapid Re-housing		22,211
Turning Point for Shelter		40,000
		<u>116,238</u>
Department of Homeland Security		
Homeland Security Grant Program	97.073	
Ventura County Fire Department		<u>67,200</u>
Assistance to Firefighters Grant	97.044	
Ventura County Fire Department		<u>12,560</u>
Department of Justice		
Edward Bryne Justice Assistance Grant	16.738	
Ventura County Police Department		69,286
Ventura County Sheriff's Department		14,950
Thousand Oaks Police Department		10,572
Simi Valley Police Department		10,020
		<u>104,828</u>
TOTAL PAYMENTS TO SUBRECIPIENTS		<u><u>\$ 410,026</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

5. FEDERALLY-FUNDED LOANS

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs for the year ended June 30, 2016:

<u>Federal Programs</u>	<u>Loans Outstanding</u>
Community Development Block Grants (CFDA #14.218)	\$ 3,108,175
HOME Investment Partnership Program (CFDA #14.239)	11,083,217

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified? X yes ___ no
 Significant deficiencies identified? X yes ___ none reported

Noncompliance material to financial statements noted: ___ yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? ___ yes X no
 Significant deficiencies identified? X yes ___ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required by the Uniform Guidance? X yes ___ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	HOME Investment Partnership Program
97.083	Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ___ yes X no

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016

INDEX

CURRENT YEAR

MAJOR FEDERAL AWARD PROGRAMS

Department of Housing and Urban Development

Performance Reporting	2016-001
Compensation for Personal Services	2016-002
Reconciliation to Trial Balance	2016-003
Administrative and Planning Cost	2016-004

FINANCIAL STATEMENTS

Segregation of Duties between Payroll and Human Resources	2016-005
---	----------

PRIOR YEAR

MAJOR FEDERAL AWARD PROGRAMS

Department of Homeland Security

Compensation of Personal Services	2015-001
-----------------------------------	----------

Department of Housing and Urban Development

Subrecipient Monitoring	2015-002
Compensation for Personal Services	2015-003
Administrative and Planning Cost	2015-004

FINANCIAL STATEMENTS

I Control Environment	2015-005 to 2015-010
II Risk Assessment	2015-011
III Control Activities	2015-012 to 2015-017
A Budget	2015-018
B Fund Balance	2015-019
C Bank Reconciliations	2015-020 to 2015-029
D Electronic Payments (EFT/ACH)	2015-030 to 2015-039
E Cash Receipts	2015-040 to 2015-042
F Journal Entries to Cash Accounts	2015-043 to 2015-048
G Investments	2015-049 to 2015-050
H Accounts Receivable	2015-051 to 2015-054
I Grants Management	2015-055 to 2015-062
J Notes Receivable	2015-063 to 2015-068
K Deferred Balances	2015-069
L Capital Assets and Construction in Progress	2015-070 to 2015-085

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINANCIAL STATEMENTS (Continued)

M	Accounts Payable	2015-086 to 2015-087
N	Long-Term Debt	2015-088 to 2015-091
O	Pension Plans	2015-092 to 2015-093
P	Use of Credit Cards	2015-094 to 2015-096
Q	Contracts	2015-097 to 2015-099
R	Municipal Golf Course	2015-100 to 2015-102
S	Review and Reconciliation of Clearing Funds	2015-103 to 2015-104
IV	Information & Communication	2015-105
V	Monitoring Activities	2015-106 to 2015-111

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

Finding 2016-001 - Performance Reporting (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Section 3 Summary Reports

Finding: 2 CFR Part 200, Appendix XI, Compliance Supplement requires recipients that administers covered housing and community development assistance in excess of \$200,000 in a program year, must submit HUD 60002, Section 3 Summary Report. The City hired an outside consultant to prepare Section 3 Summary Report, however this report was not reviewed prior to submission to Department of Housing of Urban Development. Additionally, the City did not maintain documentation showing that Section 3 Summary Report was submitted as required by the Compliance Supplement (24 CFR sections 135.3(a)(1) and 135.90).

Recommendation: The City should establish policies and procedures to review and approve Section 3 Summary Reports that are prepared by outside consultants and to maintain required documentation showing proof of performance reporting.

City Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include review of reports that are prepared by outside consultants and maintain required documentation showing proof of performance reporting.

Finding 2016-002 - Compensation for Personal Services (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Documentation for Salaries and Wages

Finding: Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award (24 CFR Section 200.430 (h)(4)(v)). Due to the timing of payroll processing, timesheets must be turned in before the actual payroll period has ended. As a result, the City estimates payroll for each employee. At year-end, the City adjusted the expenditures to reflect the actual hours for all employees paid with Federal awards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: The City should establish policies and procedures to support a system of internal control which provides a reasonable assurance that the charges to Federal awards for salaries and benefits are accurate, allowable, and properly allocated.

City Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include review of salaries and benefits charged to grant programs to ensure they are accurate, allowable, and properly allocated.

Finding 2016-003 - Reconciliation to Trial Balance (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Reconciliation of Schedule of Expenditures of Federal Awards to Trial Balance

Finding: The City does not have effective internal control over the preparation of the Schedule of Expenditures of Federal Awards. The City does not reconcile expenditures reported on the Schedule of Expenditures of Federal Awards with amounts reported on the City's trial balance for Fund 285.

Recommendation: The City should establish policies and procedures to reconcile amounts reported on the Schedule of Expenditures of Federal Awards with expenditures in the City's Fund 285 trial balance.

City Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include reconciliation of amounts reported on the SEFA with the City's trial balance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2016-004 - Approval on CIP Expenditures (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants

Name of Federal Agency: Department of Housing and Urban Development

Internal Control over Compliance: Grants Management approval on CIP expenditures

Finding: The City does not have effective internal control over the processing of expenditures paid with federal awards. There were 3 deviations noted during internal control testing for which CIP expenditures for Campus Park Gymnasium did not have approval from Grants Management on the Request for Payment Against Encumbered Funds. All expenditures related to CDBG grant awards should be approved by Grants Management prior to processing of payment.

Recommendation: The City should establish policies and procedures to ensure that Grants Management properly approves all expenditures that are to be paid with federal awards.

City Response: The City concurs with the recommendation. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include proper approval of all expenditures that are to be paid with grant awards.

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS

Finding 2016-005 - Segregation of Duties between Payroll and Human Resources (SD)

Criteria: Segregation of duties -- the functions of authorization, recording or reconciling, and maintaining custody of assets should be segregated.

Finding: There is a lack of segregation of duties in the payroll cycle. Personnel who are have responsibilities in processing payroll also have the ability to make changes to pay rates and benefits in the payroll system.

Cause: There is no control in place to restrict access by payroll personnel to the module that allows them to modify pay rates and benefits.

Effect or potential effect: Employee pay rates and benefits may be changed without proper authorization.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: To ensure proper segregation of duties, access to the human resources module (add, delete, and modify employee data) should be segregated from access to the payroll module (payroll processing). In addition, management should review all changes made to the payroll information to ensure that it reflects accurate and complete information.

City Response: The City concurs with the recommendation. Due to a lack of qualified staffing in the Human Resources Department, the payroll supervisor in the Finance Department was granted access to the human resources module in the financial software system. Human Resources is currently in the process of recruiting for the required positions. Once the appropriate staffing level is achieved, access to the human resources module will be restricted. Until such time, the Controller in the Finance Department will review all changes made to pay rates and benefits in the system for proper approval from the Human Resources Department.

CITY OF OXNARD
STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Major Federal Programs

Department of Homeland Security

Finding 2015-001 - Compensation for Personal Services

Condition: OMB Circular A-87 requires that an after-the-fact Documentation, semi-annual time certification for employees who work solely on a single Federal awards and monthly time certification for employees who worked on multiple activities. These certifications must be signed by the employee. The required after-the fact documentation is not prepared to support time and effort for employees whose salaries are charged to Federal funds.

Recommendation: It was recommended that the City establish policies and procedures to maintain after-the-fact certification. The form should reflect an after-the-fact distribution of the actual activity of each employee and will be signed by the employee.

Action Taken: We concur with the recommendation, and it was implemented effective July 2016. Staff worked with FEMA representatives to clearly define the required certifications of time worked under the grant. Employees assigned to this grant spend 100% of their time on operations under the grant. Time certifications will be signed by the supervisor acknowledging all the employees that were paid for by the grant and that they worked 100% of their time under the grant. Although no longer a requirement for FY 2015-16, these certifications will continue to be prepared semi-annually.

Current Status: No longer applicable; the requirement was revised by the Uniform Guidance.

