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## JUNE 30, 2018

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<th>PAGE</th>
</tr>
</thead>
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</tr>
</tbody>
</table>
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, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 12, 2018. Our report includes a reference to other auditors who audited the financial statements of Oxnard Housing Authority, as described in our report on City’s basic financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 years 2015, 2016, and 2017. These findings are listed in the accompanying schedule of findings and questioned costs - schedule of prior audit findings - financial statements.
The following schedule summarizes our findings related to financial statements:

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>REFERENCE NUMBER</th>
<th>MATERIAL WEAKNESS (MW)</th>
<th>SIGNIFICANT DEFICIENCY (SD)</th>
<th>NON-COMPLIANCE (NC)</th>
<th>BEST PRACTICES (BP)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-2018</td>
<td>2018-012 TO 2018-041</td>
<td>4</td>
<td>24</td>
<td>-</td>
<td>1</td>
<td>29</td>
</tr>
<tr>
<td>2016-2017</td>
<td>2017-009 TO 2017-019</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>2015-2016</td>
<td>2016-005</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>2014-2015</td>
<td>2015-005 TO 2015-111</td>
<td>33</td>
<td>15</td>
<td>2</td>
<td>6</td>
<td>56</td>
</tr>
<tr>
<td>TOTALS</td>
<td></td>
<td>37</td>
<td>42</td>
<td>2</td>
<td>8</td>
<td>89</td>
</tr>
</tbody>
</table>

Eight out of 29 current year findings are a repeat of prior-year findings. In addition, 60 other findings from 2015, 2016 and 2017 have not been resolved.

City's Response to Findings

The City of Oxnard's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We applied certain procedures to support the status of audit findings included in the schedule of prior audit findings. The status of prior-year audit findings related to financial statements is summarized below:

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>TO BE POLICIES AND PROCEDURES</th>
<th>IN</th>
<th>NOT</th>
<th>REPEAT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>COMPLETE TO TESTED DRAFTED PROGRESS STARTED FINDING PASS TOTAL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016-2017</td>
<td>4 - 1 2 - 4 - 11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015-2016</td>
<td>- - 1 - - - 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014-2015</td>
<td>45 10 13 28 5 5 1 107</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTALS</td>
<td>49 10 14 31 5 9 1 119</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

February 6, 2019
Riverside, California
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, 2018. 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.

The City's basic financial statements include the operations of the Oxnard Housing Authority, which expended $22,912,899 in Federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of the Oxnard Housing Authority, because it engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility
Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.
**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, 2018.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-002, 2018-005 through 2018-008. Our opinion on each major Federal program is not modified with respect to these matters.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-008 that we consider to be significant deficiencies.

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

We applied certain procedures to support the status of audit findings included in the schedule of prior audit findings. The status of prior audit findings related to major federal programs is summarized below:

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>TO BE COMPLETE</th>
<th>TESTED</th>
<th>NOT STARTED</th>
<th>REPEAT FINDING</th>
<th>REQUIRED</th>
<th>NO LONGER TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-2017</td>
<td>3</td>
<td>-</td>
<td>1</td>
<td>4</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>2015-2016</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>2014-2015</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>TOTALS</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>2</td>
<td>16</td>
</tr>
</tbody>
</table>
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.

Report on Schedule of Expenditures of Federal Awards
We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 12, 2018, which contained unmodified 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 basic 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 basic financial statements as a whole.

Eakie and Payne LLP

March 20, 2019
Riverside, 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, 2018

<table>
<thead>
<tr>
<th>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</th>
<th>FEDERAL PROGRAM NUMBER</th>
<th>PROGRAM IDENTIFICATION NUMBER</th>
<th>TOTAL EXPENDITURES</th>
<th>TOTAL AMOUNT PROVIDED TO SUBRECIPIENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Housing and Urban Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CDBG - Entitlement Grants Cluster</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct: Community Development Block Grants</td>
<td>14.218</td>
<td>B-17-MC-06-0534</td>
<td>$1,239,308</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>B-16-MC-06-0534</td>
<td>351,076</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>B-15-MC-06-0534</td>
<td>216,336</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>B-14-MC-06-0534</td>
<td>248,048</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,054,768</td>
<td>$ 95,000</td>
</tr>
<tr>
<td><strong>Total CDBG - Entitlement Grants Cluster</strong></td>
<td></td>
<td></td>
<td>2,054,768</td>
<td>95,000</td>
</tr>
<tr>
<td>Direct: Emergency Solutions Grants Program</td>
<td>14.231</td>
<td>E-17-MC-06-0534</td>
<td>123,311</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-16-MC-06-0534</td>
<td>52,632</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-13-MC-06-0534</td>
<td>43,793</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>219,736</td>
<td>204,874</td>
</tr>
<tr>
<td>Direct: HOME Investment Partnership Program</td>
<td>14.239</td>
<td>M-17-MC-06-0526</td>
<td>147,618</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>M-16-MC-06-0526</td>
<td>350,547</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>M-15-MC-06-0526</td>
<td>285,082</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>M-14-MC-06-0526</td>
<td>408,486</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>M-13-MC-06-0526</td>
<td>94,569</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,286,302</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Housing and Urban Development</strong></td>
<td></td>
<td></td>
<td>3,560,806</td>
<td>299,874</td>
</tr>
<tr>
<td><strong>U.S. Department of Justice</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct: Edward Byrne Justice Assistance Grant</td>
<td>16.738</td>
<td>2016-DJ-BX-0611</td>
<td>18,515</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>655-17</td>
<td>51,045</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>69,560</td>
<td>53,966</td>
</tr>
<tr>
<td>Passed through the Ventura County Sheriff's Office:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edward Byrne Justice Assistance Grant</td>
<td>16.738</td>
<td>BSCC 655-14/15</td>
<td>31,672</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>101,232</td>
<td>-</td>
</tr>
<tr>
<td>Direct: Equitable Sharing Program</td>
<td>16.922</td>
<td>MOU/NA</td>
<td>214,393</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>17-DEA-626786</td>
<td>8,586</td>
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<td></td>
<td></td>
<td>16-DEA-620614</td>
<td>396</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>16-DEA-628169</td>
<td>2,742</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>16-DEA-628170</td>
<td>1,297</td>
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<td></td>
<td></td>
<td>13-DEA-580859</td>
<td>29,343</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>256,757</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Justice</strong></td>
<td></td>
<td></td>
<td>357,989</td>
<td>53,966</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</th>
<th>FEDERAL PROGRAM TOTAL</th>
<th>TOTAL AMOUNT</th>
<th>SUBRECIPIENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Homeland Security</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through the County of Ventura:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Management Performance Grant</td>
<td>97.042 2017-0007-111-00000</td>
<td>38,213</td>
<td></td>
</tr>
<tr>
<td>Direct:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance to Firefighters Grant</td>
<td>97.044 EMW-2016-FV-90082</td>
<td>$413,928</td>
<td></td>
</tr>
<tr>
<td>Assistance to Firefighters Grant</td>
<td>EMW-2016-FO-06278</td>
<td>111,306</td>
<td></td>
</tr>
<tr>
<td>Assistance to Firefighters Grant</td>
<td>EMW-2015-FO-04703</td>
<td>96,642</td>
<td></td>
</tr>
<tr>
<td>Passed through the County of Ventura Fire Protection District:</td>
<td>97.044 EMW-2015-FR-00129</td>
<td>78,024</td>
<td></td>
</tr>
<tr>
<td>Passed through the County of Ventura Fire Department:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FEMA AFG HAZMAT 2015</td>
<td>97.044 EMW-2015-FR-00129</td>
<td>25,991</td>
<td></td>
</tr>
<tr>
<td>Passed through the County of Ventura:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2015 Homeland Security Grant Program</td>
<td>97.067 2015-0078-111-00000</td>
<td>863</td>
<td></td>
</tr>
<tr>
<td>FY 2016 Homeland Security Grant Program</td>
<td>2016-0102-111-00000</td>
<td>42,294</td>
<td></td>
</tr>
<tr>
<td>FY 2017 Homeland Security Grant Program</td>
<td>2017-0083-111-00000</td>
<td>24,702</td>
<td></td>
</tr>
<tr>
<td>Direct:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing for Adequate Fire and Emergency Response Grant</td>
<td>97.083 EMW-2014-FH-00701</td>
<td>77,410</td>
<td></td>
</tr>
<tr>
<td>Total U.S. Department of Homeland Security</td>
<td></td>
<td>909,373</td>
<td></td>
</tr>
</tbody>
</table>

| U.S. Department of Transportation                     |                       |              |               |
| Highway Planning and Construction Cluster             |                       |              |               |
| Passed through the State of California Department of Transportation: | 20.205 HSIPL-5129(084) | 965,921      |               |
| Highway Planning and Construction                      | 20.205 CML-5129 (086)     | 512          |               |
|                                                    | 20.205 CML-5129 (087)     | 1,082        |               |
|                                                    | 20.205 CML-5129 (079)     | 3,569        |               |
|                                                    | 20.205 CML-5129 (078)     | 9,016        |               |
|                                                    | 20.205 BHLS-5129(069)     | 3,604        |               |
|                                                    | 20.205 BHLS-5129(070)     | 21,583       |               |
|                                                    | 20.205 HSIPL-5129(083)    | 10,067       |               |
|                                                    | 20.205 HSIPL 5129 (093)   | 5,293        |               |
|                                                    | 20.205 STPL 5129 (088)    | 366,727      |               |
| Total Highway Planning and Construction Cluster       |                       | 1,387,374    |               |

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)**

<table>
<thead>
<tr>
<th>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</th>
<th>FEDERAL CATALOG NUMBER</th>
<th>PROGRAM IDENTIFICATION NUMBER</th>
<th>TOTAL PROGRAM EXPENDITURES</th>
<th>TOTAL AMOUNT PROVIDED TO SUBRECIPIENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Transportation (Continued)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highway Safety Cluster</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through the State of California Office of Traffic Safety:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State and Community Highway Safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Priority Safety Programs</td>
<td>20.600</td>
<td>PT16100</td>
<td>13,904</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>PT1787</td>
<td>96,800</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>PT18108</td>
<td>400,087</td>
<td></td>
</tr>
<tr>
<td>Total Highway Safety Cluster</td>
<td></td>
<td></td>
<td>510,791</td>
<td></td>
</tr>
<tr>
<td><strong>Total U.S. Department of Transportation</strong></td>
<td></td>
<td></td>
<td>510,791</td>
<td></td>
</tr>
<tr>
<td><strong>Corporation for National and Community Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retired and Senior Volunteer Program</td>
<td>94.002</td>
<td>16SRPCA005</td>
<td>$ 79,014</td>
<td></td>
</tr>
<tr>
<td><strong>Total Corporation for National and Community Service</strong></td>
<td></td>
<td></td>
<td>79,014</td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aging Cluster</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through the County of Ventura Area Agency on Aging:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Programs for the Aging, Nutrition Services</td>
<td>93.045</td>
<td>3C-007-071212</td>
<td>103,550</td>
<td></td>
</tr>
<tr>
<td><strong>Total Aging Cluster</strong></td>
<td></td>
<td></td>
<td>103,550</td>
<td></td>
</tr>
<tr>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td>103,550</td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Department of the Interior Fish and Wildlife Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through the County of Ventura:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coastal</td>
<td>15.630</td>
<td>F14AC00539</td>
<td>11,871</td>
<td></td>
</tr>
<tr>
<td><strong>Total U.S. Department of the Interior Fish and Wildlife Service</strong></td>
<td></td>
<td></td>
<td>11,871</td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Environmental Protection Agency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Workforce Development and Job Training</td>
<td>66.815</td>
<td>99T03501</td>
<td>17,090</td>
<td></td>
</tr>
<tr>
<td>Passed through the Ecology Action of Santa Cruz Inc.:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Business Network</td>
<td>66.708</td>
<td>G16-EA-001</td>
<td>9,580</td>
<td></td>
</tr>
<tr>
<td><strong>Total U.S. Environmental Protection Agency</strong></td>
<td></td>
<td></td>
<td>26,670</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES OF FEDERAL AWARDS</strong></td>
<td></td>
<td></td>
<td><strong>$ 6,947,438</strong></td>
<td><strong>$ 353,840</strong></td>
</tr>
</tbody>
</table>

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, 2018

1. BASIS OF PRESENTATION
The accompanying schedule of expenditures of Federal awards (Schedule) includes the Federal award activity of City of Oxnard (City) under programs of the Federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. It does not include the Federal award activity of Oxnard Housing Authority, a blended component unit of the City, which expended $22,912,899 in Federal awards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE
The City has not elected to use the 10% de minimis indirect cost rate.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS
Amounts reported in the Schedule agree, in all material respects, with amounts reported in the basic financial statements of the City of Oxnard. The following presents a reconciliation of Federal expenditures to those reported in the financial statements:

<table>
<thead>
<tr>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditures per the schedule of expenditures of federal awards</td>
</tr>
<tr>
<td>Add: Expenditures of nonfederal awards</td>
</tr>
<tr>
<td>TOTAL GOVERNMENTAL FUNDS EXPENDITURES PER THE FINANCIAL STATEMENTS</td>
</tr>
</tbody>
</table>
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, 2018:

<table>
<thead>
<tr>
<th>FEDERAL PROGRAMS</th>
<th>LOANS OUTSTANDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development Block Grants</td>
<td>$3,788,286</td>
</tr>
<tr>
<td>(CFDA #14.218)</td>
<td></td>
</tr>
<tr>
<td>HOME Investment Partnership Program</td>
<td>10,901,393</td>
</tr>
<tr>
<td>(CFDA #14.239)</td>
<td></td>
</tr>
</tbody>
</table>
CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITOR’S RESULTS
Financial Statements

Type of auditor's report issued:  
Unmodified

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  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:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.218</td>
<td>Community Development Block Grant</td>
</tr>
<tr>
<td>14.231</td>
<td>Emergency Solutions Grants Program</td>
</tr>
<tr>
<td>20.205</td>
<td>DOT Highway Planning and Construction</td>
</tr>
</tbody>
</table>

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

Auditee qualified as low-risk auditee?  yes  X no
INDEX
CURRENT YEAR
MAJOR FEDERAL AWARD PROGRAMS
Department of Housing and Urban Development
  14.218 - Community Development Block Grants
    Performance Reporting 2018-001
    Reimbursement Requests 2018-002
    Source Documentation 2018-003
    Compensation for Personal Services 2018-004
    Subrecipient Monitoring 2018-005
  14.231 Emergency Solutions Grants Program
    Financial and Performance Reporting 2018-006
    Maintenance of Homeless Shelters 2018-007
    Payments to Subrecipients 2018-008

FINANCIAL STATEMENTS
  Properties Held for Sale 2018-009
  Journal Entries 2018-010
  Accrued Receivables 2018-011
  Employment Tax Recordkeeping 2018-012
  Bank Reconciliations 2018-013
  Cash Receipts 2018-014
  Lease Agreements 2018-015
  Pension Plans 2018-016
  Year-end Closing Process 2018-017
  Information Technology General Controls 2018-018 to 2018-037
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PRIOR YEAR
MAJOR FEDERAL AWARD PROGRAMS

Department of Housing and Urban Development
- Performance Reporting 2017-001
- Reimbursement Requests 2017-002
- Compensation for Personal Services 2017-003
- Approval of CIP Expenditures 2017-004
- Indirect Cost 2017-005
- Source Documentation 2017-006
- Performance Reporting 2016-001
- Compensation for Personal Services 2016-002
- Reconciliation to Trial Balance 2016-003
- Approval of CIP Expenditures 2016-004
- Subrecipient Monitoring 2015-002
- Administrative and Planning Cost 2015-004

Schedule of Expenditures of Federal Awards
- Reconciliation of Schedule of Expenditures of Federal Awards 2017-007