Department of Housing and Urban Development

Finding 2015-002 - Subrecipient Monitoring

Condition: Per OMB Circular A-133 Subpart D §____.400(d), a pass-through entity is responsible for monitoring their subrecipient's use of Federal awards to ensure that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts and grant, and that performance goals are achieved. The City passed through funds to Community Action of Ventura County. The City does not request or monitor their performance or financial reports.

STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: Establish policies and procedures to monitor their subrecipients during the award period through reporting, site visit, regular contact, or other means.

Action Taken: We concur with the recommendation, and it was implemented during FY 2016-17.

The City does have policies and procedures in place to monitor grant subrecipients. For the fiscal year ending 6/30/15, they are contained in Section CR-40 Monitoring 91.220 and 91.230 (page 26) of the annual Comprehensive Annual Performance Evaluation Report (CAPER), approved by the City Council and the U.S. Department of Housing & Urban Development (HUD). The policies cover activities from the pre-award stage, selection of applicants to be subrecipients, to the year-end monitoring and site visits. Quarterly reports from subrecipients, including financial information, are also submitted to the City with information inputted into Integrated Disbursement and Information System (IDIS), a federal database used by HUD.

An on-site monitoring visit was done in October 2015 for Community Action of Ventura County (CAVC). This was in accordance with the schedule and plan spelled out in the CAPER (page 26). Follow-up site visits in October 2015, March 2016, and June 2016 regarding FY 2014-2015 were carried out in March and on June 23 of 2016. FY 2015-16 files were also looked at in June 2016 to see if the weaknesses in the 2014-2015 files had been corrected, however, the site visits were, again, for review of FY 2014-2015 only.

Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, and request reimbursement on a monthly basis. These procedures will also include maintaining proper documentation to support subrecipient monitoring.

Current Status: Implemented during fiscal year 2017.

Finding 2015-003 - Compensation for Personal Services

Condition: OMB Circular A-87 requires that an after-the-fact Documentation, semi-annual time certification for employees who work solely on a single Federal awards and monthly time certification for employees who worked on multiple activities. These certifications must be signed by the employee. The required after-the fact documentation is not prepared to support time and effort for employees whose salaries are charged to Federal funds.

STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation: It was recommended that the City should establish policies and procedures to maintain after-the-fact certification. The form should reflect an after-the-fact distribution of the actual activity of each employee and should be signed by the employee.

Action Taken: We concur with the recommendation, and it will be implemented effective July 1, 2017.

The Housing Department HOME program and Grants Management staff complete a monthly "after-the- fact" Activity Log and Labor Distribution Report, respectively. These records provide "after-the-fact" certification.

Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements. These procedures will also include time certifications signed by the supervisor acknowledging all the employees that were paid for by the grant and that they worked 100% of their time under the grant. Although no longer a requirement for FY 2015-16, these certifications will continue to be prepared semi-annually.

Current Status: No longer applicable; the requirement was revised by the Uniform Guidance. See Finding 2016-002.

Finding 2015-004 - Administrative and Planning Costs

Condition: According to 24 CFR 92.207, a participating jurisdiction may expend for HOME administrative and planning costs an amount of HOME funds that is not more than ten percent of the fiscal year HOME basic formula allocation. During our audit of administrative costs, we noted that 11.17% was expended for administrative and costs.

Recommendation: It was recommended that the City should establish procedures and proper review process to ensure the program is not expending more than ten percent of the funds on administrative and planning costs.

STATUS OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS (Continued)

Action Taken: We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request on a monthly basis, and comply with all reporting requirements. These procedures will reimbursement also include monitoring compliance with administrative expenditure limits.

Current Status: Not a finding in 2016.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
I.	Control Environment - <i>The City demonstrates integrity and ethical values, exercises oversight responsibility, demonstrates commitment to competence, and enforces accountability.</i>		
2015-005	MW The City adopted appropriate policies and new management established proper "tone at the top." However, there is need to establish procedures to communicate and enforce the policies as well as monitor and evaluate implementation.	Establish procedures to communicate and enforce the policies as well as to monitor and evaluate the implementation. Responsibilities of each department/division/individual should be detailed in the procedures manual. Internal controls are most effective when responsibility for a given task is assigned to an individual.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.
2015-006	MW Performance evaluations were not performed timely at all levels of the City. The City needs to hold individuals accountable for their internal control responsibilities.	Establish a process to evaluate employees' performance and implement regularly.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Initial meetings have been held to discuss core competencies for the City. Department heads have also begun to review and make recommendations for changes to the performance evaluations.
2015-007	MW Employees in the Finance Department were not properly trained to perform their tasks.	Establish a training program to improve Finance Department employees' knowledge and skills.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. A training program will be developed, but the current workload to correct all identified issues has not allowed enough time for staff to develop such a program. However, some training has already occurred. In FY 15/16 Intermediate Governmental Accounting and Gas tax training were held and in FY 16/17 Cognos (query based) and payroll training were held.
2015-008	MW The City did not have an audit committee.	Establish an audit committee, along with a charter to govern its conduct. Members of this committee should be provided training.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The Fiscal Policy Task Force meets on a monthly basis and has been acting in this capacity since July 2016, but without a formal charter. The City will implement a formal charter.
2015-009	MW There was a severe lapse in the City's financial operations when key Finance Department personnel left due to a lack of qualified successors.	Develop a succession plan for the Finance Department.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. The majority of Finance staff is fairly new - less than three years in their position. The current workload to correct all identified issues has not allowed enough time for staff to develop a complete succession plan, but it is planned for completion in FY 2018-19.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
I. Control Environment - <i>The City demonstrates integrity and ethical values, exercises oversight responsibility, demonstrates commitment to competence, and enforces accountability. (Continued)</i>			
2015-010	MW The Finance Department did not have sufficient staff, particularly in managerial positions.	Fill vacancies with qualified staff immediately.	We concur with the recommendation, and it was implemented effective October 2016 with the hiring of a Chief Financial Officer (CFO) and two Assistant CFO's.
II. Risk Assessment - <i>The City specifies suitable objectives with sufficient clarity to enable the identification and assessment of risks, identifies and analyzes risks, considers the potential for fraud, and assesses environmental changes that could significantly impact the system of internal control.</i>			
2015-011	SD City performed Organizational Assessment during the year 2015 and plan to continue implementation of the 3-year process to address the issues. No risk assessment related to accounting and financial reporting has been performed. No fraud risk assessment has been performed.	Establish procedures to perform a risk assessment related to accounting and financial reporting. The risk assessment should include identifying types of accounting errors, policy violations, fraud, or non-compliance with agreements, contracts, laws and regulations, as well as a plan of action to mitigate risks.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.
III. Control Activities - <i>The City selects and develops control activities to enhance accuracy and reliability of its accounting records and financial reports, selects and develops general control activities over technology, and deploys control activities through policies that establish what is expected and procedures that put the policies into action.</i>			
2015-012	MW The City's system of internal control is not designed to reduce the risk that accounting and financial reporting errors or fraud could occur and not be detected.	Develop an integrated system of internal control that defines control activities across the various departments, not just the Finance Department. Policies, procedures, and related internal controls should be documented, communicated to all affected members of City staff, and updated regularly. Implementation should be monitored closely.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.
2015-013	MW The City does not have properly-designed, implemented, and effective policies, procedures, processes, and controls surrounding its financial reporting process to ensure that all non-standard adjustments are adequately researched, supported, and reviewed prior to their recording in the general ledger.	Establish new or improve existing policies, procedures, and related-internal controls to ensure that all non-standard adjustments impacting the general ledger are adequately researched, supported, and reviewed prior to their recording in the general ledger.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. Control Activities - The City selects and develops control activities to enhance accuracy and reliability of its accounting records and financial reports, selects and develops general control activities over technology, and deploys control activities through policies that establish what is expected and procedures that put the policies into action. (Continued)			
2015-014	MW The City does not have properly-designed, implemented, and effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.	Refer to specific recommendations below. III. B., C., G., I., J., K., L., M., N., and O.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.
2015-015	MW The City has ineffective controls affecting some key financial reporting processes including weaknesses in transactional and supervisory reviews over cash, receivables, capital assets, and construction in progress, accounts payable, and long-term liabilities.	Refer to specific recommendations below. III. B., C., G., I., J., K., L., M., N., and O.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. The City Treasurer's Department received a surprise field audit review in December 2016 by the auditors. The auditor looked at the cash handling, safekeeping, reconciliation of cashier drawers, and the transfer of the daily cash to the Security guards. We were informed that the staff performed the necessary cash function properly and that there was double custody of the cash at all times.
2015-016	MW The City was unable to effectively identify potential technical accounting issues, analyze the relevant facts and circumstances, and respond to auditor inquiries in a timely manner.	Refer to specific recommendations below. III. B., C., G., I., J., K., L., M., N., and O.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.
2015-017	MW The City does not have an effective general ledger system. The City uses HTE software, which was developed almost two decades ago. In addition, the City has 176 self-balancing funds and over 8,300 accounts in its chart of accounts; 1,600 of these are balance sheet accounts. This system has severe functional limitations contributing to the City's challenge of addressing systemic internal control weaknesses in financial reporting.	Establish new, or improve the existing, general ledger system to enable it to process, store, and report financial data in a manner that ensures accuracy, confidentiality, integrity, and availability of financial data without substantial manual intervention.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2018-19.
III. A. Budget - Management reviews the City's financial statements on a periodic basis and investigates significant variances from budgets and expected results.			
2015-018	SD The FY 2015 budget lacked detail, and management did not keep track of its budgeted revenue and expenditures. Department heads are supplied a budget to actual comparison on a monthly basis for review, but there was no formal process for investigating significant variances.	Continue to provide department heads with budget to actual comparison on a monthly basis. Establish an effective process to identify and investigate significant variances from budgets and expected results.	We concur with the recommendation, and it will be implemented effective July 1, 2017. City will create a written process to share with departments on variance reconciliation. The majority of budget line items was developed via department's meetings and augmentation adopted by Council. Details are filed. A written policy will be created to ensure all departments are responsive and accountable for significant budget variances.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. B.	Fund Balance - Management reviews fund balance and net position accounts to ensure amounts are valid.		
2015-019	MW Beginning fund balances did not agree with prior-year audited financial statements. Audit adjustments were not posted to the general ledger. Journal entries were inappropriately posted to fund balance during the year.	Audit adjustments must be posted to the general ledger at the end of the audit, and beginning fund balances should be agreed with audited financial statements. Controls should be put in place to allow only authorized personnel to approve journal entries that affect beginning fund balances during the year.	We concur with the recommendation, and it was implemented effective in December 2016. Following the January 31, 2017 issuance of the FY 2015-16 CAFR, staff began posting all final audit adjustments to the general ledger system and will perform a reconciliation of beginning fund balance per the general ledger to the CAFR.
III. C.	Bank Reconciliations: Bank reconciliations are prepared and reviewed in a timely fashion. Bank statements are received and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation.		
2015-020	MW The bank reconciliation for the general account was not performed since November 2014.	Bank reconciliations should be prepared every month. A full-time employee should be assigned to prepare the bank reconciliations. This person should be dedicated to this process until all monthly bank reconciliations are up to date. Bank reconciliations should be reviewed by another person who has sufficient knowledge and skill to perform the task. The process for bank reconciliation should be detailed out in writing.	We concur with the recommendation, and it was implemented effective October 2016. As of February 2017, bank reconciliations for the General bank account have been completed through the month of November 2016.
<i>Original Finding: 2014-002</i>			
2015-021	MW Bank reconciliations for the AIMS and Parking Citation bank accounts were not performed. The balances for these accounts were not recorded in the general ledger.	The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The Human Resources Department is currently reviewing third-party services to perform the bank reconciliations for the AIMS (worker's compensation) bank account. The parking citation bank account has a low volume of activity and will be reconciled on an annual basis every June 30.
2015-022	MW Bank reconciliations for the general and CDC Successor Agency accounts for periods prior to November 2014 were prepared but not reconciled to the general ledger.	The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.	We concur with the recommendation, and it was implemented effective October 2016. As of February 2017, bank reconciliations for the CDC Successor Agency bank account have been completed through the month of November 2016.
2015-023	MW PACC bank account activities were not recorded fully.	The Finance Department should ensure that all bank accounts are accounted for and reconciled to the general ledger on the monthly basis.	We concur with the recommendation, and it was implemented effective October 2016. Bank reconciliations have been completed through the month of November 2016.
2015-024	MW Cash with fiscal agents accounts were not reconciled monthly to the general ledger.	The bank reconciliation process should include reconciling cash with fiscal agents.	We concur with the recommendation, and it was implemented effective October 2016. Bank reconciliations have been completed through the month of November 2016.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. C.	Bank Reconciliations: <i>Bank reconciliations are prepared and reviewed in a timely fashion. Bank statements are received and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation. (Continued)</i>		