Corrective Action Plan
- Timing of Corrective Action Plan 2017-008

PRIOR YEAR
FINANCIAL STATEMENTS
- Accounting for Grants 2017-009
- Accounting for Notes Receivable 2017-010
- Properties Held for Sale 2017-011
- Journal Entries 2017-012
- Clearing Funds 2017-013
- Accrued Receivables 2017-014
- Accrued Expenses 2017-015
- Information Technology General Controls 2017-016
- Accounting for Developer Deposits 2017-017
- Employment Tax Recordkeeping 2017-018
- Interest Allocation 2017-019
- Segregation of Duties between Payroll and Human Resources 2016-005
## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### PRIOR YEAR (Continued)

#### FINANCIAL STATEMENTS (Continued)

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Control Environment</td>
<td>2015-005 to 2015-009</td>
</tr>
<tr>
<td>II</td>
<td>Risk Assessment</td>
<td>2015-011</td>
</tr>
<tr>
<td>III</td>
<td>Control Activities</td>
<td>2015-012 to 2015-017</td>
</tr>
<tr>
<td>A</td>
<td>Budget</td>
<td>2015-018</td>
</tr>
<tr>
<td>D</td>
<td>Electronic Payments (EFT/ACH)</td>
<td>2015-037</td>
</tr>
<tr>
<td>E</td>
<td>Cash Receipts</td>
<td>2015-041 &amp; 2015-042</td>
</tr>
<tr>
<td>F</td>
<td>Journal Entries to Cash Accounts</td>
<td>2015-043 to 2015-048</td>
</tr>
<tr>
<td>G</td>
<td>Investments</td>
<td>2015-050</td>
</tr>
<tr>
<td>H</td>
<td>Accounts Receivable</td>
<td>2015-051 to 2015-054</td>
</tr>
<tr>
<td>I</td>
<td>Grants Management</td>
<td>2015-055 to 2015-062</td>
</tr>
<tr>
<td>J</td>
<td>Notes Receivable</td>
<td>2015-063 to 2015-068</td>
</tr>
<tr>
<td>K</td>
<td>Deferred Balances</td>
<td>2015-069</td>
</tr>
<tr>
<td>L</td>
<td>Capital Assets and Construction in Progress</td>
<td>2015-074 to 2015-085</td>
</tr>
<tr>
<td>M</td>
<td>Accounts Payable</td>
<td>2015-086 to 2015-087</td>
</tr>
<tr>
<td>N</td>
<td>Long-Term Debt</td>
<td>2015-088 to 2015-091</td>
</tr>
<tr>
<td>O</td>
<td>Pension Plans</td>
<td>2015-092</td>
</tr>
<tr>
<td>P</td>
<td>Use of Credit Cards</td>
<td>2015-095 to 2015-096</td>
</tr>
<tr>
<td>Q</td>
<td>Contracts</td>
<td>2015-097 to 2015-099</td>
</tr>
<tr>
<td>R</td>
<td>Municipal Golf Course</td>
<td>2015-100 &amp; 2015-102</td>
</tr>
<tr>
<td>S</td>
<td>Review and Reconciliation of Clearing Funds</td>
<td>2015-103 to 2015-104</td>
</tr>
<tr>
<td>IV</td>
<td>Information and Communication</td>
<td>2015-105</td>
</tr>
<tr>
<td>V</td>
<td>Monitoring Activities</td>
<td>2015-106 to 2015-107, 2015-109 to 2015-110</td>
</tr>
</tbody>
</table>
FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

2018-001 - Performance Reporting (NC/SD)

CFDA Title and Number: 14.218 - Community Development Block Grants
Name of Federal Agency: Department of Housing and Urban Development
Compliance Requirement: Reporting


Condition: The City was unable to provide the auditors the HUD-60002 Section 3 Summary Report.

Cause: Lack of internal controls over the preparation, review, and submission of the required performance report.

Effect or Potential Effect: The City is not in compliance with Federal requirements for the preparation and submission of the required reports. Ineffective controls to monitor program requirements could result in inaccurate information, increases the risk of noncompliance and exposes the City to the risk of loss of funding.

Questioned Cost: None

Context: We requested a copy of the report multiple times but the Grants Manager was unable to provide it.

Repeat of a Prior-Year Finding: 2016-001 and 2017-001

Recommendation: The City should implement a process that will ensure that all required reports are submitted on a timely basis, establish controls that require the review of reports by someone independent of the preparer and ensure that all reports filed with oversight agencies are supported by proper records.

City's Response 2018: The City concurs with the recommendation. Online reporting for HUD 60002, Section 3 Summary Report, was first initiated in 2013 or 2014 through the HUD “WASS” system. The system did not operate properly. HUD re-launched system on or about Sept 17, 2015. Since then the Housing Department experienced staff turnover in grants reporting, which affected their ability to train and submit reports. During 2017, staff turnover and staff shortage affected all of 2017 and 2018 reporting. Grants Management Staff has requested online access from HUD and forms are being prepared by contractor LCI. Upon receipt of online access, forms will be electronically filed. Staff will document procedures.
Corrective Action Plan: Finance staff has developed policy and procedures for all grants, including Federal, State, and County. This includes 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 also include review of reports that are prepared by outside consultants and maintenance of required documentation showing proof of performance reporting. Training for the updated policy was completed in August of 2018.

Planned Implementation Date: Policy implemented and training completed in August 2018; documentation of procedures and filing HUD 60002 reports to be completed by March 31, 2019.

Responsible Person: Grants Manager, Roel Briones and Assistant CFO, Donna Ventura

2018-002 - Reimbursement Requests (NC/SD)

CFDA Title and Number: 14.218 - Community Development Block Grants
Name of Federal Agency: Department of Housing and Urban Development
Compliance Requirement: Cash Management

Criteria: 2 CFR Part 200 Appendix XI Compliance Supplement, Section 3.2.C. Cash Management requires that program costs must be paid by the City before reimbursement is requested from the Federal government.

Condition: The City requested expenditure reimbursements in IDIS prior to check disbursements.

Cause: Drawdown procedures were not strictly enforced.

Effect or Potential Effect: Excess funds could be drawn down and not expended.

Questioned Cost: None

Context: During our testing, we found that 4 out of 40 drawdowns selected for testing were made prior to check disbursement dates.

Repeat of a Prior-Year Finding: 2017-002

Recommendation: The City should establish internal control to ensure that the persons responsible comply with the cash management compliance requirements of CDBG. The City should train employees about the requirements of the block grant program.

City's Response 2018: The City concurs with the recommendation.
Corrective Action Plan: Drawdown procedures that establish verification of expenditure payment as support for drawdown were implemented after the FY 2016-17 audit. Periodic and year-end reconciliation procedures of allowable expenditures and vouchers' drawdown are now in effect. The City has updated the grant policy to include this in Section D. Responsibilities and Procedures under Administering Department. Training for the updated policy was completed in August of 2018. Implementation of the new procedure allowed us to find and correct the errors noted above.

Planned Implementation Date: March 31, 2019

Responsible Person: Grants Manager Roel Briones

2018-003 - Source Documentation (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants
Name of Federal Agency: Department of Housing and Urban Development
Compliance Requirement: Cash Management

Criteria: 24 CFR Part 570.506 (h) Records to be Maintained states that each recipient shall establish and maintain sufficient financial records. Grantees shall maintain evidence to support how the CDBG funds provided are expended. Such documentation must include, to the extent applicable, invoices, schedules containing comparisons of budgeted amounts and actual expenditures, and/or other documentation appropriate to the nature of the activity.

Condition: The City does not maintain complete and accurate documentation to support drawdowns.

Cause: Reconciling and accurate drawdown tracking procedures were not strictly enforced due to the lack of internal controls related to the proper integration between actual drawdowns made and the City records per the General Ledger.

Effect or Potential Effect: Activities or costs that are allowed or allowable could potentially be overpaid or underpaid.

Questioned Cost: None

Context: The City does not maintain complete and accurate documentation of expenditures that support drawdowns. During the audit, City staff was able to provide a reconciliation of selected drawdowns; however the reconciliation was only prepared because auditors requested it.
Repeat of a Prior-Year Finding: 2017-006

Recommendation: The City should establish policies and procedures to require complete and accurate supporting documentation of all drawdowns and to ensure that Grants Management properly reviews and approves all drawdowns that are to be paid with Federal awards.

City's Response 2018: The City agrees with the recommendation.

Corrective Action Plan: The City has updated the grant policy to include the auditor recommendation in Section D. Responsibilities and Procedures under Administering Department. Training of the grant coordinator and various grant program managers on the updated policy was completed in August of 2018.

Planned Implementation Date: Policy implemented effective July 1, 2018 and training completed in August 2018.

Responsible Person: Grants Manager, Roel Briones

2018-004 - 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
Compliance Requirement: Allowable Costs

Criteria: 2 CFR 200.430(i) Standards for Documentation of Personnel Expenses states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. 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.

Condition: The City's payroll records did not accurately reflect the actual hours worked by employees whose salaries and wages are charged to CDBG. The City estimated payroll expenditures charged to the grant throughout the year. At year-end, the City adjusted the expenditures to reflect the actual hours for all employees paid with Federal awards.

Cause: The City processes payroll before the actual payroll period ends. As such, employees turn in their timesheets with estimated hours.

Effect or Potential Effect: Manual adjustments could potentially result in understatement or overstatement of expenditures reported in the Schedule of Expenditures of Federal Awards.

Questioned Cost: None
**Context:** In the current year, we tested four pay periods and found that this practice is continuing, despite the prior-year finding.

**Repeat of a Prior-Year Finding:** 2016-002 and 2017-003

**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's Response 2018:** The City concurs with the recommendation, however due to the complexity of the City's payroll process involving 7 different unions as well as the lack of functionality in the City’s outdated HTE financial system, timesheets need to be collected two days in advance of the pay period end in order to allow sufficient time to complete payroll processing. It is the employees’ and their managers’ responsibility to provide updates and corrections to estimates submitted on their timesheets in a timely manner. When the City converts to a modern ERP system, this additional processing time should not be necessary and timesheets can be entered at the close of the pay period.

**Corrective Action Plan:** The City has updated the grant policy and procedures to include the auditor recommendation in Section D. Responsibilities and Procedures under Administering Department. These procedures also include review of salaries and benefits charged to grant programs to ensure they are accurate, allowable, and properly allocated. Training of the grant coordinator and various grant program managers on the updated policy and procedures was completed in August of 2018.

**Planned Implementation Date:** Policy implemented effective July 1, 2018 and training completed in August 2018.

**Responsible Person:** Grants Manager, Roel Briones and Assistant CFO, Donna Ventura

**2018-005 - Subrecipient Monitoring (NC/SD)**

**CFDA Title and Number:** 14.218 - Community Development Block Grants
**Name of Federal Agency:** Department of Housing and Urban Development
**Compliance Requirement:** Subrecipient monitoring
Criteria: 2 CFR 200 Appendix XI Part 3 Compliance Requirements Section 3.2-M Subrecipient Monitoring states that a pass-through entity is responsible for monitoring their subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts and grant, and that performance goals are achieved.

Condition: We were unable to obtain evidence of an in-depth assessment and onsite monitoring of CDBG subrecipients during the current audit period. It is to note that a desk records audit was performed by the City related to expenditures made to the subrecipients for the current audit period.

Cause: Insufficient training of related City staff on program requirements and inadequate internal controls over the processes on conducting sufficient monitoring procedures over subrecipients.

Effect or Potential Effect: Subrecipients may be using awarded funds for unauthorized purposes and are not in line with performance goals as defined in the terms and conditions of the subaward.

Questioned Cost: $15,872

Context: Two subrecipients were selected for compliance testing. The City was unable to provide supporting evidence of an in-depth assessment and on-site monitoring was performed. We also noted that during this testing, a vouched invoice for $15,872 of a subrecipient was for the salary & benefits of personnel. We cannot ascertain whether such activities are towards the CDBG-eligible national objectives and/or allowable public services. It is to note, however, that the authorized submitting personnel of the subrecipient organization certifies and signs the invoice prior to submission that the expenses charged to the grant are allowable as outlined in the letter of agreement.

Repeat of a Prior-Year Finding: 2015-002

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

City's Response 2018: The City does not agree with audit finding 2018-005. The City has established policies and procedures that require subrecipients’ supervisors certify that salaries paid to program coordinators support the contract costs which provide supervision of residents of a Center owned by City of Oxnard Housing Authority. Subrecipients (Boy and Girls Club of Greater Oxnard and Port Hueneme) supported their salary expenses with logs, wherein youth participants signed the logs and supervisors certified time reports.
Corrective Action Plan: The City has updated the grant policy and procedures to include the auditor recommendation in Section D. Responsibilities and Procedures under Administering Department. Training of the grant coordinator and various grant program managers on the updated policy and procedures was completed in August 2018.

Planned Implementation Date: Policy implemented effective July 1, 2018 and training completed in August 2018.

Responsible Person: Grants Manager, Roel Briones

2018-006 – Financial and Performance Reporting (NC/SD)

CFDA Title and Number: 14.231 Emergency Solutions Grants Program
Name of Federal Agency: Department of Housing and Urban Development
Compliance Requirement: Reporting


Condition: We were unable to obtain the PR19 report as well as the HUD 60002, Section 3 Summary Report.

Cause: Lack of proper guidance and training related to using IDIS online for the program setup for the transition of the Emergency Shelter Grants program (ESG) to Emergency Solutions Grants (HESG) program subsequent to the 2011 program year.

Effect or Potential Effect: Noncompliance exposes the City to grantor sanctions, potentially leading to a loss grant funding.

Questioned Cost: None identified

Context: We attempted to obtain the PR19 report from IDIS, however, it came up blank. Upon inquiry with HUD, we found that beginning the program year 2011 (FY 2012), HUD set up a new path within IDIS to account for the elements of the program for ESG. The City has not set up this new ESG path in order to run the PR19 report.

Repeat of a Prior-Year Finding: No
**Recommendation:** We recommend the City to be aware of which reports are required for submission to HUD and when they are due in order to address any such issues in a timely manner. We also recommend the City to use available resource items made available at HUD’s website or through the City’s designated HUD representative contact for further assistance.

**City’s Response 2018:** The City concurs with the recommendation. However, in HUD Exchange, “Guidance for ESG Recipients: Grant Based Accounting”, HUD recommends PR91 for accurate management of HESG program. Based on HUD CPD HESG training material, also in HUD Exchange, HUD notes that PR19 is a report that is available for the ESG program prior to 2011 but its accuracy for HESG path is not guaranteed. Online reporting for HUD 60002 form, Section 3 Summary Report, was first initiated in 2013 or 2014 through the HUD “WASS” system. The system did not operate properly. HUD re-launched system on or about Sept 17, 2015. Since then Housing Dept experienced staff turnover at grants reporting which affected ability to train and submit reports. During 2017 staff turnover and staff shortage affected all of 2017 and 2018 reporting. Grants Management Division continues to experience inadequate staffing. Staff has requested online access from HUD and forms are prepared by contractor LCI. Upon receipt of online access, forms will be electronically filed. Staff will document procedures.

**Corrective Action Plan:** As a result of audit, staff discovered that SF-425 Financial Summary Report is required to be filed with HUD field office on quarterly basis. Staff has researched filing requirements and prepared annual report for FY 2017-18. Quarterly reports will be filed going forward. Previously staff was filing Form 269a which was eliminated since 2012. For HESG, HUD replaced Form 269a but now requires Form SF-425.

**Planned Implementation Date:** June 30, 2019

**Responsible Person:** Grants Manager, Roel Briones

**2018-007 – Maintenance of Homeless Shelters (NC/SD)**

**CFDA Title and Number:** 14.231 Emergency Solutions Grants Program  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Compliance Requirement:** Special Tests and Provisions

**Criteria:** Maintenance as Homeless Shelters – Any building renovated with ESG Program funds for use as an emergency shelter for homeless persons must be maintained as a shelter for homeless persons for not less than a 3-year period or, if the renovation constitutes major rehabilitation or conversion of the building, for not less than a 10-year period. The minimum use period begins on the date the building is first occupied by a homeless individual or family after the completed renovation. The minimum period of use of 10 years must be enforced by a recorded deed or use restriction (24 CFR section 576.102(c)).
**Condition:** We were unable to obtain information from the City whether there were any buildings improved by the ESG program in prior years for use as an emergency shelter, and if so, whether they are being maintained as an emergency shelter / no longer being maintained.