2015-025	MW Bank accounts were opened without the Treasurer's Office's knowledge.	Only the Treasurer should be allowed to open bank accounts on behalf of the City. All bank statements should be sent directly to the Treasurer's Office. The Treasurer's Office should review the bank statements, retain the original, and send copies to the personnel who prepares the bank reconciliation.	We concur with the recommendation, and it was implemented effective December 2016. The Treasurer's Department will be in possession of all the extra bank accounts by February 17th. We are allowing this extended number of days so that each bank account handler can receive the January bank statements to reconcile their accounts before we take possession. We have already taken possession of the Recreation Department savings account. The only other exception are the 3 RaboBank bank accounts. There was a meeting held Tuesday the 14th where the Cultural Community Services Director, City Attorney, City Auditors, City Treasurer, CFO and staff reviewed the documents to determine who does the money in those bank accounts belong to. However, during the meeting it was brought to our attention that the operating agreement between the non-profit PAC and the City of Oxnard had expired in 2010 and had not been renewed. It was then determined that the City Attorney would work on a revised agreement between the PAC and the City, which would also contain the determination of who owns the money in those RaboBank accounts for final disposition.
2015-026	SD Finance department did not have access to complete monthly bank statements or complete outstanding check lists for all accounts.	The Treasurer's Office should forward copies of all bank statements to the Finance Department. All back-up documentation used in reconciliations prepared by the Treasurer's Office and other departments, i.e., outstanding checks and deposits in transit listings, should be provided to the Finance Department.	We concur with the recommendation, and it was implemented effective June 2016. The Treasurer's Department provided the Finance Department management staff with access to the City's bank account statements online. The Treasurer's staff is one month behind in verifying the bank statements. We are currently completing the December 2016 bank verification. When we complete each verification we forward the statement (copies) along with our worksheet and other source documents to the Finance Department. Once we get the staffing we need, it is expected that bank verification will be done within 2 weeks of receiving the statement from the banks.
2015-027	SD The Finance Department did not have access and history of prior reports used for reconciliation. All processes and reports needed for the reconciliation process had to be discovered and requested by finance management.	Finance manager needs to have a full understanding of all Treasury activities to assess if there are any procedures or reporting that can be used to make the monthly bank reconciliation more efficient across departments. The Finance Department and Treasurer's Office should establish procedures to enhance cooperation.	We concur with the recommendation, and it was implemented effective October 2016. Finance began working with Treasurer's staff in October 2016 and established communication to ensure timely sharing of information necessary to complete the monthly bank reconciliations.
2015-028	MW Daily cash receipts posting to the general ledger were not reconciled to cash entries and to bank activities. Therefore deposits in transit were not tracked for bank reconciliation.	The finance department management needs training from current software provider on how the cash related modules should be interacting, reports used to tie out the modules, and if there are keys that links those modules together.	We concur with the recommendation, and it will be implemented effective June 30, 2017. In January, staff began coordinating training with the current software provider and expects to have training conducted in this area by June 30, 2017.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. C. Bank Reconciliations: <i>Bank reconciliations are prepared and reviewed in a timely fashion. Bank statements are received and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation. (Continued)</i>			
2015-029	SD Pooled cash batches are a summary of various batches by module. There are multiple batches per modules: accounts payable, accounts receivable, payroll, and cash receipts batches. Newly-hired finance management have not found logic of how system entries are batched together. Current batching is very labor intensive to review.	Finance department staff needs training from current software provider on how the cash-related modules should be interacting, reports used to tie out the modules, and if there are keys that links those modules together.	We concur with the recommendation, and it will be implemented effective June 30, 2017. In January, staff began coordinating training with the current software provider and expects to have training conducted in this area by June 30, 2017.
III. D. Electronic Payments (EFT/ACH) - EFTs are numbered and the sequence is accounted for regularly.			
2015-030	SD Check numbers were not in sequential order (Duplication/Skipping). Problem stems from manual assignment of EFT check numbers.	The Treasurer's Office should assign sequential control numbers to each wire. The Finance Department should enter the information into the accounting system.	<p>We concur with the recommendation, and it was implemented effective December 2016. The Treasurer's Department forwards the source documents for each ACH and EFT directly to the Finance Department. The Finance Department assigns 'check' numbers to each ACH and EFT transactions for purposes of posting them into the general ledger. Staff has been trained to assign sequential control numbers to each wire, and to include the EFT control number on the excel listing.</p> <p>Before the change, the Finance staff assigned check numbers based on the list of unused check numbers, which could have made it appear as though an ACH or EFT was issued earlier than it actually was. For example, if 'check' numbers 5,6,and 7 were used on Feb 13th, and the next check run used 'check' numbers 10,11, 12 on Feb 15th, the unused numbers 8 and 9 would be used for 2 ACH transaction on February 16th making it appear as though the ACH transaction were out of order.</p>
2015-031	BP Excel listing of EFTs did not list the check number assigned to the payment and did not list the batch/group number posted to the general ledger.	Excel listing of EFTs should include the EFT control number as well as the batch/group number.	We concur with the recommendation, and it was implemented effective December 2016. The Treasurer's Department forwards the source documents for each ACH and EFT directly to the Finance Department. The Finance Department assigns 'check' numbers to each ACH and EFT transactions for purposes of posting them into the general ledger. Staff has been trained to assign sequential control numbers to each wire, and to include the EFT control number on the excel listing.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. D. Electronic Payments (EFT/ACH) - The check signer reviews all supporting documentation prior to signing the check or wire transfer authorization.			
2015-032	SD The Treasurer did not review all supporting documentation prior to signing the check or wire transfer authorization.	The Treasurer or designated individual in the Treasurer's Office should review all supporting documentation prior to signing the check or wire transfer authorization.	We concur with the recommendation, and it was implemented effective December 2016. The Treasurer is working with the City Manager, Assistant City Manager and CFO to develop a good working arrangement that allows for the Treasurer to review all supporting documentation prior to signing the checks, wires, and ACH transactions.
2015-033	SD Proper documentation of wire transfers was not maintained by the Finance Department.	The Finance Department should maintain a complete copy of the wire transfer authorization package, including all supporting documentation.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff met with Treasurer's staff in early December 2016 and established a procedure for ensuring all proper supporting documentation for wire transfers is maintained in the Finance Department.
III. D. Electronic Payments (EFT/ACH) - The procedures and responsibilities of various departments related to electronic payments are sufficiently defined and enforced.			
2015-034	SD There were no written procedures related to electronic payments and responsibilities of the requesting department, Treasurer's Office, and Finance Department are not clearly defined. The Treasurer's Office did not have a current list of authorized signers.	The Finance Department should review the EFT payment process to improve the current procedures. After approval by appropriate departments, all EFTs should be received by the Finance management. Finance management will review for proper department approvals, general ledger coding, and supporting documentation (including budget support). Finance management will forward to Treasurer's Office for disbursements. No department should send wire requests directly to the Treasurer's Office.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff met with Treasurer's staff in early December 2016 and established a procedure for ensuring that Finance management will review all wire transfers for proper department approvals, general ledger coding, and supporting documentation (including budget support); and that no department should send wire requests directly to the Treasurer's Office.
III. D. Electronic Payments (EFT/ACH) - The Finance Department has policies and procedures in place to record EFTs accurately in the proper period.			
2015-035	MW There was no supervisory review of EFT entries. Payment/posting against cash had been inconsistent and made to the wrong accounting period.	Staff needs additional training in handling EFTs and postings should be reviewed regularly. The payment period needs to be distinguished from invoice period.	We concur with the recommendation, and it was implemented effective December 2016. Posting against cash is performed in the Finance Department. In the Treasurer's Department there is supervisory review of EFT's before they are disbursed, except for payments to Delta Dental and CalPERS, which are issued directly by the Finance Department staff before the City Treasurer has the opportunity to review them. All other ACH and EFT transactions are performed under a double custody method where no one person can initiate and complete an ACH or EFT transaction alone. And only 4 people in the Treasurer's Department know the security codes, again except for the Delta Dental and CalPERS wires. The Treasurer's staff submits the source documents for every entry into the system for ACHs and EFT transaction directly to the Finance Department. The Treasurer, Finance Director and Human Resources Director are working to stop the issuance of ACH or EFT (wire) transfers from any other department other than from the Treasurer's Department. It is expected the correction will be completed by June 1, 2017.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. D. Electronic Payments (EFT/ACH) - <i>The Finance Department has policies and procedures in place to record EFTs accurately in the proper period. (Continued)</i>			
2015-036	MW Payroll wires recorded through a journal voucher covered two accounting periods.	Split payroll journal voucher according to wire dates.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to record payroll-related wires according to the wire date.
2015-037	MW Payments could not be properly traced to supporting documentation because use of "miscellaneous vendor - #99999".	Stop using the "miscellaneous vendor" account. All vendors need to be set up individually in the vendor master file. Current vendor master file needs to be reviewed.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to set up all vendors individually in the vendor master file, and to discontinue the use of a "miscellaneous vendor" account.
2015-038	MW CDC checks and deposits were coded to the wrong pooled cash fund (997 – general vs. 998 – CDC).	Review HTE report against bank EFT posting by accounts payable (AP) personnel needs to be done monthly.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to review all Successor Agency (former CDC) transactions for coding to the proper accounts. The Treasurer's office will perform a secondary review to assure the proper account number is used.
2015-039	MW Recording of CDC loan principal repayment wire to the City was inadvertently reversed in the general ledger causing City and CDC pooled cash funds to be out of balance. Journal voucher has been prepared to correct.	Review HTE report against bank EFT posting by accounts payable (AP) personnel needs to be done monthly.	We concur with the recommendation, and it was implemented effective December 2016. Finance staff has been trained to review all Successor Agency (former CDC) transactions posted to the general ledger and reconcile them on a monthly basis.
III. E. Cash Receipts - <i>Cash receipts are deposited in separate bank accounts when legally or contractually required. A separate bank account is maintained for CDC Successor Agency.</i>			