**Cause:** The City lacks sufficient controls to track the use of ESG funds for maintenance of homeless shelters.

**Effect or Potential Effect:** Noncompliance exposes the City to grantor sanctions, potentially leading to a loss grant funding.

**Questioned Cost:** None

**Context:** The awarded funding of the program allows the recipient to fund the renovation and conversion of buildings to be used and maintained as emergency shelters for the homeless for a required time period. If such buildings exist, the renovation must be a major rehabilitation or if a conversion, must be have had a recorded deed or use restriction. We were unable to obtain information related to such building renovation or conversion activity. We also were unable to obtain information whether any such buildings that were improved in prior year are no longer being used as shelters.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** We recommend that City staff be aware and are keeping adequate tracking of such building renovation and/or conversion activity in an ongoing basis with sufficient documentation.

**City's Response 2018:** As a matter of practice, the City does not fund homeless shelter building improvements or renovations. There is no record that City has funded Homeless Shelter renovation or improvements with HESG funds in the last 10 years. HESG funds are used for providing funds for homeless services to subrecipients.

- **Corrective Action Plan:** N/A
- **Planned Implementation Date:** N/A
- **Responsible Person:** Grants Manager, Roel Briones
2018-008 – Payments to Subrecipients (NC/SD)

CFDA Title and Number: 14.231 Emergency Solutions Grants Program
Name of Federal Agency: Department of Housing and Urban Development
Compliance Requirement: Obligation, Expenditure and Payment Requirements to Subrecipients, Special Tests and Provisions

Criteria: 2 CFR Part 200 Appendix XI Compliance Supplement, Section 4-14.231-17 states that recipients must pay each subrecipient for allowable costs within 30 days after receiving the subrecipient’s complete payment request.

Condition: The city paid subrecipients over between 38 to 190 days past their receipt of the payment requests.

Cause: Lack of internal controls related to the timely payment of received payment requests submitted by subrecipients.

Effect or Potential Effect: Noncompliance exposes the City to grantor sanctions, potentially leading to a loss in grant funding.

Questioned Cost: None

Context: Out of 9 disbursements made to subrecipients, we noted 8 were paid after more than 30 days of receiving the subrecipient’s complete payment request. The number of days elapsing for the noted 8 payments were between 38 to 190 days.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend that the City date stamps invoices and other forms of payment requests from vendors so that they will be able to accurately track payments that are time-sensitive to be disbursed. City staff should be cognizant of specific program compliance requirements so that they will implement operational processes accordingly.

City's Response 2018: The City concurs with the recommendation.

Corrective Action Plan: Subrecipient invoices are desk monitored, some are submitted beginning with fiscal year in advance of contract execution. Staff will coordinate tracking of subrecipient requests for payments and accounts payable processing of payments according to contract requirements. Invoices will be time-stamped and tracked for compliance with contractual requirements for payment.

Planned Implementation Date: By June 30, 2019

Responsible Person: Grants Manager, Roel Briones
FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS

2018-009 - Properties Held for Sale (MW)

Criteria: The City acts as the successor agency of the former RDA (CDC). The net position and activities of CDC are reported as a private purpose trust fund of the City. Therefore, the Finance Department is responsible for accounting for and reporting the fiduciary net position and activities of the CDC.

Condition: The Finance Department lacks internal control procedures over properties held by the CDC. A transfer of a building from the CDC to the City during the fiscal year 2017-2018 was not recorded until 5 months after the year ended.

Cause: The Finance Department does not have proper procedures in place to record transactions by the CDC completely and timely.

Effect or Potential Effect: Misstatement of fiduciary funds and City funds.

Repeat of a Prior-Year Finding: 2017-011

Recommendation: The Finance Department should strengthen internal controls over the CDC transactions. This could be accomplished by assigning a liaison from the Finance Department to the CDC and improving communications between the two departments.

City's Response 2018: The City concurs with the recommendation. The asset transfer was discovered in the context of an analysis of the City’s and Successor Agency’s capital assets. In that process, Finance and Successor Agency Counsel noted that the asset was still on the Successor Agency books, when in fact it was already transferred to the City. Upon realizing this, Finance immediately notified the auditors, prepared a journal entry to record the transfer, and forwarded it to the auditors. In addition, the Finance staff is now aware of what is to be accounted for under properties held for sale and is working closely with the Economic Development department to ensure that all monies received from the sale of Successor Agency capital assets contained within the Long Range Property Management Plan (LRPMP) are properly remitted to the County of Ventura pursuant to the California Health and Safety Code Section. In addition, staff is working closely with the Economic Development to ensure all such transactions, including additions and deletions due to sale of property that occur during the year are properly recorded in the appropriate period.

Corrective Action Plan: The City implemented “Successor Agency Program, Accounting and Reporting Procedures” effective July 1, 2018 which describe the joint responsibilities of the Successor Agency and City staff. In addition, the City is currently developing policies for the ICIF, as well as specific procedures for properties held by CDC.
The draft ICIF includes Council policies and administrative implementation guidelines for developing effective information and communication activities and channels. Implementation of these policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). Draft ICIF policies are expected to be presented to City Council by September 30, 2019. In parallel with this effort, Finance and the Economic Development department have received training and established regular communications. Finance and Economic Development will develop appropriate procedures and processes to monitor the implementation of these controls going forward.

**Planned Implementation Date:** June 30, 2019

**Responsible Person:** Management Accountant Jason Williams and Economic Development Project Manager Adam Smith

**2018-010 - Journal Entries (MW)**

**Criteria:** The City should have appropriate internal control over journal entries, including establishing policies and procedures regarding the initiation, recording, and processing of standard and non-standard journal entries and other adjustments, and assigning qualified individuals responsible for initiating entries to the general ledger and other individuals to review and approve the entries.

**Condition:** The City’s internal control over non-standard journal entries is not sufficient to detect material errors. During the audit, we found material misstatements caused by errors in journal entries posted to the general ledger.

One of these entries resulted in an overstatement of approximately $28 million of proceeds from refunding of bonds in the governmental funds and approximately $2 million understatement of deferred gain in bond refunding in the governmental activities. Another entry resulted in approximately $1.6 million overstatement of receivables in enterprise fund, and another caused an understatement of $1.3 million in receivables in government funds.

**Cause:** Individuals assigned to prepare journal entries and individuals assigned to review and approve the entries are not sufficiently trained. Errors are not detected by the reviewer and therefore, they are not corrected.

**Effect or Potential Effect:** Financial statements could be misstated due to incorrect journal entries.

**Repeat of a Prior-Year Finding:** 2015-013, 2015-043 and 2017-012

**Recommendation:** The accounting skills of personnel should be improved. Additionally, non-standard journal entries should be reviewed more thoroughly.
City's Response 2018: The City concurs with the recommendation.

Corrective Action Plan: The City has drafted ICIF implementation policies to address situations that apply not only to general ledger journal entries but also to accounting requirements of grants and programs subject to legal or contractual conditions like maintenance district administration or bond indentures. Guidelines for non-standard journal entries are incorporated into the draft ICIF. Compliance teams will be convened to perform rapid evaluation of material or significant non-standard items. These teams will be appointed by the CFO based on knowledge and experience. Employees will receive training to keep them abreast of developments in financial accounting standards. When necessary, external technical expertise will be solicited. Implementation of these policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). Draft ICIF policies are expected to be presented to City Council by September 30, 2019. Training sessions began in fiscal year 2018-19 with Finance management team to introduce and discuss the draft guidelines.

Planned Implementation Date: Ongoing through fiscal year 2019-2020

Responsible Person: Controller, Christine Williams

2018-011 - Accrued Receivables (SD)

Criteria: Accrued receivables are related to taxes, interest, and other sources of revenue that have not been billed. Accrued receivables and revenue/unavailable revenue should be recognized when an enforceable claim occurred. An appropriate allowance for doubtful accounts should be established for amounts not considered collectible.

Condition: During our audit, we noted gas tax receivable amounting to $260,000 was not recorded.

Cause: The procedures in place for accrued receivables is not sufficient to ensure that receivables and revenue/unavailable revenue are properly recorded in the appropriate accounting period.

Effect or Potential Effect: Misstatement of receivables, allowance for doubtful accounts, and revenue.

Repeat of a Prior-Year Finding: 2017-014

Recommendation: The Finance Department should strengthen internal controls over the revenue cycle.

This should include periodically evaluating the reasonableness of financial data (looking at the big picture or analytical review).
The current financial data may be compared with prior periods or other available data in the current period, and the current financial data may be compared with expectations, such as budgets.

City's Response 2018: The City concurs with the recommendation. Remittance advice showed collection period of FY2018-19 which confused Finance staff. City will fine-tune staff training to bring unclear memos to supervisor.

Corrective Action Plan: Effective July 1, 2018, City implemented the Accrued Receivables Procedure, which provides that Management Accountant reviews all revenue accounts in the year-end process to evaluate the reasonableness of year-end accruals and ensure revenues and receivables are complete and materially accurate. Templates have been created to track major revenue sources and to provide budget and prior year comparisons.

Planned Implementation Date: July 1, 2018

Responsible Person: Management Accountant, Pam Greer

2018-012 - Employment Tax Recordkeeping (BP)

Criteria: All employers are required to keep all records of employment taxes, including Forms W-4, and Federal Withholding Allowance Certificate, for at least four years after filing the 4th quarter for the year. In addition, all employers must ensure proper completion of Form I-9, Employment Eligibility Verification, for each individual they hire.

Condition: Out of 40 employee files examined, we noted one W-4 was missing.

Cause: There is no procedure in place to review employee files for completeness.

Effect or Potential Effect: Noncompliance with Federal regulation.

Repeat of a Prior-Year Finding: 2017-018

Recommendation: The HR Department should ensure that the employee files are complete. If instances come up where forms cannot be located, client should get in contact with employee to get the forms completed.

City's Response 2018: The Finance and Human Resources Departments met to review the current procedures and recordkeeping of employment taxes, including Forms W-4 and I-9. The City will follow the recommendation of the auditors that for segregation of duties, HR should maintain the employee file that includes Forms W-4 and I-9 and provide a copy to payroll. The missing W-4 form has been received from employee and is now in Payroll’s files. If employees do not complete a W-4, the default election is to single status with zero exemptions. Therefore, W-4 forms are only required if the employee elects different withholding exemptions.
2018-013 - Bank Reconciliations (MW)

**Criteria:** Bank reconciliations must be completed at regular intervals, at least monthly, to ensure that the City’s cash records are correct. They also help detect fraud and any cash manipulation.

**Condition:** Cash with fiscal agents accounts were not reconciled monthly to the general ledger. The reconciliation was only performed at the end of the fiscal year. In addition, bank reconciliations for the general and CDC accounts are behind by 2-3 months.

**Cause:** The Finance Department does not have proper procedures in place to perform the bank reconciliation of cash with fiscal agents on a timely basis. The bank reconciliation process for the general and CDC accounts is a long and tedious process which is exacerbated by a lack of sufficient controls over the month-end and year-end closing process. For instance, during the audit, the bank reconciliation for the general account at June 30, 2018 was revised 3 times due to journal entries posted to cash.

**Effect or Potential Effect:** Potential misstatement of cash and investments.

**Repeat of a Prior-Year Finding:** 2015-024

**Recommendation:** The bank reconciliation process should include reconciling cash with fiscal agents. Bank reconciliations should be part of the month-end closing process. Journal entries that affect cash should be recorded prior to the completion of the general and CDC bank reconciliations.

**City's Response 2018:** The City concurs with the recommendation with the exception that reconciliations will be performed on a quarterly basis rather than monthly.

**Corrective Action Plan:** Quarterly reconciliation of Cash with fiscal agents was implemented in July 2017; City believes quarterly reconciliation is reasonable for these accounts and monthly reconciliations would be inefficient in light of the resources available. Monthly bank reconciliations for General Fund and CDC were implemented in FY2015-16. During fiscal year end, monthly reconciliation is challenging, but will be performed and has been caught up during the current year. City has been working with various departments to complete month end closing processes more timely and is continuously striving to improve established processes.

**Planned Implementation Date:** Cash with Fiscal agent quarterly reconciliation was implemented in FY2017-2018. Monthly General Fund and CDC bank reconciliations were implemented in FY2015-16; however personnel turnover stalled this process.

**Responsible Person:** Management Accountants, Pam Greer & Jason Williams
2018-014 - Cash Receipts (SD)

Criteria: Cash is received in various locations within the City organization. Internal audits of cash receipts should be performed to determine whether internal controls over cash handling are properly designed and operating effectively.

Condition: There were no written procedures in place to perform internal audits of cash receipts in various locations within the City organization.

Cause: Weakness in design of internal control over cash receipts at offsite locations.

Effect or Potential Effect: Lack of internal control over cash handling exposes the City to the risk of fraud.

Repeat of a Prior-Year Finding: 2015-041

Recommendation: To adopt written procedures to perform internal audits of cash receipts in various locations within the City organization.

City's Response 2018: The City concurs with the recommendation.

Corrective Action Plan: City Treasurer's Office created “Internal Control Cash Receipts Checklist” and distributed to departments who handle cash. The City Treasurer’s Office, along with internal auditors Price Paige & Co., set up schedules for reviews at each location and have begun performing audits. This finding is ready to be tested by the auditors.

Planned Implementation Date: Implemented

Responsible Person: City Treasurer, Phillip Molina

2018-015 – Lease Agreements (SD)

Criteria: The City routinely enters into lease agreements. Lease agreements should be identified and evaluated by the Finance Department to determine proper accounting and ensure that they are properly reported in the City’s financial reports.

Finding: The City has not implemented a process to identify and evaluate all lease agreements. In March 2018, the City entered into two capital lease agreements in the amount of $5 million each, however the transaction was only recorded in September 2018 during audit fieldwork. In addition, one of the agreements was misclassified under the Wastewater Fund; instead of Environmental Resource Fund.
**Cause:** The Finance Department does not have a process to identify and evaluate all lease agreements.

**Effect or Potential Effect:** Misstatement of assets and liabilities.

**Repeat of a Prior-Year Finding:** 2015-074

**Recommendation:** 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 properly reported in the financial statements and related disclosures. Communication should be made with those entering into agreements. The process should be documented in writing.

**City's Response 2018:** The City concurs with the finding. Guidelines for non-standard items are incorporated into the draft ICIF, which provides for a qualified Compliance Team to address accounting treatment for transactions that occur infrequently. The City does not have a large number of leases. The Governmental Accounting Standards Board issued a new standard for lease accounting in June 2017 for years beginning after December 15, 2019, with earlier implementation encouraged. In response, the CFO will convene a Compliance Team to identify and review all transactions and agreements affected by the new standard. That team will create a plan to implement the new leasing standard during the 2020-2021 fiscal year.

**Corrective Action Plan:**
The City is currently developing policies for the ICIF and specific procedures for Lease Agreements. Pursuant to these policies and procedures, Finance will work to establish better communication across departments and divisions, and to establish appropriate control activities to capture and properly record lease agreements in accordance with Generally Accepted Accounting Principles (GAAP).

**Planned Implementation Date:**
Assemble Compliance Team for new leasing standard: July 31, 2019
Draft ICIF policies are expected to be presented to City Council by September 30, 2019.

**Responsible Person:** Assistant CFO, Donna Ventura

**2018-016 - Pension Plans (SD)**

**Criteria:** The City has four separate pension plans covering certain groups of employees.

The calculation of the City’s net pension liability, deferred inflows and outflows of resources and pension expense is based to a large extent on the census data provided by the City to the actuaries. The City should review the census data and correct any errors on an annual basis.
**Condition:** 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 as well as in prior years.

**Cause:** The City does not have a process in place to review the CalPERS and PARS census data.

**Effect or Potential Effect:** Potential misstatement of the net pension liability, deferred inflows and outflows of resources related to pension, and pension expense.

**Repeat of a Prior-Year Finding:** 2015-092

**Recommendation:** Review the census data used by actuaries in calculating the net pension liability and ensure that discrepancies are investigated and resolved appropriately.

**City's Response 2018:** The City concurs with the recommendation.

**Corrective Action Plan:** Payroll creates the PARS census data using information from HTE and the bi-weekly contribution reports. The PARS report is sent to Human Resources for their review. The employee data such as service date, date of birth, name, address, status (e.g., leave without pay, injury leave, etc.), compensation are reviewed and approved by HR annually. Payroll downloads the CalPERS census data from My CalPERS. Employee data are then reviewed by Payroll using audit procedures that have been developed and will be implemented for the next cycle (by the end of September.)

**Planned Implementation Date:** September 30, 2019

**Responsible Person:** Carol Venegas, Payroll Management Analyst

**2018-017 – Year-end Closing Process (MW)**

**Criteria:** The year-end closing process is crucial to the preparation of the City's financial statements and to the success of the City's audit. The goal is to ensure that all revenues and expenses are recorded in the proper time period under generally accepted accounting principles (GAAP). Among the steps to do this is to review subsequent receipts and disbursements, analyze recorded revenues and expenses by comparing to prior year and budget, analyze and reconcile balance sheet accounts, close-out temporary accounts, post adjusting entries and generate the adjusted trial balance.
**Condition:** The Finance Department’s process for year-end closing took more than 3 months. Many adjustments were missed during the 3 month process, this resulting in many post-closing entries that necessitate changes to the adjusted trial balance which caused delays in the audit. Additionally, several temporary accounts were not closed out properly.

**Cause:** The year-end process was very disorganized. The City focused mainly on reconciling balance sheet accounts and not enough attention is given to analyzing revenues and expenses. In addition, the Finance Department waits until year-end to record adjusting entries many of which could be made during the month-end process.

**Effect or Potential Effect:** Potential misstatements in the financial statements.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** The Finance Department should design and establish a plan for month-end and year-end closing processes.

**City's Response 2018:** City concurs with the recommendation. Since FY 2015-16, the City has implemented several improvements such as checklists with staff assignments, City-wide audit schedules, trial balance reconciliations, policies and procedures, addition and training of new staff, year-end process training with departments and elimination of numerous consultants which assisted with the year-end processes all while continuing catchup on backlog and legacy problems during management and staff turnover. This past fiscal year, the City implemented teams to balance the workload with special focus on specific areas such as revenues, expenditures, balance sheet accounts and notes to the financial statements. This approach had the unfortunate side effect of diverting staff from day-to-day responsibilities in completing bank reconciliations (Finding 2018-016 above), and journal entries (Finding 2018-013 above), thus hampering progress in those important areas, too.

**Corrective Action Plan:** In fiscal year 2018-19 the City will seek to increase the number of accounting entries and activities that can be performed on a monthly or quarterly basis instead of annually, expand on checklists and continue to improve the timeliness of the year-end close and financial reporting processes.

**Planned Implementation Date:** Ongoing through year-end

**Responsible Person:** Controller, Christine Williams
Criteria: IT general controls (ITGC) are basic controls applied to IT systems. The objectives of ITGC are to ensure the integrity of data and processes that the IT systems support. ITGC have a pervasive effect on the City’s system of internal control over financial reporting.

Condition: We evaluated the design and implementation of ITGCs and noted 20 findings. We communicated such findings to the IT department. Because those findings reveal vulnerabilities to, or otherwise increase the potential for an attack on, information technology systems of the City, the details of the findings will not be published in this document. They will however be communicated to the City Council via a separate confidential written report.

Repeat of a Prior-Year Finding: No

Recommendation: Our recommendations will be communicated to the City Council via a separate confidential written report.

City's Response 2018: The City's corrective action plan will be communicated to the City Council via a separate confidential written report. The auditors will follow-up on the City’s implementation of its corrective action plan in the next audit.
FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

2017-001 - Performance Reporting (NC/SD)

CFDA Title and Number: 14.218 - Community Development Block Grants
Name of Federal Agency: Department of Housing and Urban Development
Compliance/Internal Control over Compliance: Reporting


Condition: The City was unable to provide the auditors the HUD-60002 Form Annual Section 3 Hiring and Contracting Summary Report and SF-425 Federal Financial Report. Additionally, the City was unable to provide the auditors the following reports: HUD-4710 Form Semi-annual Labor Standards Enforcement Report, HUD-2516 Form Annual Minority Business Enterprise contract and Subcontract Activity, Quarterly performance updating in IDIS for CDBG activities, Annual Performance Report, and FY 2016-17 Annual Action Plan.

Cause: Change in personnel responsibilities and staff turnover in the Housing Department coupled with a lack of formal procedures resulted in a failure of controls and compliance with the program requirement.

Effect or Potential Effect: The City is not in compliance with Federal requirements for the preparation and submission of the required reports. Ineffective controls to monitor program requirements could result in inaccurate information, increases the risk of noncompliance and exposes the City to the risk of loss of funding.

Questioned Cost: None

Context: During our testing, we noted that the City was required to prepare and submit the reports noted above. However, whether or not the reports were prepared or submitted, they could not be provided to the auditor.

Repeat of a Prior-Year Finding: 2016-001

Recommendation: The City should implement a process that will ensure that all required reports are submitted on a timely basis.
Establish controls that require the review of reports by someone independent of the preparer. Ensure that all reports filed with oversight agencies are supported by proper records.

**City's Response 2017:** 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.

**Corrective Action Plan:** The CDBG Coordinator will review the report and maintain required documentation. The City plans to adopt implementing policies for Uniform Guidance Administrative Requirements and grant administration.

**Planned Implementation Date:** June 30, 2018

**Responsible Person:** Assistant CFO Deanne Purcell

**E+P's Comment 2018:** Repeat Finding 2018-001

**2017-002 - Reimbursement Requests (NC/SD)**

**CFDA Title and Number:** 14.218 - Community Development Block Grants

**Name of Federal Agency:** Department of Housing and Urban Development

**Compliance/Internal Control over Compliance:** Cash Management

**Criteria:** 2 CFR Part 200 Appendix XI Compliance Supplement, Section 3.2.C. Cash Management requires that program costs must be paid for by the City before reimbursement is requested from the Federal government.

**Condition:** The City is requesting expenditure reimbursements in IDIS prior to remitting payments to subrecipients.

**Cause:** Drawdown procedures were not strictly enforced.

**Effect or Potential Effect:** Excess funds could be drawn down and not expended.

**Questioned Cost:** No
**Context:** During our testing, we found that 7 out of 30 drawdowns selected for testing were made prior to payments to the subrecipients totaling $767,017.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** The City should establish internal control to ensure that the persons responsible comply with the cash management compliance requirements of CDBG. The City should train employees and subrecipients about the requirements of the block grant program.

**City's Response and Corrective Action Plan 2017:** The City concurs with the recommendation. Drawdown procedures that establish verification of expenditure payment as support for drawdown were implemented after FY 2016-17 audit. Periodic and year-end reconciliation procedures of allowable expenditures and vouchers' drawdown are now in effect.

- **Planned Implementation Date:** June 30, 2018
- **Responsible Person:** Grants Manager Roel Briones

**E+P’s Comment 2018: Repeat Finding 2018-002**

**2017-003 - Compensation for Personal Services (NC/SD)**

**CFDA Title and Number:** 14.218 - Community Development Block Grants
**Name of Federal Agency:** Department of Housing and Urban Development
**Compliance/Internal Control over Compliance:** Allowable Costs

**Criteria:** 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 2 CFR 200.430(i) Standards for Documentation of Personnel Expenses, paragraph(1)(vii).

**Condition:** The City's payroll records did not accurately reflect the actual hours worked by employees whose salaries and wages are charged to CDBG. The City estimated payroll expenditures charged to the grant throughout the year. At year-end, the City adjusted the expenditures to reflect the actual hours for all employees paid with Federal awards.

**Cause:** The City processes payroll before the actual payroll period ends. As such, employees turn in their timesheets with estimated hours.
Effect or Potential Effect: Manual adjustments could potentially result in understatement or overstatement of expenditures reported in the Schedule of Expenditures of Federal Awards.

Questioned Cost: None

Context: In the current year, we tested four pay periods and found that this practice is continuing, despite the prior-year finding.

Repeat of a Prior-Year Finding: 2016-002

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's Response 2017: 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. The Grants Division of Housing will direct grants management employees to record actual time on timesheets rather than create adjusting entries at year end. This procedure will take effect beginning in FY 2018-19.

Corrective Action Plan: The City plans to adopt policies implementing the Administrative Requirements of the Uniform Guidance.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: Repeat Finding 2018-004

2017-004 - Approval of 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: Activities Allowed or Unallowed
Criteria: 2 CFR 200.62 Internal control over compliance requirements for Federal awards require that entities implement a process so that transactions are executed in compliance with the requirements of Federal awards. It is the City's policy that all expenditures related to CDBG grant awards should be approved by Grants Management on the Request for Payment Against Encumbered Funds form prior to processing of payment.

Condition: The City does not strictly enforce the policy.

Cause: Approval procedures were not strictly enforced.

Effect or Potential Effect: Activities or costs that are not allowed or allowable could potentially be paid.

Questioned Cost: None

Context: We found seven payments for CIP expenditures out of 30 nonpayroll expenditures that did not have the approval from Grants Management on the Request for Payment Against Encumbered Funds form.

Repeat of a Prior-Year Finding: 2016-004

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

City's Response 2017: 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.

Corrective Action Plan: Finance is working with other departments to identify the project manager for each grant and train that person on proper review of expenditures. Workload and conflicting priorities have prevented staff from developing grant policies. The CFO has engaged consultants that will draft policies to implement controls establishing processes for providing reasonable assurance that reporting and compliance objectives are attained. Policies applying to nonstandard items and restricted funds will provide a process to convene persons with the knowledge, skills and experience to establish standards for accounting and reporting for each grant. The City will adopt policies intended to implement the administrative requirements of the Uniform Guidance.
Planned Implementation Date: June 30, 2018 for policies, ongoing for grant specific policies with all current grants completed by September 30, 2018.

Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: Complete

2017-005 - Indirect Cost (SD)

CFDA Title and Number: 14.218 - Community Block Grants
Name of Federal Agency: Department of Housing and Urban Development
Internal Control over Compliance: Allowable Cost

Criteria: 2 CFR Part 200.414 requires that governmental entities support indirect costs with a cost allocation plan or an indirect cost proposal prepared in accordance with the Uniform Guidance. 2 CFR Part 200 Appendices III-VII contain the requirements for the development and submission of indirect cost rate proposals and cost allocation plans. A non-Federal entity that has never received a negotiated indirect cost rate, may elect to charge a de minimis rate of 10% of modified total direct costs.

Condition: The City does not have a cost allocation plan or an indirect cost proposal prepared in accordance with the Uniform Guidance. The City has not elected to use the 10% de minimis rate either. The City charged $76,912 of indirect costs to Fund 285 based on a City cost allocation plan.

Cause: The Finance Department was not aware of the requirements of the Uniform Guidance with regards to indirect cost. The Finance Department allocated cost to the CDBG and posted the entry without consulting with the grants administrator.

Effect or Potential Effect: Any indirect costs charged to the CDBG program are not eligible for reimbursement.

Questioned Cost: None

Context: The Housing Department discovered the error and did not claim reimbursement for the amount. The amount was not included in the Schedule of Expenditures of Federal Awards.

Repeat of a Prior-Year Finding: 2015-060

Recommendation: The City should establish a cost allocation plan or an indirect cost proposal.
Without a cost allocation plan or indirect cost proposal prepared in accordance with the Uniform Guidance, no indirect cost should be charged to Federal grants.

**City's Response 2017:** The City agrees with auditor's recommendation, but also, other limitations must be considered for each Federal grant. Generally, indirect costs may be subject to grant limits within allowable administrative costs and not be allowable as delivery costs.

Uniform Guidance requires that reconciliation of SEFA and General Ledger must be accomplished by concurring with department administering entitlement grants and Finance Dept.

**Corrective Action Plan:** The CFO has engaged consultants to assist in a cost allocation plan.

**Planned Implementation Date:** July 1, 2019

**Responsible Person:** CFO Jim Throop

**E+P’s Comment 2018:** Not started.

**City’s Response 2018:** Due to turnover in the CFO position, the analysis of the City’s indirect costs and development of a cost allocation plan in accordance with the Uniform Guidance is currently on hold.

**Planned Implementation Date:** Policy adoption July 1, 2019

**Responsible Person:** CFO Kevin Riper

**2017-006 - Source Documentation (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:** Cash Management

**Criteria:** 24 CFR Part 570.506 (h) Each recipient shall establish and maintain sufficient financial records. Grantees shall maintain evidence to support how the CDBG funds provided are expended. Such documentation must include, to the extent applicable, invoices, schedules containing comparisons of budgeted amounts and actual expenditures, and/or other documentation appropriate to the nature of the activity. Grantee records pertaining to obligations, expenditures, and drawdowns must be able to relate financial transactions to either a specific origin year grant or to program income received during a specific program year.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

**Condition:** The City is not drawing down according to expenditure supporting backup but rather an internal reconciliation tool. Therefore, there were discrepancies between expenditures and their corresponding drawdowns.

**Cause:** Reconciling procedures were not strictly enforced.

**Effect or Potential Effect:** Activities or costs that are allowed or allowable could potentially be overpaid or underpaid.

**Questioned Cost:** No

**Context:** During our testing of non-payroll expenditures, we found 18 out of 30 items selected for testing that did not reconcile to their corresponding drawdown.

**Repeat of a Prior-Year Finding:** No

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

**City's Response 2017:** The City agrees with auditor's recommendation. Drawdown procedures that reconcile each drawdown with supporting expenditures will be implemented going forward.

**Corrective Action Plan:** Staff turnover, workload and conflicting priorities have delayed development and implementation of comprehensive grant policies. The City will develop and implement control policies to implement the administrative requirements of 2 CFR 200 (Uniform Guidance), including procedures for assuring that personnel costs are charged properly. The CFO has engaged consultants to assist staff in this effort.

**Planned Implementation Date:** June 30, 2018

**Responsible Person:** Accountant Chandra Crudup

**E+P's Comment 2018:** Repeat Finding 2018-003

**2017-007 - Schedule of Expenditures of Federal Awards (MW)**

**CFDA Title and Number:** 16.922 - Equitable Sharing Program (Asset Seizure); various grants under the Department of Justice, Department of Homeland Security and Department of Transportation

**Name of Federal Agency:** Department of Justice, Department of Homeland Security and Department of Transportation
Internal Control over Compliance: Auditee Responsibilities

Criteria: CFR Part 200.508 Auditee Responsibilities state that the auditee must prepare the Schedule of Expenditures of Federal Awards, which must list individual Federal awards by Federal Agency, including the total Federal awards expended, name of pass-through entity, CFDA number, and total amount provided to subrecipients. The information contained in the Schedule of Expenditures of Federal Awards should be derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Condition: The SEFA presented for audit did not include grants from Fund 230 for the Equitable Sharing Program (Asset Seizure) which resulted in an understatement of the SEFA by approximately $181,000. Various State grants totaling $576,572 were improperly included as Federal awards from the U.S. Department of Justice. A grant from the Department of Homeland Security amounting to $14,000 and another grant from Department of Transportation amounting to $251,000 were improperly included under Department of Justice. We also noted that three programs on the schedule had the incorrect CFDA number, three programs did not include a program title and the total amounts provided to subrecipients from each Federal program was not included. The expenditures reported on the Schedule of Expenditures of Federal Awards for CDBG and for grants awarded by the Department of Homeland Security did not agree with the amounts reported on the City's trial balance for Fund 285 and Fund 238, respectively.

Cause: City does not have effective internal control over the preparation of the Schedule of Expenditures of Federal Awards. The City did not reconcile the expenditures reported on the Schedule of Expenditures of Federal Awards with the amounts reported on the City's general ledger.