2015-040	SD A separate bank account was maintained for CDC Successor Agency. However, in collapsing of prior RDA funds (421-425) into new Successor Agency fund (429), an error in the journal voucher left balances in City pooled cash fund (997) per general ledger. After further investigation, adjustments had been made to correct the error.	Joint review of prior cash transfers between the City and CDC Successor Agency is needed. Non-standard journal entries especially those affecting cash transactions between City and CDC Successor Agency should be reviewed by CFO, not only to evaluate the accounting treatment, but also to consider compliance with state laws and regulations affecting former RDAs. The Economic Development Department head should be consulted as appropriate.	We concur with the recommendation, and although it has been identified as Priority 1B, it will be implemented effective July 1, 2017. Finance staff will coordinate with the Economic Development Department to review all Successor Agency (former CDC) transactions to evaluate the accounting treatment, and to consider compliance with state laws and regulations affecting former RDAs.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. E. Cash Receipts - There are adequate procedures to detect whether cash received in locations other than the Treasurer's Office are deposited intact promptly.			
2015-041	SD There were no procedures in place to perform internal audits of cash receipts in various locations within the City organization.	Random audits of cash receipts should be performed.	We concur with the recommendation, and it was implemented effective January 2017. The Treasurer's Department staff performed a surprise cash reconciliation audit of the MRF and provided guidance and direction to the Department Head, supervisorial staff and line staff and suggestions for improving the cash controls. It was suggested that daily cash pickup instead of once a week pick up by security should be implemented to mitigate potential for loss. Initial steps have begun for example the City Clerk's old unbound cash receipts have been replaced with bound pre-numbered receipts. The Treasurer's staff have reviewed the petty cash process in many departments and will continue to provide training for all other departments this year.
III. E. Cash Receipts - Cash receipts are reconciled to general ledger postings daily.			
2015-042	SD There are no written procedures in place for reconciliation of daily cash receipts.	Cash receipts should be reconciled to general ledger postings daily.	We concur with the recommendation, and it will be implemented effective July 1, 2017. This will require all departments to be trained on proper reporting of cash to finance. Staff needs to reconcile daily cash before posting GL and follow-up needed. The Treasurer's staff is in the process of preparing written procedures for many of the daily functions performed by staff. There is a cash management manual, which is being updated to conform with City Codes and State law. Staff follows the procedures that have been handed down over the years and will be working with other departments and consultants to prepare written instructions of the function performed.
III. F. Journal Entries to Cash Accounts - Adjustments of cash accounts are approved and documented by the appropriate level of management.			
2015-043	MW The process of preparing, reviewing, and approving journal entries was not properly designed. The CFO or acting CFO was responsible to review hundreds of journal entries, many of them affected cash, which rendered the control ineffective. The accounting system is not set up to record standard recurring entries.	Journal entries that affect cash should be thoroughly reviewed. However, the review process should be designed so that there are various levels of review. Recurring journal vouchers pre-approved via an amortization schedule should not need approval by CFO. In addition, monthly journal vouchers should be standardized and supporting documentation should be maintained.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. This will be handled by the Asst. CFO and/or Controller. Examples are: standard debt payments based on amortization schedule.
2015-044	MW An out-of-balance journal entry was found and correction was necessary to balance cash in the CDC Successor Agency Fund.	Journal entries should be reviewed before posting in the general ledger. In addition, cash-related journal entries should be reviewed by the person performing bank reconciliation during the bank reconciliation process.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. F. Journal Entries to Cash Accounts - Adjustments of cash accounts are approved and documented by the appropriate level of management. (Continued)			
2015-045	MW Journal entries were posted to CDC Successor Agency Fund cash without adequate supporting documentation.	Journal entries should be reviewed along with appropriate documentation. Sufficient documentation should be maintained with the journal entry voucher.	We concur with the recommendation, and although it has been identified as Priority 1B, it was implemented effective August 2016.
2015-046	MW Reversing journal vouchers are not posted in a timely manner and prior-year reversing accruals are not easily found in following year log.	It is recommended that reversing journal vouchers reference original voucher, original batch number, and posted to period 1 of the following year.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The software system needs to be set-up to do posting/reversing journal vouchers. Training or assistance from HTE may be needed. In January, staff began coordinating training with the current software provider and expects to have training conducted in this area by June 30, 2017.
2015-047	MW Journal vouchers and accounts payable check registers are not separated by type of transactions in the pooled cash general ledger detail. Both are currently shown as type "AJ" and description "Journal Summary". Miscellaneous journal vouchers review for accuracy is not efficient.	Obtain technical support from 'HTE' to see if there are options or other processes to separate AP check registers and journal vouchers by type.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment. In January, staff began coordinating training with the current software provider and expect to have training conducted throughout FY 2017-18.
2015-048	MW HTE system reports are not in a format that can be easily and efficiently used for review.	Obtain technical support from 'HTE' to generate reports that can be utilized for review and analytical procedures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The current software system requires a separate report writing application in order to generate customized reports. Staff is currently training users on the report writing application.
III. G. Investments - The Treasurer's Office monitors risks associated with deposits and investments and prepares appropriate reports to the governing board.			
2015-049	SD The Treasurer's Office did not maintain a complete and accurate Treasury ratings report.	Treasury ratings should be monitored to comply with investment policies. The Treasurer's Office should prepare the report quarterly.	We concur with the recommendation, and it was implemented effective December 2016. Since December 2016, the Treasurer has proper ratings for every investment that needs a rating. Instruments of the United States 'Treasuries' do not get a rating because they are secured by the full faith and credit of the United State Government. There may be times when a GSE (U.S. Government sponsored Enterprise), an agency instrument, has only one rating company provide a rating. There is no law that requires a government to pay the cost of more than one rating company. On occasion there will be an instrument with only one rating from either Fitch, S&P, Moody's or FDIC. CDs are purchased from time to time, and the City purchases a face value of less than \$245,000 so that the both the premium and earned interest is covered by FDIC.
	MW - Material Weakness	SD - Significant Deficiency	BP - Best Practices
			NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. G. Investments - Cash and investments are valued at fair value.			
2015-050	SD Cash and investments were not reported at fair market value.	Fair value adjustments should be determined at least quarterly, included in the Treasurer's quarterly reports, and posted to the general ledger.	We concur with the recommendation, and although it has been identified as Priority 1B, it is expected to be implemented effective July 1, 2017. The Treasurer's office produces monthly investment reports to Council, staff and Finance Department which shows the fair market value amount for each investment, which is provided by AvantGard APS2 (HTE) Sungard. That information is provided to the Finance Department monthly when the investment report is prepared. However, due to shortages in staffing that report is 2 months behind. Additionally, Finance Department staff will be trained on the AvantGard interface with Sungard HTE general ledger system to ensure proper posting.
III. H. Accounts Receivable - The receivables aging/subledger is reviewed and reconciled to the general ledger.			
2015-051	MW A reconciliation of accounts receivable against the general ledger was not performed periodically or at year-end.	The receivable aging/subledger should be reconciled to the general ledger periodically by the Finance Department.	We concur with the recommendation, and it will be implemented effective July 1, 2017. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.
2015-052	MW The review of aging and collections for utilities were not centralized in the Finance Department. Review is not tied into the postings to the general ledger.	The receivable aging/subledger reconciliation by Finance Department should include utilities receivable.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.
III. H. Accounts Receivable - Delinquent receivables are reviewed.			
2015-053	MW Receivable aging reports were not reviewed by the Finance Department management for delinquent amounts. The allowance for uncollectibles was not analyzed or adjusted at year-end.	The receivables aging/subledger should be reviewed for delinquent amounts. Adjustments for allowances and/or write offs need to be approved by authorized personnel.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.
III. H. Accounts Receivable - Accounting policies and procedures specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.			
2015-054	MW There were no written accounting policies and procedures that specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.	Accounting policies and procedures must specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. With the recent completion of the FY 2015-16 financial audit, staff will begin training on the required periodic reconciliations.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. I. Grants Management - Reconciliation for grant financial reports with supporting accounting records are prepared, reviewed and approved by responsible official before filing.			
2015-055	MW Accounting for grants was decentralized and no one in Finance was responsible for reviewing grant funds. This condition caused many errors, including unrecorded grants receivable, notes receivable, deferred revenues, and negative fund balances.	A responsible person in the Finance Department should be assigned to oversee the accounting of grants. Detailed policies and procedures should be developed, communicated to all departments who handle grant funds, implemented and monitored to ensure proper accounting and reporting of grants.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
III. I. Grants Management - Financial reports and claims for advances and reimbursements agree with supporting financial records and general ledger.			
2015-056	SD Grants receivable were not tracked and reconciled to the general ledger on a monthly basis.	The City should establish procedures to ensure that all reimbursable costs or contract costs are billed and adherence to those procedures must be periodically reviewed by the appropriate level of management.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
2015-057	SD FEMA - revenue was greater than expenditures due to accounts receivable not being recorded properly prior year. As a result, there is an overstatement of revenue of \$600,000 in the current year.	The City should establish procedures to ensure that all reimbursable costs or contract costs are billed and adherence to those procedures must be periodically reviewed by the appropriate level of management.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. I.	Grants Management - <i>The City has a written procurement manual that complies with the applicable grant agreements and the Uniform Guidance.</i>		
2015-058	BP Procedures for grant management in accordance with the new Uniform Guidance have not been adopted.	The City should adopt the new Uniform Guidance and procedures should be put in place to implement the policy.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18.
2015-059	BP Grant agreements are not maintained in an orderly manner in the Finance Department to assist in the complete and accurate recording in the general ledger.	All grant agreements should be reviewed and filed in the Finance Department. During review, the person responsible for grants should identify terms and conditions that affect accounting and financial reporting as well as compliance.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