Effect or Potential Effect: Potential understatement or overstatement of expenditures could exist in the Schedule of Expenditures of Federal Awards and not be detected and corrected.

Questioned Cost: None

Context: The SEFA presented for audit was overstated by approximately $396,000. The variance between the SEFA and the expenditures reported in Fund 285 and Fund 238 was approximately $65,000. We noted a similar finding was issued in prior year and still not addressed.

Repeat of a Prior-Year Finding: 2016-003

Recommendation: We recommend that the City establish policies and procedures to ensure that all Federal awards are identified and reported accurately on the SEFA.
Internal controls should be designed to prevent, detect, or correct errors in a timely manner. 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 general ledger. The City should provide appropriate training to staff who are assigned to prepare and review the SEFA.

**City's Response 2017:** 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.

**Corrective Action Plan:** Reconciliation procedures were implemented in practice. The grants coordinator in Finance is maintaining a listing of all grants in a format that contains all necessary information for completing the SEFA, and is responsible for reconciling the amounts to the GL.

Grant administration policies consistent with the Uniform Guidance will be adopted.

**Planned Implementation Date for Grant Administration Policies:** June 30, 2018

**Responsible Person:** Accountant Chandra Crudup

**E+P’s Comment 2018:** Complete

**2017-008 - Corrective Action Plan (NC)**

**CFDA Title and Number:** 14.218 - Community Development Block Grants  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Internal Control over Compliance:** Auditee Responsibilities

**Criteria:** 2 CFR 200.508 states that the auditee must follow-up and take corrective action on audit findings, including preparation of a corrective action plan. 2 CFR 200.511 requires that the auditee must prepare in a separate document a corrective action plan to address each audit finding included in the current year's auditor's reports.

**Condition:** The City did not prepare a separate corrective action plan to address the 2016 audit findings.
Cause: City staff was not aware that a separate document had to be prepared. The City provided a response to each audit finding within the Single Audit report; however, the response was less in scope than a corrective action plan.

Effect or Potential Effect: Noncompliance with Uniform Guidance requirement.

Questioned Cost: None

Context: The Single Audit for the year ended June 30, 2016 was the first year when the requirements of 2 CFR Part 200 Subpart F - Audit Requirements became effective for the City.

Repeat of a Prior-Year Finding: No

Recommendation: The City must prepare a corrective action plan to address each audit finding included in the current year as well as prior-years’ audit reports. The corrective action plan must provide the names of contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date.

City's Response 2017: The City concurs with the recommendation.

Corrective Action Plan: Finance staff is currently working with consultants that are assisting with the preparation of a corrective action plan to address each audit finding included in the current year as well as prior-years’ audit reports. This corrective action plan will provide the names of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date.

Planned Implementation Date: March 31, 2018

Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: Complete

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
Criteria: 2 CFR Part 200, Appendix XI, Compliance Supplement requires recipients that administer covered housing and community development assistance in excess of $200,000 in a program year must submit HUD 60002, Section 3 Summary Report.

Condition: The City hired an outside consultant to prepare the Section 3 Summary Report; however, this report was not reviewed prior to submission to Department of Housing of Urban Development. In addition, the City did not maintain documentation showing that the Section 3 Summary Report was submitted as required by the Compliance Supplement.

Cause: The City did not have proper procedures that required City staff to review the Section 3 Summary Report prepared by an outside consultant. There was no proper procedure to maintain documentation that the Section 3 Summary Report was submitted.

Effect or Potential Effect: Potential errors could exist and not be detected and corrected. Potential noncompliance with the reporting requirement.

Questioned Cost: None

Repeat of a Prior-Year Finding: No

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's Response 2016: 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.

E+P’s Comment 2017: Not yet started. See also current year finding 2017-001.

City's Response 2017: The CDBG Coordinator will review the report and maintain required documentation. The City plans to adopt implementing policies for Uniform Guidance Administrative Requirements and grant administration.

Corrective Action Plan: The City plans to adopt implementing policies for Uniform Guidance Administrative Requirements and grant administration.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: Repeat Finding 2018-001

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

Criteria: 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)).

Condition: The City's payroll records did not accurately reflect the actual hours worked by employees whose salaries and wages are charged to CDBG. The City estimated payroll expenditures charged to the grant throughout the year. At year-end, the City adjusted the expenditures to reflect the actual hours for all employees paid with Federal awards.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

**Cause:** The City processes payroll before the actual payroll period ends. As such, employees turn in their timesheets with estimated hours.

**Effect or Potential Effect:** Manual adjustments could potentially result in understatement or overstatement of expenditures reported in the Schedule of Expenditures of Federal Awards.

**Questioned Cost:** None

**Repeat of a Prior-Year Finding:** No

**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's Response 2016:** 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.

**E+P's Comment 2017:** Not yet started. See also current year finding 2017-003.

**City's Response 2017:** The City plans to adopt policies implementing the Administrative Requirements of the Uniform Guidance.

**Planned Implementation:** June 30, 2018

**Responsible Person:** Assistant CFO Deanne Purcell

**E+P’s Comment 2018: Repeat Finding 2018-004**

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**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
Criteria: The information contained in the Schedule of Expenditures of Federal Awards should be derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Condition: The expenditures reported on the Schedule of Expenditures of Federal Awards for CDBG did not agree with the amounts reported on the City's trial balance for Fund 285.

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

Effect or Potential Effect: Potential understatement or overstatement of expenditures could exist in the Schedule of Expenditures of Federal Awards and not be detected and corrected.

Questioned Cost: None

Repeat of a Prior-Year Finding: No

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.

E+P's Comment 2017: Not yet started. See also current year finding 2017-007.

City's Response 2017: Reconciliation procedures were implemented in practice. The grants coordinator in Finance is maintaining a listing of all grants in a format that contains all necessary information for completing the SEFA, and is responsible for reconciling the amounts to the GL. Grant administration policies consistent with the Uniform Guidance will be adopted.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

E+P's Comment 2018: Complete

2016-004 - Approval of CIP Expenditures (SD)

CFDA Title and Number: 14.218 - Community Development Block Grants
Name of Federal Agency: Department of Housing and Urban Development
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Internal Control over Compliance: Grants Management approval on CIP expenditures

Criteria: All expenditures related to CDBG grant awards should be approved by Grants Management on the Request for Payment Against Encumbered Funds form prior to processing of payment.

Condition: We found three payments for CIP expenditures for Campus Park Gymnasium which did not have the approval from Grants Management on the Request for Payment Against Encumbered Funds form.

Cause: Approval procedures were not strictly enforced.

Effect or Potential Effect: Activities or costs that are not allowed or allowable could potentially be paid.

Questioned Cost: None

Repeat of a Prior-Year Finding: No

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.

E+P's Comment 2017: Not yet started. See also current year finding 2017-004.

City's Response 2017: Finance is working with other departments to identify the project manager for each grant and train that person on proper review of expenditures. Workload and conflicting priorities have prevented staff from developing grant policies. The CFO has engaged consultants that will draft policies to implement controls establishing processes for providing reasonable assurance that reporting and compliance objectives are attained. Policies applying to nonstandard items and restricted funds will provide a process to convene persons with the knowledge, skills and experience to establish standards for accounting and reporting for each grant. The City will adopt policies intended to implement the administrative requirements of the Uniform Guidance.

Planned Implementation Date: June 30, 2018 for policies, ongoing for grant specific policies with all current grants completed by September 30, 2018.

Responsible Person: Assistant CFO Deanne Purcell

E+P's Comment 2018: Complete
2015-002 - Subrecipient Monitoring

CFDA Title and Number: 14.218 - Community Development Block Grants
Name of Federal Agency: Department of Housing and Urban Development
Internal Control over Compliance: Subrecipient monitoring

Finding: 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.

Questioned Cost: $61,286

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

E+P's Comment 2017: There was no compliance finding in 2017; however, the policies and procedures have not been established.

City's Response 2017: Staff turnover, workload and conflicting priorities have delayed development and implementation of comprehensive grant policies. The City will develop and implement control policies to implement the administrative requirements of 2 CFR 200 (Uniform Guidance). The CFO has engaged consultants to assist staff in this effort.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup

E+P's Comment 2018: Repeat Finding 2018-005

2015-004 - Administrative and Planning Costs

CFDA Title and Number: 14.239 - Home Investment Partnerships Program
Name of Federal Agency: Department of Housing and Urban Development
Name of Pass-through Agency: Not Applicable
Compliance Requirement: G. Matching, Level of Effort, Earmarking
Finding: 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.

Questioned Cost: $8,271

Recommendation: 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.

E+P's Comment 2017: Implemented. However, the City should develop policies and procedures related to Uniform Guidance.

City's Response 2017: The HUD grant coordinator in Housing is aware of the 10% administrative cost limitation procedures and will maintain appropriate documentation. Staff turnover, workload and conflicting priorities have delayed development and implementation of comprehensive grant policies. The City will develop and implement control policies to implement the administrative requirements of 2 CFR 200 (Uniform Guidance), including procedures for assuring that personnel costs are charged properly. The CFO has engaged consultants to assist staff in this effort.

   Planned Implementation Date: June 30, 2018

   Responsible Person: Accountant Chandra Crudup

E+P's Comment 2018: In progress. The policies and procedures have been drafted but not been adopted.

City's Response 2018: The City has updated the grant policy to include the auditor recommendation to 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. This can be found in Section D. Responsibilities and Procedures under Administering Department, part e. Training of the grant coordinator and various grant program managers on the updated policy was completed in August of 2018 and this finding is ready to be tested by the auditors.
FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS

2017-009 - Accounting for Grants (MW)

Criteria: For grants based on a formula, a receivable and revenue/unavailable revenue should be recognized as soon as all eligibility requirements have been met. For expenditure-driven grants (reimbursement-type grants), a receivable and revenue/unavailable revenue should be recognized when both qualifying expenditures and compliance with contingent requirements such as matching funds, are met. Unavailable revenue is revenue of the current period that is not yet considered available to liquidate liabilities of the current period.

Condition: During our audit, we found errors in seven special revenue funds (grant funds) where receivables and revenue/unavailable revenue were misstated. We proposed an adjustment to these funds, the net effect of which was to decrease revenue by approximately $950,000.

Cause: The Finance Department does not have appropriate procedures in place to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger. Grant receivables and revenue/unavailable revenue were not tracked and reconciled to the general ledger periodically.

Effect or Potential Effect: Misstatement of grant receivables and revenue/unavailable revenue.

Repeat of a Prior-Year Finding: 2015-055, 2015-056 and 2015-057

Recommendation: The Finance Department should establish procedures to ensure that receivables and revenue/unavailable revenue are properly recorded in the general ledger on a timely basis and adherence to those procedures must be periodically reviewed by the appropriate level of management. Grant receivables and revenue/unavailable revenue should be tracked and reconciled to the general ledger monthly.

City's Response 2017: The City concurs with the recommendation. Turnover, workload and training issues have delayed progress on development of policies and implementation of procedures for grants. A project to implement an internal control framework responsive to the City's single audit findings is underway. In addition, the grant accountant will be tracking and reviewing grant receivables on a regular basis and reconciling to the general ledger.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: Complete

2017-010 - Accounting for Notes Receivable (MW)

Criteria: Receivables should be recognized when a legally enforceable claim is established. The collectability of the receivables should be evaluated regularly and the allowance for doubtful accounts should be adjusted based on this evaluation. In the governmental funds, revenue that is not available in the current period should be deferred. The related accounts should be analyzed periodically and adjusted for accrued interest, receipt of payments, additional disbursements, and when the revenue becomes available.

Condition: During our audit, we noted that a prior-period adjustment was made to record loans disbursed in prior fiscal years, amounting to approximately $4.8 million ($3.0 million loans from the City, and $1.7 million loans from the Successor Agency). The allowance for doubtful accounts was not evaluated and adjusted prior to the audit. Amounts were misclassified between deferred revenue and allowance for doubtful accounts in Fund 371.

Cause: The Finance Department does not have appropriate procedures in place to ensure that long-term receivables are properly recorded in the general ledger on a timely basis. There is no policy or procedure in place to evaluate collectability and adjust allowance for doubtful accounts appropriately. Other than during the audit, deferred revenue was not analyzed.

Effect or Potential Effect: Misstatement of receivables, allowance for doubtful accounts, and deferred revenue.

Repeat of a Prior-Year Finding: 2015-063, 2015-064 and 2015-067

Recommendation: Policies and procedures should be established to obtain all long-term agreements entered into by various departments and approved by the City Council. These agreements must be reviewed for proper accounting treatment by the appropriate level of management. Periodically, the related accounts should be analyzed and reconciled to the general ledger.

City's Response 2017: The City concurs with the recommendation. 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. Finance staff will analyze and review these accounts periodically and make any necessary adjustments.

**Corrective Action Plan:** Current processes and procedures will be reviewed and updated. Implementing policies for Uniform Guidance will include policies regarding monitoring grant transactions and balances.

**Planned Implementation Date:** June 30, 2018

**Responsible Person:** Assistant CFO Deanne Purcell

E+P’s Comment 2018: Complete

**2017-011 - Properties Held for Sale (MW)**

**Criteria:** The City acts as the successor agency of the former RDA (CDC). The net position and activities of CDC are reported as a private purpose trust fund of the City. Therefore, the Finance Department is responsible for accounting for and reporting the fiduciary net position and activities of the CDC.

**Condition:** The Finance Department lacks internal control procedures over properties held by the CDC. The Finance Department did not have a complete list of properties held for sale by the CDC. It did not record the transfer of properties from the CDC to the City and it did not record the sale of one of the properties during the year.

**Cause:** The Finance Department does not have proper procedures in place to record transactions by the CDC completely and timely.

**Effect or Potential Effect:** Misstatement of fiduciary funds and City funds.

**Repeat of a Prior-Year Finding:** No.

**Recommendation:** The Finance Department should strengthen internal controls over the CDC transactions. This could be accomplished by assigning a liaison from the Finance Department to the CDC and improving communications between the two departments.

**City's Response 2017:** The City concurs with the recommendation. The capital assets inventory and valuation was completed in FY 2016-17 and properties were valued and reconciled to the general ledger. The properties held for sale were inventoried and valued during the field work for the FY 2016-17 audit.
The staff is now aware of what is to be accounted for under properties held for sale and is working closely with CDC to properly record any transactions, including additions and deletions due to sale of property that occur during the year. In addition, the CFO has engaged consultants to help with proper internal controls.

**Corrective Action Plan:** The City is developing policies for the Internal Control Integrated Framework and procedures for properties held by CDC and will work with the CDC on training and improving communication.

**Planned Implementation Date:** June 30, 2018

**Responsible Person:** Assistant CFO Deanne Purcell

**E+P's Comment 2018: Repeat finding 2018-009**

**2017-012 - Journal Entries (MW)**

**Criteria:** Journal entries should be reviewed and approved by the Controller. All journal entries should be accompanied by full explanation and by reference to adequate supporting data.

**Condition:** We found a journal entry where the amounts did not agree with the supporting documentation, resulting in a misstatement of approximately $600,000. Another journal entry improperly reversed the allowance for doubtful accounts related to a note receivable.

**Cause:** Because of the numerous journal entries posted during the year and especially at the close of the fiscal year, errors are not detected by the reviewer and; therefore, they are not corrected.

**Effect or Potential Effect:** Financial statements could be misstated due to incorrect journal entries.

**Repeat of a Prior-Year Finding:** 2015-013 and 2015-043

**Recommendation:** Strengthen procedures by utilizing journal entry templates for recurring entries. Recurring entries could be reviewed by an accounting manager and initialed by the Controller. Unusual entries should be reviewed by the controller and initialed by assistant CFO or the CFO.

**City's Response 2017:** The City concurs with the recommendation. The HTE system is not easily configured for journal entries and requires a lot of manual processes.
Journal entries require entry using an excel spreadsheet (template), review, approval and an additional entry or upload into the finance system. Normally, the Accounting Manager will review and the Controller will approve the journal entry, including supporting documentation. Journal entries and the supporting documentation have been improved, but need further work.