2015-060	BP The City does not have a cost allocation plan for Federal awards. Only direct payroll is charged against Federal awards.	The City should establish what is considered allowable direct and indirect costs for Federal awards. The City may be able to charge additional payroll in the Finance department for work employees do related to Grants.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
2015-061	SD There are no procedures in place to inform the Finance Department what items get capitalized and what items were donated.	Establish procedures for grant coordinators to communicate to the Finance Department when there are items that need to be capitalized and when capital assets are donated.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2017-18. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. I.	Grants Management - <i>The City has established controls to preclude charging state and federal award programs with unallowable costs and expenditures.</i>		
2015-062	SD Several state grant funds have negative fund balances due to the unallowable costs and expenditures incurred in the past.	The City should take corrective action to cure the negative fund balances in state and federal grants and should establish controls to avoid future negative fund balances.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff is currently developing policies and procedures for all grants, including Federal, State, and County. This will include training of a grant coordinator and training of various grant program managers to establish procedures to review grant expenditures for compliance with terms of the grant, request reimbursement on a monthly basis, and comply with all reporting requirements.
III. J.	Notes Receivable - <i>Receivables are recognized when a legally-enforceable claim is established.</i>		
2015-063	MW Notes receivable were not recorded in the general ledger. There were no policies and procedures in place to recognize long-term loan agreements entered into by the various departments with approval from City Council.	Policies and procedures should be established to obtain all long-term agreements entered into by various departments. These agreements must be reviewed for proper accounting treatment by the appropriate level of management.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will train other departments to identify long-term agreements that have a financial impact and establish procedures for obtaining those agreements for review by Finance Department staff.
2015-064	MW Notes receivable agreements are not maintained in an orderly manner in the finance department to assist in the complete and accurate recording in the general ledger.	All long-term receivable agreements should be obtained and maintained by the Finance Department. A member of the Finance Department should be assigned to review the minutes of City Council meetings for long-term agreements and obtain such agreements for the Department.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will train other departments to identify long-term agreements that have a financial impact and establish procedures for obtaining those agreements for review by Finance Department staff. Finance staff will also be trained on the review of minutes from City Council meetings for such agreements.
III. J.	Notes Receivable - <i>The notes receivable schedule/subledger is reconciled to the general ledger.</i>		
2015-065	SD Notes receivable are not tracked and reconciled to the general ledger. Repayment of HOME and CDBG loans were not properly classified as program income.	Notes receivable should be reconciled to the general ledger periodically by Finance. To assist in the reconciliation, information should be obtained from the Housing Department and Economic Development Department relating to current activity.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance staff will train other departments to identify notes receivable information and establish procedures for obtaining that information for review by Finance Department staff.
2015-066	SD Interest has not been accrued on any of the notes receivable.	Interest on notes receivable should be calculated and billed, as appropriate. Interest income should be accrued on a modified accrual basis and recorded in the general ledger.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance staff will train other departments to identify notes receivable information and establish procedures for obtaining that information for review by Finance Department staff.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. J.	Notes Receivable - <i>The notes receivable schedule/subledger is reconciled to the general ledger. (Continued)</i>		
2015-067	SD Notes receivable schedules were not reviewed by Finance Department management for delinquent amounts. The allowance for uncollectibles was not analyzed or adjusted at year-end.	The notes receivables schedule should be reviewed and reconciled to the general ledger. Adjustments for allowances and/or write offs need to be approved by authorized personnel.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance staff will train other departments to identify notes receivable information and establish procedures for obtaining that information for review by Finance Department staff.
III. J.	Notes Receivable - <i>The City has sufficient controls to collect payments based on residual revenues.</i>		
2015-068	SD There are no procedures in place to collect payments from developers based on residual revenues.	Policies and procedures must be developed and implemented to collect payments from developers based on residual revenues.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18.
III. K.	Deferred Balances - <i>Deferred amounts are supported by analysis in compliance with GAAP.</i>		
2015-069	BP A supporting analysis was not prepared for calculating deferred balances.	Accounting policies and procedures should specify the correct treatment for calculating deferred amounts. The analysis documents compliance with relevant GAAP and the City's accounting policies.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to perform this internal control assessment, but it is planned for completion in FY 2018-19.
III. L.	Capital Assets and Construction and Progress (CIP) - <i>Capital assets and CIP balances are supported by adequate documentation.</i>		
2015-070	MW The City has not fully established accurate and auditable capital assets and CIP balances as of June 30, 2015.	Continue remediation efforts to establish capital assets and CIP balances in the financial statements and related disclosures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The City's poor accounting records related to capital assets was the basis for a qualified audit opinion for FY 2015-16 so the City takes this area very seriously. The current City staff does not possess the time nor the expertise required to conduct a physical inventory, establish appropriate valuations, and compile complete listings of all capital assets in the City. The current workload to correct all identified issues has not allowed enough time for staff to be adequately trained to perform these functions. Therefore, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to implement this recommendation.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L.	Capital Assets and Construction and Progress (CIP) - <i>The capital assets subledger is maintained, reviewed, and reconciled to the general ledger.</i>		
2015-071	MW The City does not have a complete listing of capital assets. The City did not have a listing of ongoing and completed construction projects. It has not implemented accurate and complete asset identification, system mapping, and tagging processes that include sufficient detail to clearly differentiate and accurately track capital assets to the fixed assets system.	Implement processes and controls to facilitate identification and tracking of capital assets and CIP.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The City's poor accounting records related to capital assets was the basis for a qualified audit opinion for FY 2015-16 so the City takes this area very seriously. The current City staff does not possess the time nor the expertise required to conduct a physical inventory, establish appropriate valuations, and compile complete listings of all capital assets in the City. The current workload to correct all identified issues has not allowed enough time for staff to be adequately trained to perform these functions. Therefore, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to implement this recommendation.
2015-072	MW No physical inventory of capital assets and CIP has been performed for many years.	Perform a physical inventory of capital assets and CIP.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The City's poor accounting records related to capital assets was the basis for a qualified audit opinion for FY 2015-16 so the City takes this area very seriously. The current City staff does not possess the time nor the expertise required to conduct a physical inventory, establish appropriate valuations, and compile complete listings of all capital assets in the City. The current workload to correct all identified issues has not allowed enough time for staff to be adequately trained to perform these functions. Therefore, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to implement this recommendation.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L.	Capital Assets and Construction and Progress (CIP) - <i>The City has sufficient internal control and related processes to accurately, consistently, timely record additions to capital assets and CIP (including all costs necessary to place the asset in service), transfers from other agencies, disposals and CIP activity.</i>		
2015-073	MW The City did not have adequate policies and procedures to ensure that assets acquired, whether constructed, purchased, or on a capital lease, are recorded in the general ledger and the fixed-assets system in a timely manner.	Establish policies and procedures to ensure that assets acquired are recorded in the general ledger and the fixed-assets system in a timely manner.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that assets acquired are recorded in the general ledger and the fixed-assets system in a timely manner.
2015-074	MW The City has not implemented a process to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and properly reported in the financial statements and related disclosures.	Assign a member of the Finance Department who has sufficient knowledge and skills to identify and evaluate all lease agreements to ensure that they are appropriately categorized as operating or capital, and properly reported in the financial statements and related disclosures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that all lease agreements are appropriately categorized and recorded in the system and reported in the financial statements.
2015-075	MW The City did not transfer certain assets from CIP to "in-use" assets in a timely manner. There were no controls in place to identify completed construction projects.	Establish policies and procedures to identify completed construction projects and properly transfer the cost from CIP to capital assets. The policies and procedures should include determining the date placed in service, useful life, and depreciation expense.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that completed construction projects are recorded in the general ledger and the capital assets system in a timely manner.
2015-076	MW CIP amounts that represent discontinued projects were not expensed.	Construction projects that have been discontinued should be properly expensed.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that completed construction projects are recorded in the general ledger and the capital assets system in a timely manner.
2015-077	MW Capital outlay expenditures were not evaluated to determine whether capitalization was appropriate.	Capital outlay expenditures should be routinely evaluated to determine whether capitalization was appropriate.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to determine whether capitalization is appropriate.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L.	Capital Assets and Construction and Progress (CIP) - <i>The City has sufficient internal control and related processes to accurately, consistently, timely record additions to capital assets and CIP (including all costs necessary to place the asset in service), transfers from other agencies, disposals and CIP activity. (Continued)</i>		
2015-078	MW The City does not have policies and procedures in place to properly account for capitalized interest in accordance with GAAP. Capitalized Interest normally begins at the start of preconstruction activities and ends when an asset is substantially complete and ready for use. Our audit procedures revealed that the City did not end their interest capitalization for Historic Enhancement and Revitalization of Oxnard (HERO) Project after an asset was substantially complete and ready for use. Therefore; the amount of asset was overstated by \$1,973,770.	Policies and procedures must be developed and implemented to properly account for capitalized interest. In addition, we recommend more effective review procedures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to properly account for interest capitalization.