**Corrective Action Plan:** This area will be greatly improved with a new finance system, but in the meantime, we will review and update processes and procedures, including who should approve and review the journal entries.

**Planned Implementation Date:** June 30, 2018

**Responsible Person:** Controller Christine Williams

**E+P's Comment 2018:** Repeat finding 2018-010

**2017-013 - Clearing Funds (SD)**

**Criteria:** Clearing funds are used by the Finance Department to accumulate costs that are allocated to various funds or reimbursed by City Corps and Housing Authority. They are temporary in nature and should be "zeroed out" periodically. In addition, balances remaining in the account due to timing differences should be reconciled to subsequent disbursements.

**Condition:** Clearing fund #542 is used to record payroll and other payroll related expenditures, including pension, vacation sick-pay and other health related benefits at each pay-period. As expenditures are allocated to various City funds, the clearing fund should have a zero balance. At June 30, 2017, there are various balances remaining in 20 accounts that total approximately $564,000 that have not been reviewed and reconciled for proper clearing.

**Cause:** The balances have accumulated over the years because, in the past, the Finance Department did not regularly review the postings in the clearing funds and no adjustments have been made to allocate or refund the remaining amounts to the various funds. Because the balances have carried forward from 4 years ago or more, it has become increasingly difficult to correct the errors.

**Effect or Potential Effect:** Misclassification of expenditures among funds. When balances remain in these funds, it means the General Fund has either overcharged/undercharged the other funds and/or has been over/under-reimbursed by City Corps or Housing Authority.

**Repeat of a Prior-Year Finding:** 2015-103
**Recommendation:** Spend more time to analyze the clearing fund balances and close-out clearing funds periodically, quarterly or at least annually.

**City's Response and Corrective Action Plan 2017:** The City concurs with the recommendation. The CFO has engaged consultants to implement fundamental elements of the Internal Control Integrated Framework (ICIF) and to create policies for major transaction systems and for business processes to establish control standards. Those standards will include expectations for segregation of duties, assignment of authority and responsibility, reconciliation, information and communication and monitoring for persons with responsibility for systems of processes. Valuation and reporting presentation of related balance sheet accounts will also be covered. In the meantime, staff will be assigned to spend time analyzing the clearing fund balance and make any necessary adjustments and continue this process going forward, quarterly or at least on an annual basis.

**Planned Implementation Date:**
- ICIF implementing policies, including control activity standards: June 30, 2018
- Control activity design and documentation: June 30, 2019

**Responsible Person:** Controller Christine Williams

**E+P’s Comment 2018: In progress**

**City's Response 2018:** Effective FY 2017-18 the Finance Department established the practice of preparing a journal entry to allocate the accrued payroll to the appropriate funds at fiscal year-end.

**2017-014 - Accrued Receivables (SD)**

**Criteria:** Accrued receivables are related to taxes, interest, and other sources of revenue that have not been billed. Accrued receivables and revenue/unavailable revenue should be recognized when an enforceable claim occurred.

**Condition:** During our audit, we noted several items totaling over $1 million in receivables not recorded at the end of the fiscal year.

**Cause:** The procedures in place for accrued receivables is not sufficient to ensure that receivables and revenue/unavailable revenue are recorded in the appropriate accounting period.

**Effect or Potential Effect:** Misstatement of receivables, allowance for doubtful accounts, and revenue.
Repeat of a Prior-Year Finding: No.

Recommendation: The Finance Department should strengthen internal controls over the revenue cycle. This should include periodically evaluating the reasonableness of financial data (looking at the big picture or analytical review). The current financial data may be compared with prior periods or other available data in the current period, and the current financial data may be compared with expectations, such as budgets.

City's Response and Corrective Action Plan 2017: The City concurs with the recommendation. The CFO has engaged consultants to implement policies and procedures that will include instruction for proper accounting, analysis and reconciliation of general ledger accounts, including accrued receivables. In addition, the Finance Department is currently working with finalizing templates that were created to ensure proper revenue variance analysis is completed prior to accounts receivable and revenue accruals. Procedures are being implemented to insure that no duplication of accruals occur.

    Planned Implementation Date: June 30, 2018

    Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: Repeat finding 2018-011

2017-015 - Accrued Expenses (SD)

Criteria: At the end of every accounting period, there will be some vendor invoices that have not yet been approved for payment. As a result, these amounts will not have been entered into the accounts payable account (AP). These documents should be reviewed in order to determine whether a liability and an expense have actually been incurred by the City as part of the Finance Department's monthly cut-off procedures. When liabilities are identified, the amounts should be recorded as accrued expenses.

Condition: The Finance Department did not accrue expenditures totaling $672,000.

Cause: The Finance Department's cut-off procedures to ensure expenditures are recorded in the appropriate accounting period was not adequate to detect significant errors.

Effect or Potential Effect: Understatement of accrued expenses and expenses.

Repeat of a Prior-Year Finding: No.
Recommendation: The Finance Department should strengthen internal controls over the expenditure cycle. Subsequent disbursements should be reviewed and evaluated thoroughly for accrual. There must be procedure in place to approve and record the accruals. In addition, the reasonableness of financial data (looking at the big picture or analytical review) should be periodically evaluated. The current financial data may be compared with prior periods or other available data in the current period, and the current financial data may be compared with expectations, such as budgets.

City's Response and Corrective Action Plan 2017: The City concurs with the recommendation. The CFO has engaged consultants to implement policies and procedures that will include instruction for proper accounting, analysis and reconciliation of general ledger accounts, including accrued expenses. In addition, the Finance Department is currently working on 1) stricter deadlines for when the prior-year invoices need to be sent to Accounts Payable from the various City departments for request of payment, and 2) updating procedures for review of invoices in order to determine the proper accounting period/fiscal year that the invoice should be recorded.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

E+P's Comment 2018: Complete

2017-016 - Information Technology General Controls (SD)

Criteria: The City should establish and implement comprehensive data security controls to protect sensitive data, mitigate risks to confidentiality, and ensure the integrity and availability of data in the City's information systems.

Condition: We found deficiencies in data security controls. We communicated such findings to the IT department. Because those findings reveal vulnerabilities to, or otherwise increase the potential for an attack on, information technology systems of the City, the details of the findings will not be published in this document. They will however be communicated to the City Council via a separate confidential written report.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Recommendation: Our recommendations will be communicated to the City Council via a separate confidential written report.

City's Response 2018: The City's corrective action plan will be communicated to the City Council via a separate confidential written report. The auditors will follow-up on the City's implementation of its corrective action plan in the next audit.

2017-017 - Accounting for Developer Deposits (BP)

Criteria: Developer deposits should be recorded as a liability when collected. Refunds of deposits should be deducted from the liability. When a developer forfeits a deposit, the deposit amount should be recognized as revenue.

Condition: The Finance Department records deposits as revenues and refunds of deposits as expenses. The Finance Department does not track which developer made deposits, who is owed a refund, and if the refund was already made. Forfeitures are also not tracked.

Cause: There is no policy or procedure in place for the recording of developer deposits.

Effect or Potential Effect: Misstatement of revenue and expenses. Duplicate refunds may not be detected.

Repeat of a Prior-Year Finding: No.

Recommendation: The Finance Department should develop and implement appropriate policies and procedures for the accounting and tracking of developer deposits.

City's Response and Corrective Action Plan 2017: The City concurs with the recommendation. The Finance Department has assigned a staff member to review the area of deposits. Included in this review will be developer deposits. The Finance Department will work on processes and procedures for recording deposits and more specific to the finding, developer deposits will be recorded as a liability when collected, refunds deducted from the liability and forfeits of a deposit recognized as revenue. The Finance Department will also look for a way to track these deposits by developer.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: In progress
City's Response 2018: The Finance Department established a new procedure, “Developer and Other Security Deposits, Accounting and Reporting Procedures” effective July 1, 2018. The next phase will consist of analysis of the account, review of practical application of the policy, and communication to departments on policies and procedures. Completion expected in FY 2019-20.

2017-018 - Employment Tax Recordkeeping (BP)

Criteria: All employers are required to keep all records of employment taxes, including Forms W-4, and Federal Withholding Allowance Certificate, for at least four years after filing the 4th quarter for the year. In addition, all employers must ensure proper completion of Form I-9, Employment Eligibility Verification, for each individual they hire.

Condition: Out of 50 employee files examined, we noted several W-4s and I-9s were missing. Upon further request, the HR department was able to produce all but one W-4.

Cause: There is no procedure in place to review employee files for completeness.

Effect or Potential Effect: Noncompliance with Federal regulation.

Repeat of a Prior-Year Finding: No.

Recommendation: The HR Department should ensure that the employee files are complete. If instances come up where forms cannot be located, client should get in contact with employee to get the forms completed.

City's Response and Corrective Action Plan 2017: The City concurs with the recommendation. The Finance Department and HR Department will meet to review the current procedures and recordkeeping of employment taxes, including Forms W-4 and I-9. The City will follow the recommendation of the auditors that for segregation of duties, HR should maintain the employee file that includes Forms W-4 and I-9 and provide a copy to payroll.

Planned Implementation Date: June 30, 2018

Responsible Person: HR Director, Steve Naveau and Controller Christine Williams
E+P’s Comment 2018: Repeat finding 2018-012

2017-019 - Interest Allocation (BP)

Criteria: The City pools all of its internal cash and investments, with each fund reporting its equity in the pool as an asset. When funds overdraw their equity in the pool, the overdrawn fund reports its position in the pool as a liability (due to other funds), and the General Fund reports a receivable (due from other funds). Interest and other investment income is allocated based on the funds' equity in the pool.

Condition: The Finance Department does not have a policy in place to allocate interest income to various funds during the year. Funds with a negative position (liability) were allocated negative interest income (interest expense).

Cause: The Finance Department does not have a policy in place to allocate interest income to various funds during the year.

Effect or Potential Effect: The allocation of interest income may be inconsistently applied.

Repeat of a Prior-Year Finding: No.

Recommendation: The Finance Department should establish and implement a policy to allocate interest income to various funds during the year.

City's Response and Corrective Action Plan 2017: The City concurs with the recommendation. The Finance Department will be reviewing the interest allocation and will work on adhering to the recommendation of the auditors establishing and implementing a policy to allocate interest income to various funds during the year.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: Complete

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.

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.

E+P's Comment 2017: Not yet started.

City's Response 2017: HR has filled three positions that will control employee master file setup and pay rates. Those employees have received public agency specific training and have been trained and briefed by the Payroll Supervisor. Draft policies establishing standards for control activities, and for establishing control policies for major transaction systems are planned.

Planned Implementation Date:
- Control activity standards: June 30, 2018
- Transaction system controls: September 30, 2018
- Risk based design and documentation of control activities: June 30, 2019

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: In progress

City’s Response 2018: Responsibilities for maintaining pay rates and benefits in the payroll system (HTE) was officially transferred to HR personnel in January 2018, along with changes to system access rights which prevent Payroll personnel from making those changes. The status of this finding should be “To be tested" as implementation was completed before FY 2018 audit fieldwork began.
2015-005 - Control Environment (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: The City Council, City Manager and Chief Financial Officer, with consulting assistance, expect to adopt implementing policies that will establish an Internal Control Integrated Framework (ICIF) based on COSO and GAO standards that will meet the requirements of OMB's 2 CFR 200 administrative requirements before June 30, 2018. Those policies also reflect the guidance of the California State Controller's Office's Internal Control Guidelines - Local Government Agencies.

Implementing policies have been drafted for control environment, risk assessment and control activity components at this point. Before completing the policies for information and communication and for monitoring components, the City plans to adopt a series of policies implementing the administrative requirements of 2 CFR 200 before June 30, 2018. Implementing policies for information and communication and monitoring will follow and, as noted above, should be adopted by June 30, 2018.

More detailed control documentation will be completed over the course of the next year to address Single Audit findings and other issues identified by staff and consultants. The City is undergoing numerous consulting studies, is staffing, reorganizing and training the Finance Department and plans to implement a new Enterprise Resource Planning System. As a result, consistent with GAO Green Book standards, documentation efforts will focus on high risk areas and core control values in the expectation that the high rate of change will require frequent changes and adaptations as new systems and improved technology are introduced.

Planned Implementation Date: June 30, 2018

Responsible Person: CFO Jim Throop
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P’s Comment 2018: Policies and procedures in process.

City’s Response 2018: The City continues to follow the path described in the “2017 Response” above, concentrating first on “high risk areas” such as: segregation of duties between Payroll and Human Resources Department (see Finding 2016-005). Two rounds of turnover for Finance Department leadership have led to a slowing of progress. Draft ICIF policies establishing procedures to communicate and enforce the policies as well as monitor and evaluate implementation are in review with an estimated completion set for the end of FY 2018-19. Implementation of these policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). Draft ICIF policies are expected to be presented to City Council by September 30, 2019. Training sessions began in fiscal year 2018-19 with Finance management team to introduce and discuss the draft guidelines.

   Planned Implementation Date: Throughout the course of fiscal years 2019 and 2020

   Responsible Person: CFO Kevin Riper

2015-006 - Control Environment (MW)

Finding: Performance evaluations were not performed timely at all levels of the City. The City needs to hold individuals accountable for their internal control responsibilities.

Recommendation: Establish a process to evaluate employees' performance and implement regularly.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: The City implemented a citywide employee performance evaluation system early in fiscal year 2018. To improve the focus of the performance evaluation system implementing policies relating to ICIF performance and accountability have been drafted and will be implemented before June 30, 2018. Performance evaluation for the ICIF will apply to employees with control responsibilities throughout the organization. Ethics, competence and accountability are the focus of ICIF evaluation criteria.

   Planned Implementation Date: June 30, 2018

   Responsible Person: CFO Jim Throop and HR Director Steve Naveau

E+P’s Comment 2018: Policies and procedures in process.
City's Response 2018: The City implemented a citywide employee performance evaluation system early in fiscal year 2017-18, including a new performance evaluation form for managers themselves – one that includes a criterion for conducting performance evaluations of their subordinates timely and thoroughly. As a further inducement for managers to complete performance evaluations, the Human Resources Department is initiating scheduled step increases for employees only if a performance evaluation has been completed for that employee. (Performance evaluations that are late result in a retroactive pay increase for the affected employee, so that employees do not lose pay as a result of any delay in their performance evaluation being completed.) ICIF policies establishing procedures relating to performance and accountability for internal controls have been drafted. Implementation of these policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

Planned Implementation Date: Draft ICIF policies are expected to be presented to City Council by September 30, 2019.

Responsible Person: CFO Kevin Riper and HR Director Steve Naveau

2015-007 - Control Environment (MW)

Finding: Employees in the Finance Department were not properly trained to perform their tasks.

Recommendation: Establish a training program to improve Finance Department employees' knowledge and skills.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: The City has drafted an ICIF implementing City Manager policy to focus on improving the competency and ethical grounding of persons assigned responsibility for control components and activities. Efforts to engage the City's current software vendor to provide assistance and training for 20-year-old HTE financial management software have been unsuccessful though some training and advice in critical areas has been helpful.

Implementing policies relating to training in performance evaluation and increasing management focus on training for responsible persons will begin before June 30, 2018. At this point Finance Department staff attendance at training and professional conferences has increased and budgets are in place to fund training opportunities.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P’s Comment 2018: Policies and procedures in process.

City’s Response 2018: Training of Finance staff continues to be a high priority in the Finance Department. Finance Department staff have begun attending training, professional conferences and local chapter meetings as a result of fiscal year 2019 budget appropriations for that purpose, combined with management direction and emphasis from the previous CFO, the previous Assistant CFO, and the Interim CFO—direction and emphasis that continues from the new CFO and the new Assistant CFO. The draft ICIF includes Council policies and administrative implementation guidelines on integrity and ethical values. Implementation of these policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). Draft ICIF policies are expected to be presented to City Council by September 30, 2019. ICIF training sessions began in fiscal year 2018-19 with Finance management team to introduce and discuss the draft guidelines.

Planned Implementation Date: Throughout the course of fiscal years 2019 and 2020

Responsible Person: CFO Kevin Riper, Assistant CFO Donna Ventura and Controller Christine Williams

2015-008 - Control Environment (MW)

Finding: The City did not have an audit committee.

Recommendation: Establish an audit committee, along with a charter to govern its conduct. Members of this committee should be provided training.

E+P’s Comment 2017: Policies and procedures in process.

City’s Response 2017: The City has drafted a City Council ICIF implementing policy to define the role and responsibility of the City Council’s Fiscal Policy Task Force to serve as the Council’s Finance subcommittee and the Audit Committee. The draft policy is consistent with the audit committee standards established by the GFOA’s best practice for audit committee.

The draft policy will be presented to the City Council for consideration before June 30, 2018. A complex election schedule during the 2018 Calendar year may affect full implementation of the policy.

Following the discovery of numerous deficiencies that affected the City’s operational, reporting and compliance performance the City Council and Fiscal Policy Task Force have participated in extensive transparent processes that raised improvement in administrative departments and management a critical strategic priority.
Delays in recruiting competent staff and high levels of turnover in senior and midlevel positions with important control responsibilities throughout the organization continue to delay implementation of corrections the unprecedented number of control weaknesses identified in the single audit. The City Council and City Manager continue to place high priority on the Corrective Action Plan by providing funding for staffing, priority for recruitment and approval for needed consultant assistance.

**Planned Implementation Date:** Starting before June 30, 2018 with changes and adaptation through December 31, 2018.

**Responsible Person:** CFO Jim Throop

**E+P’s Comment 2018:** Policies and procedures in process.

**City's Response 2018:** In November 2018, the City adopted an ordinance to establish a new council committee structure effective January 2019. With the expansion of the membership of City Council from 5 members to 7 now in effect, and with the restructuring of City Council policy review and analysis into a new council committee process, staff will recommend that the new, 3-member Finance and Governance Committee be deemed the audit committee. The draft ICIF includes Council policies and administrative implementation guidelines for the Finance and Governance Committee to follow. Implementation of these policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). Draft ICIF policies are expected to be presented to City Council by September 30, 2019.

**Planned Implementation Date:** June 30, 2019

**Responsible Person:** CFO Kevin Riper

**2015-009 - Control Environment (MW)**

**Finding:** There was a severe lapse in the City’s financial operations when key Finance Department personnel left due to a lack of qualified successors.

**Recommendation:** Develop a succession plan for the Finance Department.

**E+P's Comment 2017:** Policies and procedures in process.

**City's Response 2017:** The City has drafted an ICIF implementing policy on succession and turnover planning. It plans to adopt the policy before June 30, 2018.
Unfortunately, turnover continues to affect the City's ability to prevent disruption of the internal control system from turnover risk. The City Manager left in December 2017, the City has had four CFO's and three Assistant CFO's in the last three years in addition to several vacancies in professional and technical management positions. During 2016 the City relied heavily on consulting assistance to produce auditable financial statements for Fiscal 2015.

The draft succession and turnover contingency policy requires prioritization of critical positions with succession plans developed for all key positions over the course of the next three years. The City remains exposed to turnover in this area but expects to continually reduce the risk of disruption as positions are added to the plan.

**Planned Implementation Date:**
- Policy adoption: June 30, 2018
- Initial succession plans: December 31, 2018

**Responsible Person:** Assistant CFO Deanne Purcell

**E+P’s Comment 2018:** Policies and procedures in process.

**City's Response 2018:** There is only a very low probability that this finding can be resolved before the City's other material weaknesses and significant deficiencies are addressed. The current high demand for skilled workers in the finance field, especially in the accounting profession; historically low unemployment; fixed wages and benefits offerable to those workers who may happen to be interested in a local government career; and the well-known challenges facing the City all combine to militate against stability and continuity in the Finance Department workforce. Rather than spending scarce resources on a succession plan that would have only the slimmest of chances of actually working, current management intends to focus on building the knowledge and skills of existing staff (Finding 2015-007); providing them with constructive feedback and career-building experiences (Finding 2015-006), and promoting organizational camaraderie and individual morale in an attempt to hold the team together for as long as possible while the other findings are resolved.

**Planned Implementation Date:** By June 30, 2020

**Responsible Person:** CFO Kevin Riper and Assistant CFO Donna Ventura
2015-011 - Risk Assessment (SD)

Finding: 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.

Recommendation: 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 noncompliance with agreements, contracts, laws and regulations, as well as a plan of action to mitigate risks.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: In addition to the Organization Assessment for support and governance functions described in this comment the City received more information about risks relating to its financial reporting through the internal control analysis completed by E+P'S and reported in the Single Audit reports for FY 15 and FY 16. It also engaged consultants to do detailed reviews of reporting and compliance risks associated with special assessment districts and development impact fees and has engaged consultants to complete property and sales tax estimates.

In addition, the City has contracted with consultants to assess the Public Works Department and the City Council has engaged Internal Auditors to complete a fraud risk assessment and to monitor operation of controls in high priority areas. Utility operations and rates have received special scrutiny as a result of Proposition 218 rate reviews and litigation challenging rate increases. Formal reviews have been supplemented by the work of new and better trained staff who have identified additional issues that affect operating, reporting and compliance objectives.

The City has drafted ICIF implementing policies for risk assessment that include specified control oversight responsibilities of the City Council, Council direction to the City Manager to conduct risk assessments and description of the expected content of the risk assessments. Those policies are planned for implementation before June 30, 2018. It is expected that the first full risk assessment process will be conducted in concert with the Fiscal 2020 budget process, after a new City Manager is recruited. In the meantime, the work described above has identified a wide range of risk threats to be addressed in ICIF policies and activities.

Planned Implementation Date: June 30, 2018

Responsible Person: CFO Jim Throop
E+P’s Comment 2018: Policies and procedures in process.

City’s Response 2018: The City has drafted ICIF implementing policies for risk assessment that include specified control oversight responsibilities of the City Council, Council direction to the City Manager to conduct risk assessments and description of the expected content of the risk assessments. Implementation of these policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

**Planned Implementation Date:** The ICIF policies are expected to be presented to City Council by September 30, 2019.

**Responsible Person:** CFO Kevin Riper

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**2015-012 - Control Activities (MW)**

**Finding:** 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.

**Recommendation:** 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.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: The City has drafted a series of policies to implement the Internal Control Integrated Framework described by COSO and in GAO's Standards for Internal Control for the Federal Government (The Green Book). This control framework, or an equivalent, is required by Federal grant recipients by the OMB and is recommended by the State Controller’s Office and the GFOA.

The policies include clear assignment of responsibility for implementation and monitoring of implementation progress. Policies include City Council and City Manager oversight responsibilities and policies for periodic evaluation of the City’s ICIF implementation. Implementation review will include the City Manager, the Senior Leadership Team (department heads), the CFO, the Finance Committee and the City Council.

In addition, policies establishing control activity standards and use of fundamental internal control concepts and documentation of controls have been drafted. The City plans to adopt these policy drafts before June 30, 2018.
Planned Implementation Date: June 30, 2018
Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: Policies and procedures in process.

City’s Response 2018: Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

Planned Implementation Date: The ICIF policies are expected to be presented to City Council by September 30, 2019.

Responsible Person: Assistant CFO Donna Ventura

2015-013 - Control Activities (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: The City has drafted ICIF implementation policies that address this weakness. The policies have been expanded to address situations that apply not only to general ledger journal entries but also to accounting requirements of grants and programs subject to legal or contractual conditions like maintenance district administration or bond indentures.

The two primary policies proposed for adoption relate to nonstandard items and to new and restricted funds. In addition to proposed entries to the accounting records the policies also focus on identifying entries that should be made but are not being entered. Several compliance issues encountered by the City in the last three years related to entries that, if properly reflected, would affect the City's assets and liabilities. The new policies provide for convening multi-disciplinary teams to analyze non-standard and complex situations to recommend appropriate financial and compliance reporting activities and monitoring. The approach also supports controls intended to
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

strengthen organizational competence and communication among personnel with control responsibilities.

The City plans to adopt the proposed policies before June 30, 2018.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: Repeat finding 2018-010

City’s Response 2018: Guidelines for non-standard journal entries are incorporated into the draft ICIF. Compliance teams will be convened to perform rapid evaluation of material or significant non-standard items. These teams will be appointed by the CFO based on knowledge and experience. Employees will receive training and briefings to keep them abreast of developments in financial accounting standards. When necessary, external technical expertise will be solicited. Implementation of the ICIF policies and procedures has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). The ICIF policies are expected to be presented to City Council by September 30, 2019. Training sessions began in fiscal year 2018-19 with Finance management team to introduce and discuss the draft policies.

2015-014 - Control Activities (MW)

Finding: 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.

Recommendation: Refer to specific recommendations for findings: 2015-019 thru 029, 2015-049 thru 050 and 2015-055 thru 93.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: The Finance Department has worked closely with its independent auditors to improve its processes to prepare financial statements that comply with GAAP. Reporting internal control issues identified elsewhere are essential to this process. New policies regarding adequacy of staffing, training, performance evaluation, assignment of control responsibilities and establishment of control activity standards support this reporting objective.
Many reconciliations are being performed for the annual audit but are not providing control during the course of the fiscal year. Increasing the frequency of these reconciliations and reducing complexity are high priority reporting and compliance objectives for the Finance Department.

Over the next three to five years significant changes will affect the financial reporting environment of the City, especially the implementation of the ICIF and the implementation of a new ERP. Many controls will be implemented in the ERP. Other controls will depend on building a competent team that communicates well.

The city intends to build flexible control activity documentation appropriate for its fast-changing environment. That documentation will allow it to adapt to expected changes without the administrative overhead associated with detailed documentation except in high priority risk areas. This documentation process will be in progress for the next three to five years.

**Planned Implementation Date:**
Policy adoption: June 30, 2018  
Audit closing calendar: Implemented and continuously adapted.

**Responsible Person:** Controller Christine Williams

**E+P’s Comment 2018:** Policies and procedures in process.

**City’s Response 2018:** The City has drafted ICIF implementing policies that include effective procedures and controls surrounding the financial reporting process. Implementation of these policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). The ICIF policies are expected to be presented to City Council by September 30, 2019.

**2015-015 - Control Activities (MW)**

**Finding:** 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.

**Recommendation:** Refer to specific recommendations for findings: 2015-019 thru 029, 2015-049 thru 050 and 2015-055 thru 93.

**E+P’s Comment 2017:** Policies and procedures in process.
City's Response 2017: This project has been delayed by staff hiring and retention issues discussed above. This year the City is concentrating its internal control implementation efforts on changing its practices in critical areas, establishing the ICIF Framework, assigning responsibility and authority for control activity development, implementation and documentation, and implementing the administrative requirements of OMB's 2 CFR 200. In fiscal year 2019 staff will shift to the effort to design and implement ICIF control activities and to improve effectiveness through information and communication. A competent, ethical team for financial operations and management will improve control and enterprise risk management more effectively than extensive documentation at this point.

This CAP and the City's ICIF policies will provide the basis for risk-based control design, efficient and effective documentation and ongoing monitoring. Policies are planned for adoption before June 30, 2018. Detailed control design and documentation will follow based on risk assessment. In the meantime, changes in practice that respond to audit findings will be given priority over design and documentation activities because of time and resource limitations.

Planned Implementation Date:
Policy implementation: June 30, 2018
Risk based control implementation: Following ICIF implementing policy adoption and ongoing.

Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: Policies and procedures in process.

City's Response 2018: Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

Planned Implementation Date: The ICIF policies are expected to be presented to City Council by September 30, 2019.

Responsible Person: Assistant CFO Donna Ventura

2015-016 - Control Activities (MW)

Finding: 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.
Recommendation: Refer to specific recommendations for findings: 2015-019 thru 029, 2015-049 thru 050 and 2015-055 thru 93.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: The City had drafted ICIF implementing policies to improve its ability to address this issue. Draft policies regarding non-standard items and new and restricted funds create an institutional framework that uses existing knowledge, skills and experience while providing developmental opportunities for team members. The policies create a structured approach to a wide variety of issues that require responses for auditors, managers and policy makers.

A feature of the policies is to create "Compliance Teams", with members selected based on relevant experience and expertise, to analyze and implement control activities to provide reasonable assurance that reporting, compliance and operating objectives are achieved. For Finance, timely, accurate financial reporting consistent with GAAP and regulatory requirements is a high priority. For auditor inquiries that cannot be addressed by a single individual the CFO, the Assistant CFO or the Controller would convene a compliance team to produce an expedited answer. The team approach will provide the ability to make progress on the request despite the schedule conflicts that affect individual managers.

Implementing policies for non-standard items and new and restricted funds are planned for adoptions before June 30, 2018.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell and Controller Christine Williams

E+P’s Comment 2018: Policies and procedures in process.

City's Response 2018: Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

Planned Implementation Date: The ICIF policies are expected to be presented to City Council by September 30, 2019.

Responsible Person: Assistant CFO Donna Ventura and Controller Christine Williams
2015-017 - Control Activities (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: The process for acquiring a new ERP system is in progress. Consulting firm Sciens is gathering information to prepare a comprehensive RFP and will assist in evaluating proposals.

Some minor clean-up of the chart of accounts was performed in order to prepare for implementation of third party software: OpenGov and Questica (budget). However, the HTE system has very limited flexibility in chart of account design while maintaining comparability. In an effort to improve the performance of the existing system staff has met with HTE to explore a proposal for additional training in use of the existing ERP and assistance in more extensive use of the system's features. However, HTE has been unresponsive in preparing a proposal for training and reimplementation of underused or improperly implemented software features. Selecting a replacement vendor for the ERP application will improve use of system-based controls most rapidly.

With experience, staff has learned more about the weak points in the HTE system installed in Oxnard. Managers and accounting staff focus extra attention on those areas that are prone to producing inaccurate reporting during the year and at the year-end closing. These control activities have reduced the risk of system generated reporting errors. The inefficiency that results should be eliminated when the new ERP is implemented.

Planned Implementation Date: Control activities in the form of additional review have been implemented in practice and, where required, documented in the audit calendar. The ERP implementation should be completed between June 30, 2020 and June 30, 2021.

Responsible Person: Assistant CFO Deanne Purcell
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P’s Comment 2018: In progress

City’s Response 2018: Control activities in the form of additional review have been implemented in practice and, where required, documented in the audit calendar.

Planned Implementation Date: The ERP implementation should begin in fiscal year 2020.

Responsible Person: Assistant CFO Donna Ventura

2015-018 - Budget (SD)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: Two factors have delayed implementation of the recommendation and the planned corrective action. Although reports are regularly distributed to departments the difficulty of working with the application software and of comparing intra-year reports due to infrequent reconciliations has reduced general implementation of analytical budget management. In addition, the City's historical practice of managing through line item budget control consumes significant resources in the Finance Department and in operating departments.

Thorough review of budget management best practices indicates that line item control is not considered a recommended or best practice by GFOA, the State Controller's Office or the National Advisory Council on State and Local Government Budgeting.

The City Council delegates authority for budget transfers within funds to the City Manager if they are consistent with restrictions on restricted funding sources. The City Manager delegation of budget authority to department directors is constrained by the line item budget control practices.

To address this finding the Chief Financial Officer will propose elimination of line item budget control and adoption of more effective analytical budget control policies that will apply to monitoring and accountability and will clearly spell out authority over various classes of expenditures.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Planned Implementation Date: June 30, 2018

Responsible Person: Budget Manager Beth Vo

E+P’s Comment 2018: Complete

2015-024 - Bank Reconciliations (MW)

Finding: Cash with fiscal agents accounts were not reconciled monthly to the general ledger.

Recommendation: The bank reconciliation process should include reconciling cash with fiscal agents.

City's Response 2016: We concur with the recommendation, and it was implemented effective October 2016. Bank reconciliations have been completed through the month of November 2016.

E+P's Comment 2017: Implemented.