2015-079	MW The rate and method of application of indirect labor cost (Labor markup) to capital projects was dated back to 2012 amounts. Application to projects is currently done through manual entries. Manual entries leave room for error and are often not timely or efficient.	Review and update the process for indirect cost allocation for accuracy. Review is needed to ensure that projects are assigned the appropriate labor cost.	We concur with the recommendation, and it will be implemented effective July 1, 2017. The City contracted for an update to the Cost Allocation Plan, and it is currently in the final stages of review. With the recent completion of the FY 2015-16 financial audit, staff will receive training on the procedures to properly assign the updated labor costs to projects.
III. L.	Capital Assets and Construction and Progress (CIP) - <i>Management tracks asset acquisitions and remaining costs and compares to capital budgets.</i>		
2015-080	MW There is lack of sufficient controls to track asset acquisitions and compare actual costs incurred to approved capital budgets. CIP costs are allowed to exceed recorded capital budgets. Completed projects are not properly closed on a timely manner.	Establish policies and procedures to track asset acquisitions and construction and compare to approved capital budgets. Recorded capital budgets must be updated for approved change orders, otherwise CIP costs should not be allowed to exceed the approved capital budgets. Projects should be closed when completed. Additional costs must not be incurred on the project when it is complete.	We concur with the recommendation, and it will be implemented effective July 1, 2017. For the FY 2015-16 closing process, Finance staff sent lists of projects to project managers and requested status updates or project close-out forms. In addition, Finance staff will coordinate the capital project monitoring with other departments to ensure proper budget monitoring and recording of acquisitions, change orders, and close-outs.
III. L.	Capital Assets and Construction and Progress (CIP) - <i>Periodically, capital asset listings are routed to the appropriate managers to determine whether the assets still physically exist.</i>		
2015-081	MW Department and project managers were not involved in the internal control process.	The capital assets listing should be routed to department and project managers to determine whether assets still physically exist.	We concur with the recommendation, and it was implemented effective December 2016. For the FY 2015-16 closing process, Finance staff sent lists of projects to project managers and requested status updates or project close-out forms. In addition, staff is currently in the process of contracting for a consultant that specializes in capital asset valuations to conduct a physical inventory to help implement this recommendation.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. L.	Capital Assets and Construction and Progress (CIP) - Individuals are designated with responsibility for assuring compliance with the terms and conditions of all grants, restricted contributions, exchange contracts, etc., that relate to capital assets.		
2015-082	MW There are individuals designated with responsibility for assuring compliance with the terms of grants and contracts; however, there was insufficient communication between these individuals and the finance department.	Establish policies and procedures relating to capital assets and CIP and communicate such policies and procedures to affected individuals in other departments. The finance department should lead the coordinated efforts of various departments to implement the policies and procedures.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will coordinate with other departments on a regular basis to communicate policies and procedures relating to capital assets and CIP.
III. L.	Capital Assets and Construction and Progress (CIP) - Individuals are designated with responsibility for monitoring all significant construction projects.		
2015-083	MW Project managers are designated to monitor construction projects; however, there was insufficient communication between the project managers and the finance department.	Establish policies and procedures relating to capital assets and CIP and communicate such policies and procedures to affected individuals in other departments. The finance department should lead the coordinated efforts of various departments to implement the policies and procedures.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will coordinate with other departments on a regular basis to communicate policies and procedures relating to capital assets and CIP.
III. L.	Capital Assets and Construction and Progress (CIP) - Capital asset depreciation charges are calculated correctly by the automated system and are reviewed for reasonableness by management.		
2015-084	MW Depreciation was not properly calculated by the automated system because the inputs were made incorrectly. No review was made by management during the year.	The capital assets system should be reviewed and inputs should be corrected when necessary.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures to ensure that assets acquired are recorded correctly in the general ledger so that the system can calculate depreciation.
III. L.	Capital Assets and Construction and Progress (CIP) - Disposals of capital assets are reviewed by management and entered into the capital assets subledger by accounting personnel in a timely fashion.		
2015-085	MW There is no process in place for reporting disposals of capital assets.	Policies and procedures should be established to obtain information from various departments regarding any disposals of capital assets.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will develop a system for obtaining asset disposal information and coordinate with other departments on a regular basis to communicate policies and procedures relating to capital asset disposals.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. M. Accounts Payable - Accounts payable aging/subledger is reviewed and reconciled to the general ledger.			
2015-086	MW Reconciliation of accounts payable aging/subledger against the general ledger was not performed at end of year. It was not possible to generate the report after the cut-off date.	We recommend that procedures be put in place to specifically generate an accounts payable aging report at month-end. This report should be agreed to the general ledger and reviewed by an appropriate member of management.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for accounts payable.
III. M. Accounts Payable - Changes to the vendor master file are periodically reviewed for reasonableness.			
2015-087	MW No formal process in place to review master vendor file and investigate any exceptions.	The master vendor file should be reviewed periodically. During the review process, the file should be compared to W-9s, addresses should be compared to employees' addresses, and inactive vendors should be removed.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will develop a system for reviewing vendor files.
III. N. Long-Term Debt - A reconciliation of outstanding debt instruments to the general ledger was not prepared and reviewed timely. Statements received from lenders are reconciled to the subsidiary ledger and differences are investigated.			
2015-088	MW The long-term debt liability balances were not adjusted at year-end. Principal and interest payments were not posted to correct accounts and/or funds. Accrued interest was not calculated or recorded. Prior-year accrued interest was not reversed. Amortization of premiums and discounts was not recorded.	A monthly reconciliation of outstanding debt instruments to the general ledger should be prepared and reviewed timely. Statements received from lenders must be reconciled to the subsidiary ledger and differences investigated.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt.
III. N. Long-Term Debt - Calculations and adjustments related to current or advance debt refundings have been recorded and reviewed and approved by an appropriate person.			
2015-089	MW Significant adjustments for bond issuance and defeasance were not recorded. Bond proceeds of approximately \$20 million was not recorded in the general ledger.	Procedures should be established to capture transactions that are infrequent or non-routine in nature on a timely basis. The Financial Resources Division should communicate to the Accounting Department activities such as issuance of debt or defeasance of debt.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt.
III. N. Long-Term Debt - Debt agreements are reviewed for appropriate classification of outstanding debt.			
2015-090	MW No policies in procedures in place to capture new debt agreements and capital leases. Debt agreements and lease agreements are not reviewed for appropriate classification of outstanding debt and capitalization of assets on capital lease. Significant notes payable and capital leases were not recorded in the general ledger.	Procedures should be established to capture transactions that are infrequent or non-routine in nature on a timely basis. The Financial Resources Division should communicate to the Accounting Department activities such as issuance of debt or defeasance of debt.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. N. Long-Term Debt - Debt compliance determinations are prepared and reviewed timely.			
2015-091	MW Compliance with debt covenants particularly rate covenants in the water and wastewater funds were not determined and reviewed in a timely manner.	Procedures should be improved to ensure that debt compliance determinations are prepared and reviewed timely.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt compliance monitoring.
III. O. Pension Plans - The City reviews the census data used by the actuary to calculate the net pension liability.			
2015-092	SD Census data used by CalPERS and PARS to calculate the net pension liability was not reviewed. Discrepancies in demographic and compensation data were noted in current year.	Review the census data used by actuaries in calculating the net pension liability and ensure that discrepancies are investigated and resolved appropriately.	We concur with the recommendation, and it will be implemented effective July 1, 2017. This primarily resulted from the late timing of receiving the actuarial reports. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for obtaining census data in a timely manner to allow adequate time for review.
III. O. Pension Plans - The City remits employee contributions to the trustees as soon as the amounts are withheld from the employee's paychecks.			
2015-093	SD On several occasions during FY 2015, employee contributions for retirement plans were not remitted to the trustees on a timely basis.	Improve processes in place to ensure that employee contributions for retirement plans are remitted to the trustees on a timely basis all the time.	We concur with the recommendation, and it was implemented effective September 2016. Payroll staff remits employee contributions to retirement plans on a bi-weekly basis with each payroll.
III. P. Use of Credit Cards - The City has sufficient controls over credit card issuance and usage to prevent fraud and abuse.			
2015-094	SD An employee in the purchasing department has the authority to contact Bank of America to issue credit cards in anyone's name under the City of Oxnard's account.	Issuance of credit cards should be approved by an appropriate level of management. The Purchasing Manager should review open credit card listing monthly to ensure that only current active employees have access to credit cards. Also recommend reviewing credit cards with no activity for current employees and deleting accounts if they are not deemed to be necessary to help limit exposure.	We concur with the recommendation, and it will be implemented effective July 1, 2017. A draft credit card policy is being reviewed that will eliminate these issues.
III. P. Use of Credit Cards - Credit cards issued to employees who were terminated should be cancelled immediately.			
2015-095	BP Credit cards remained active for a period of 2 months to almost 9 months after employee was terminated before being cancelled.	The City should implement a checklist to include verifying with Purchasing Department if the employee has an active credit card as part of the termination procedures.	We concur with the recommendation, and it will be implemented effective July 1, 2017. A draft credit card policy is being reviewed that will eliminate these issues.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. P. Use of Credit Cards - Credit card transactions are posted to the general ledger on a monthly basis.			
2015-096	SD Credit card transactions were not processed and reviewed timely by the Finance Department.	The Finance Department should process and review credit card transactions on a timely basis.	We concur with the recommendation, and it will be implemented effective July 1, 2017. A draft credit card policy is being reviewed that will eliminate these issues.
III. Q. Contracts - The City manages contract awards for purchase of supplies and personal property and procurement of professional services and public works contracts in accordance with the City's Municipal Code pertaining to contracting and bid requirements.			
2015-097	BP The bidding process is decentralized. All contracts and bids are not being retained by the Purchasing Department so they can have documentation that bids went through the proper channels and contracts were properly prepared.	Bids/proposals greater than \$25,000 should be sent to the Purchasing Department to indicate the approved bids were submitted and received according to the City policy and to retain a copy for their records for a period of three years, according to the Purchasing Manual.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19. Finance will coordinate with other departments on a regular basis to communicate policies and procedures relating to maintaining bid records.
2015-098	SD The list of FY 2015 approved contracts generated by the Purchasing Department was incomplete because some jobs that were approved by the City Manager or City Council were not updated on the network spreadsheet indicating the contracts were approved.	Establish procedures to ensure that list of approved contracts maintained by the Purchasing Department includes all contracts approved by the City Manager and City Council.	We concur with the recommendation, and it has been identified as Priority 1B to be implemented by June 2018. The current workload to correct all identified issues has not allowed enough time for staff to perform this risk assessment, but it is planned for completion in FY 2017-18. Finance will coordinate with other departments on a regular basis to develop and maintain a listing of approved contracts.
2015-099	SD Change orders for public works contracts exceeding \$50,000 must be submitted to City Manager for approval. Agreement No. A-7630 with Granite Construction was missing an approved change order from project file in the amount of \$82,302.	City needs to establish and follow procedures for approval of change orders. All change orders approval should be documented and kept in the project file with the public works department.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will coordinate with the Public Works Department to ensure that proper supporting documentation for change orders is maintained.
III. R. Municipal Golf Course - The City has oversight over the service concession arrangement with a privately-owned company that operates the municipal golf course.			
2015-100	SD There is a lack of oversight over the service concession at the municipal golf course. The privately-owned operator currently controls all finance functions. Only a project manager, who is a City employee, is responsible for oversight. A joint bank account has not been set-up or utilized as stated in the agreement between the City and operator.	The City should create an oversight board to oversee the Municipal Golf Course. The oversight board should review and approve the annual business plan which includes the budgets as well as all monthly financial reports.	We concur with the recommendation, and it will be implemented effective July 1, 2018. The golf course operation has complexities with regards to the business model moving forward. The current staffing and workload to correct all identified issues has not allowed enough time for staff to perform this assessment, but it is planned for completion in FY 2017-18.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
III. R. Municipal Golf Course - The City properly accounts for the service concession arrangement in its financial statements.			
2015-101	MW The City has previously reported all revenues generated and expenses incurred by the operator in the City's financial statements. However, the City only receives a share of net receipts at the end of each year.	Only the share of net receipts should be reported as revenue from the service concession. Gross revenues generated and all expenditures incurred by the private operator should not be included in the City's financial statements.	We concur with the recommendation, and it was implemented effective September 2016. Finance staff has been trained to record an annual entry to record net receipts from the concessionaire.
III. R. Municipal Golf Course - The City appropriately bills the private operator for use of water and other City services.			
2015-102	SD The City did not bill the company for water used on the municipal golf course.	The City should bill the operator for use of any City services to operate the municipal golf course.	We concur with the recommendation, and it will be implemented effective July 1, 2018. The golf course contractual agreement has complexities with regards to water services. The current staffing and workload to correct all identified issues has not allowed enough time for staff to perform this assessment, but it is planned for completion in FY 2017-18.
III. S. Review and Reconciliation of Clearing Funds - Clearing funds (Fund #542, 543, 545, and 555) are used by the City to allocate payroll and other costs across funds and to accumulate costs that will eventually be reimbursed by Citicorp's and Housing Authority. Clearing funds or clearing accounts are temporary in nature and are "zeroed out" periodically.			
2015-103	SD Clearing funds are not reviewed and closed-out regularly. As a result of City's clean-up of these funds during our audit, material prior-period adjustments were made.	Close-out clearing funds periodically, quarterly, or at least annually.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for closing out clearing funds.
III. S. Review and Reconciliation of Clearing Funds - Funds held by the City in a custodial capacity should be accounted for in an agency fund. Contributions or donations from outside parties that are supposed to be used for special purposes should be classified as "restricted, committed, assigned or unassigned" depending on the terms of the contribution or donation.			
2015-104	BP The City has a "trust fund" (Fund 571) to account for contributions or donations from outside parties. The contributions or donations come with various designations. The City does not have procedures in place to classify the fund balances within the general fund as "restricted, committed, assigned, or unassigned" or to account for certain funds as agency funds rather than in the general fund.	Review the various sources of the contributions and donations and designations made by contributors and donors. Establish procedures to classify fund balances within the general fund or to account for other funds in an agency fund.	We concur with the recommendation, and it has been identified as Priority 2 to be implemented by June 2019. The current workload to correct all identified issues has not allowed enough time for staff to develop controls and implement this recommendation, but it is planned for completion in FY 2018-19.
IV. Information and Communication - The City obtains or generates and uses relevant, quality information, internally communicates information, including objectives and responsibilities for internal control, and communicates with external parties to support the functioning of internal control.			
2015-105	SD The various departments of the City operated in silos. Department heads were not actively involved in the budget and financial reporting process. Communication between the finance department and various departments was not encouraged.	Improve communication among departments. The Finance Department should hold meetings with department heads periodically.	We concur with the recommendation, and it was implemented effective October 2016. With the hiring of the new CFO and two assistant CFOs, the communication between Finance and other departments began improving. Communication is encouraged. Examples include: Budget meetings with various departments coordinated by Finance, and reviews of financial information – CAFR and Single Audit.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
V. Monitoring Activities - <i>The City selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.</i>			
2015-106	MW There is a lack of written policies and procedures over monitoring of internal control over financial reporting.	Design and implement an integrated framework for internal control which includes monitoring of implementation of internal control and evaluating it on a regular basis.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff has begun evaluating internal controls over financial reporting. Written policies and procedures are expected to be completed by June 30, 2017.
V. Monitoring Activities - <i>The City evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management, the Fiscal Policy Task Force and City Council.</i>			
2015-107	MW Internal control over financial reporting was not sufficiently evaluated during FY 2015 and past years. Significant deficiencies were not communicated to senior management, Fiscal Policy Task Force, and City Council.	Design and implement an integrated framework for internal control, which includes monitoring of implementation of internal control and evaluating it on a regular basis.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff has begun evaluating internal controls over financial reporting. Written policies and procedures are expected to be completed by June 30, 2017.
2015-108	SD Part of the Organizational Assessment implementation was an internal audit function. The internal audit function has not been implemented.	Implement the internal audit function as soon as possible.	We concur with the recommendation, and it was implemented effective January 2017. On February 28, 2017, the City Council deliberated and established the process for interviewing consulting firms to perform the internal audit function.
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements - <i>The City, as issuer of various municipal bonds, complies with bond covenants, which includes continuing disclosure and rate covenants.</i>			
2015-109	NC During FY 2015, the City failed to comply with certain bond covenants as discussed below: a. The Water Fund's and the Wastewater Fund's debt service coverage ratio fell below the ratio required by bond covenants. b. The City was unable to meet the continuing disclosure requirement by the due date of March 31, 2016.	Improve processes in place to ensure compliance with bond covenants. Part of this process is proactive monitoring by the Financial Resources Division. Any deficiencies noted during the monitoring process should be brought to the attention of top City management.	We concur with the recommendation, and it will be implemented effective March 2017. Finance staff received some training as part of the FY 2015-16 year-end closing process. With the recent completion of the FY 2015-16 financial audit, staff will receive more training on the procedures for long-term debt compliance monitoring. Finance staff is currently working on the continuing disclosures required to be filed by March 31, 2017. The City's water and wastewater debt service coverage ratios continue to fall below the ratios required by bond covenant. The City is communicating with its financial partners with regards to the plan to adopt new water and wastewater rates in the next six to nine months.
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements - <i>The City, as successor agency to the former redevelopment agency, may only charge the private purpose trust fund expenses that are approved in the Recognized Obligation Payment Schedule (ROPS).</i>			
2015-110	NC The Oxnard Successor Agency incurred administrative costs in excess of approved budget amounts as stated in the ROPS.	Improve processes in place to ensure that the expenses reported in the private purpose trust fund were approved in the ROPS.	We concur with the recommendation, and it will be implemented effective July 1, 2017. Finance staff will coordinate with the Economic Development Department to review all Successor Agency (formerly CDC) transactions to evaluate the accounting treatment, and to consider compliance with state laws and regulations affecting former RDAs.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FINDINGS - FINANCIAL STATEMENTS

Number	Finding	Recommendation	City's Response
Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements - <i>The City's Annual Financial Transactions Report to the State Controller's Office (SCO report) includes all year-end final closing adjustments. Adjustments needed to reconcile the SCO report to the audited financial statements are properly reported in the following year's SCO report.</i>			
2015-111	SD The City's 2014 SCO report contained material misstatements. The City had to make material adjustments to reconcile the 2014 SCO report to the 2014 audited financial statements. In addition, the 2015 SCO report did not include all year-end final closing adjustments because the closing process has not been completed when the SCO report was due. The City is expected to make material adjustments to reconcile the 2015 SCO report to the 2015 audited financial statements.	Adjustments needed to reconcile the 2015 SCO report to the 2015 audited financial statements should be explained in detail in the 2016 SCO report.	We concur with the recommendation, and it was implemented effective January 31, 2017, with the submittal of the FY 2016 SCO report to the State.

MW - Material Weakness

SD - Significant Deficiency

BP - Best Practices

NC - Non-Compliance