City's Response 2017: Implemented

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: Repeat finding 2018-013

2015-028 - Bank Reconciliations (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: On April 11, 2017, Finance and IT staff met with Sungard HTE account manager to discuss a package of training on all modules of the HTE system. However, HTE has been unresponsive in submitting a training proposal. As a result, the bank reconciliation prepared by the Finance Department can be delayed until the City Treasurer's office reconciles and forwards daily cash receipts details. Additional review is not performed and Finance plans to meet with the City Treasurer staff to improve the timeliness of the reconciliation process.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: To be tested

City’s Response 2018: To be tested by auditors in the next audit cycle

2015-029 - Bank Reconciliations (SD)

Finding: 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.

Recommendation: 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.

E+P’s Comment 2017: Not yet started.

City’s Response 2017: HTE has not responded to the City’s request for a proposal to conduct training in cash accounting on their ERP. It is possible that the additional control activities required to reconcile cash batches will continue until a new ERP is implemented, affecting the timeliness of bank reconciliations. Staff will explore options for reconciliation frequency and approach to support timely production of accurate reports.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: To be tested

City’s Response 2018: To be tested by auditors in the next audit cycle

2015-037 - Electronic Payments (EFT/ACH) (MW)

Finding: Payments could not be properly traced to supporting documentation because use of "miscellaneous vendor - #99999".
**Recommendation:** 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.

**E+P's Comment 2017:** Our finding stands as noted.

**City's Response 2017:** We concur with the recommendation, and utilization of the miscellaneous vendor account was limited as a result of system inefficiencies effective December 2016. The system inefficiency that results should be eliminated when the new ERP is implemented. However, until implementation, Finance staff will be trained to set up all vendors individually in the vendor master file, and to discontinue the use of a "miscellaneous vendor" account.

  **Implementation Date:** June 30, 2018

  **Responsible Person:** Controller Christine Williams

**E+P’s Comment 2018: Complete**

**2015-041 - Cash Receipts (SD)**

**Finding:** There were no procedures in place to perform internal audits of cash receipts in various locations within the City organization.

**Recommendation:** Random audits of cash receipts should be performed.

**E+P's Comment 2017:** Policies and procedures in process.

**City's Response 2017:** Implemented by City Treasurer, with the exception of written procedures.

  **Responsible Person:** City Treasurer Phil Molina

**E+P’s Comment 2018: Repeat finding 2018-014**

**2015-042 - Cash Receipts (SD)**

**Finding:** There are no written procedures in place for reconciliation of daily cash receipts.

**Recommendation:** Cash receipts should be reconciled to general ledger postings daily.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P’s Comment 2017: Not yet started.

City's Response 2017: Written procedures implementation in progress with City Treasurer. Issues with posting cash batches produced by the HTE system still results in delays in completing reconciliations. Finance and City Treasurer personnel work together to provide additional review and to improve the reconciliation process.

Planned Implementation Date: September 30, 2018

Responsible Person: City Treasurer Phil Molina and Controller Christine Williams

E+P’s Comment 2018: In progress

City’s Response 2018: Processes and procedures have been documented for bank reconciliations and reconciliation of daily cash receipts to the general ledger. This is ready to be tested by auditors in the next audit cycle.
2015-043 - Journal Entries to Cash (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Policies and procedures in process. See also current year finding 2017-012.

City's Response 2017: The HTE system is not easily configured to manage reversing journal entries or recurring journal entries. Progress has been made in connection with preparations for the FY 17 audit to reduce data entry effort. However, a large number of entries require approval and entry. Supporting documentation has been approved but needs further improvement. Design of the business process and the assignment of responsibility and authority needs attention.

   Planned Implementation Date: June 30, 2018

   Responsible Person: Controller Christine Williams

E+P's Comment 2018: Repeat finding 2018-010

2015-044 - Journal Entries to Cash (MW)

Finding: An out-of-balance journal entry was found and correction was necessary to balance cash in the CDC Successor Agency Fund.

Recommendation: 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.

E+P's Comment 2017: Policies and procedures in process.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: The CFO engaged experts to analyze past problems with ROPS and cash reconciliation and to assist with preparation of ROPS reports. The HTE system does not provide for posting Treasurer's cash accounts for more than one entity, often leading to posting errors. Staff is considering an accounting change to eliminate Treasurer's cash accounts for the Successor Agency and accounting for Agency transactions in restricted funds, capital project funds and debt funds. Further analysis is required to assure fund types are established to support GAAP accounting for the Successor Agency if it is part of the City general ledger. Additional consulting assistance will be required to provide advice and perform reviews when the Successor Agency accounts are moved to funds in the City general ledger.

Planned Implementation Date: September 30, 2018

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: In progress

City's Response 2018: Manual General Ledger Journal Entry Policy and Procedure and Successor Agency Program, Accounting and Report Procedures were implemented effective July 1, 2018. This is ready to be tested in the next audit cycle.

2015-045 - Journal Entries to Cash (MW)

Finding: Journal entries were posted to CDC Successor Agency Fund cash without adequate supporting documentation.

Recommendation: Journal entries should be reviewed along with appropriate documentation. Sufficient documentation should be maintained with the journal entry voucher.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: Document review has improved. The CFO engaged experts to assist with ROPS preparation including cash reconciliation. Reports and related journal entry back up will be improved. The Controller continues to review JE's and back up for Successor Agency accounting.

Staff will prepare appropriate risk-based documentation after ICIF implementing policies have been adopted and a Compliance Team has been assigned to analyze compliance and reporting issues.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Planned Implementation Date: September 30, 2018

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: In progress

City’s Response 2018: Manual General Ledger Journal Entry Policy and Procedure was implemented effective July 1, 2018. This is ready to be tested in the next audit cycle.

2015-046 - Journal Entries to Cash (MW)

Finding: Reversing journal vouchers are not posted in a timely manner and prior-year reversing accruals are not easily found in following year log.

Recommendation: It is recommended that reversing journal vouchers reference original voucher, original batch number, and posted to period 1 of the following year.

E+P's Comment 2017: Policies and procedures in process.

City’s Response 2017: HTE has been unresponsive in preparing a proposal for training and reimplementation of underused or improperly implemented software features. Staff is now focusing priority on selecting a replacement vendor for the ERP application. The City Council has approved a contract with a consulting firm that will define system requirements and manage the selection process.

The extra review required to prevent errors in the current system will continue until a new ERP is implemented. Staff will focus on simplifying the journal entry process, reducing error rates and improving audit trails for Fiscal 2019.

Planned Implementation Date: June 30, 2019

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: Not yet started.

City’s Response 2018: Documented procedures have been completed for accrued receivables and accrued expenses which outline responsibilities and procedures for reversal of accruals.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Reversing entries are now distinguished from regular journal entries in the JV log and identified as such. Reversal timing has improved with reversals being performed in the period revenue is collected. Original journal entry and original batch number is recorded on the JV log. Additional procedures will include adding an area on standard journal entry to record the original journal entry and original batch number on the journal entry.

2015-047 - Journal Entries to Cash (MW)

Finding: 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.

Recommendation: Obtain technical support from 'HTE' to see if there are options or other processes to separate AP check registers and journal vouchers by type.

E+P's Comment 2017: Not yet started.

City's Response 2017: The HTE vendor was not responsive to requests for application modification and training and has not submitted a proposal. Staff has done some workarounds but expects that the City's current effort to acquire and implement a new ERP will address these problems. This problem prevents the Finance Department from producing the quality information required for an effective system of internal control.

The current effort to produce monthly data in a short timeframe prevents adequate review and weakens the internal control environment. It also consumes staff time needed to analyze and correct problems associated with the current ERP. The internal control integrated framework is implemented to produce quality information that can be relied on for decision making. System control weaknesses and the competing priorities for staff time in reporting and budgeting affect the quality of information produced. To improve production of quality information staff intends to seek approval to reduce reporting frequencies and to focus on key financial and budget indicators. Redirecting efforts will improve analysis and review and will provide more time to work on systems issues that will pay off in the future.

The Control Framework guidance from COSO and GAO specifically advises against creating pressure for results that can result in shortcuts affecting information quality and proper operation of controls and systems.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Planned Implementation Date: June 30, 2018

Responsible Person: CFO Jim Throop

E+P’s Comment 2018: In progress

City’s Response 2018: Manual General Ledger Journal Entry Policy and Procedure approved effective July 1, 2018. Staff contacted the current HTE vendor and was told that this deficiency (inability to separate by type) could not be corrected.

Planned Implementation Date: The ERP implementation should begin in fiscal year 2020.

Responsible Person: CFO Kevin Riper

2015-048 - Journal Entries to Cash (MW)

Finding: HTE system reports are not in a format that can be easily and efficiently used for review.

Recommendation: Obtain technical support from ‘HTE’ to generate reports that can be utilized for review and analytical procedures.

E+P’s Comment 2017: Not yet started.

City's Response 2017: Staff has met with HTE to secure a proposal for additional training in use of the existing ERP and assistance in properly using the system's features. However, HTE has been unresponsive in preparing a proposal for training and reimplementation of underused or improperly implemented software features. Staff is now focusing priority on selecting a replacement vendor for the ERP application. The City Council has approved a contract with a consulting firm that will define system requirements and manage the selection process.

Some staff have received training in third party report preparation tools to support technical analytical review. However widespread access to user friendly reporting and analysis limits efficiency and organizational understanding to help them meet control responsibilities. See the discussion on Finding 2015-047 EPF for additional discussion.

Staff will continue increased levels of analytical review and reconciliation until the new ERP is implemented. Required staffing levels will be affected.
Planned Implementation Date: Interim measures remain in effect until the new ERP goes live. The estimated implementation year is Fiscal 2021.

Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: In progress

City's Response 2018: This finding on the format and usefulness of HTE system-generated reports can be applied to much more than just journal entries to cash. For example, City finance staff recently met with a neighboring City that also is a customer of HTE to ask how they were using the system for production of monthly financial reports. That City reports that its own internal IT staff designed and maintains a separate, custom-built software package, independent of HTE, for production of their monthly financial reports. Such a level of internal resources is not available at the City of Oxnard, which is one of the reasons for implementing new ERP software. Until then, City finance staff will need to continue manual analytical review and reconciliation of journal entries.

Planned Implementation Date: Interim measures remain in effect until the new ERP goes live. The estimated implementation year is fiscal year 2019-20.

Responsible Person: Assistant CFO Donna Ventura

2015-050 - Investments (SD)

Finding: Cash and investments were not reported at fair market value.

Recommendation: Fair value adjustments should be determined at least quarterly, included in the Treasurer's quarterly reports, and posted to the general ledger

E+P’s Comment 2017: Our finding stands as noted.

City's Response 2017: Fair market value reporting is implemented in the City Treasurers' report. The City disagrees that the lack of quarterly postings to the general ledger are a significant deficiency. The City's portfolio is not exposed to significant duration risk and investments are conservative posing very low levels of credit risk. Though interest rates are rising gradually they remain at historically low levels. The City's general practice of holding investments to maturity further reduces the risk of loss. The Treasurer's current regular reporting market values will let the Treasurer, management and the City Council evaluate portfolio performance and risk.
At year end staff will coordinate with the City Treasurer's office to assure that changes in market values are properly recorded in the general ledger and reported in the financial statements.

**Planned Implementation Date:** August 2018

**Responsible Person:** Controller Christine Williams

**E+P’s Comment 2018:** In progress

**City's Response 2018:** The City disagrees that quarterly postings of changes in the fair value of investments to the general ledger are required. The Finance Department, in coordination with the Treasurer's Office, will continue to assure that changes in market values are properly recorded in the general ledger at year-end.

**2015-051 - Accounts Receivable (MW)**

**Finding:** A reconciliation of accounts receivable against the general ledger was not performed periodically or at year-end.

**Recommendation:** The receivable aging/subledger should be reconciled to the general ledger periodically by the Finance Department.

**E+P’s Comment 2017:** Policies and procedures in process.

**City's Response 2017:** Staff has developed complicated workarounds to create auditable balances for financial reporting purposes. The Sungard HTE system makes "point in time" reporting very difficult for accounts payable and accounts receivable balances.

Sungard - HTE has been unresponsive in preparing a proposal for training and reimplementation of underused or improperly implemented software features. Staff is now focusing priority on selecting a replacement vendor for the ERP application. The City Council has approved a contract with a consulting firm that will define system requirements and manage the selection process.

Until that system is implemented the City will have to use inefficient additional controls to reconcile general accounts receivable and accounts payable due to the limitations of the financial management software. In management's opinion these measures will detect errors that would result in material misstatement of financial reports.
Planned Implementation Date: At implementation of a new ERP, estimated to occur at July 1, 2020.

Responsible Person: Controller Christine Williams (or person supervising general accounts receivable)

E+P's Comment 2018: In progress

City's Response 2018: Quarterly reconciliation between Accounts Receivable system and the General Ledger is being performed by the Accounts Receivable Clerk and reviewed by the Department Manager. This is ready to be tested in the next audit cycle.

2015-052 - Accounts Receivable (MW)

Finding: 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.

Recommendation: The receivable aging/subledger reconciliation by Finance Department should include utilities receivable.

E+P's Comment 2017: Not yet started.

City's Response 2017: The Finance and Treasurer's department have not been able to assign staff to this issue due to workload and competing priorities. However, Finance recognizes that receivable aging and reconciliation are a key responsibility of the Chief Financial Officer to protect assets and to assure that they are properly valued in financial reports. The Treasurer's office often has the operational knowledge and expertise to advise on the valuation of the assets. Because aging and valuing miscellaneous and utility billing accounts receivable reflect on the performance of the collection operations responsible for those assets it is important to incorporate principles of segregation of duties in the process of establishing valuation allowances.

Finance Department and City Treasurer representatives will meet after budget adoption to establish and apply criteria for valuing receivables, including utility receivables.

Planned Implementation Date: Not later than August 15, 2018

Responsible Person: CFO Jim Throop and City Treasurer Phil Molina

E+P's Comment 2018: In progress
City's Response 2018: The Finance Department and the City Treasurer's Office have not been able to assign staff to this issue due to workload and competing priorities. Implementation has also been delayed due to turnover in key leadership positions (CFO and Assistant CFO). Finance staff and City Treasurer's Office will meet before end of FY 2019 to establish and apply criteria for valuing receivables, including utility receivables.

Planned Implementation Date: June 30, 2019

Responsible Person: CFO Kevin Riper and City Treasurer Phil Molina

2015-053 - Accounts Receivable (MW)

Finding: 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.

Recommendation: The receivables aging/subledger should be reviewed for delinquent amounts. Adjustments for allowances and/or write offs need to be approved by authorized personnel.

E+P's Comment 2017: Not yet started.

City's Response 2017: See discussion regarding Finance consolidation, review and reconciliation of all receivables subledgers, including utilities at 2015-052, above.

Planned Implementation Date: Not later than August 15, 2018

Responsible Person: CFO Jim Throop and City Treasurer Phil Molina

E+P's Comment 2018: In progress

City's Response 2018: Documented procedures have been established and are ready to be tested by auditors in the next audit cycle. Receivable aging reports are reviewed by the departments (which have receivable balances) and the Finance Department monthly for delinquent amounts. The allowance for doubtful accounts have been adjusted annually for the past three fiscal years.

2015-054 - Accounts Receivable (MW)

Finding: There were no written accounting policies and procedures that specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.
Recommendation: Accounting policies and procedures must specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.

E+P's Comment 2017: Not yet started.

City's Response 2017: Policies and procedures for receivable valuation are a high priority for the Finance Department. See the discussion of reconciliation to the general ledger of all receivable balances at year end and of developing criteria for valuation of receivable in collaboration with the City Treasurer's Utility Billing Division in 2015-052 EPF, above.

Planned Implementation Date: Not later than August 15, 2018

Responsible Person: CFO Jim Throop and City Treasurer Phil Molina

E+P’s Comment 2018: In progress

City’s Response 2018: Policies and procedures will be developed that specify the correct treatment for estimating bad debt expense and allowance for doubtful accounts.

Planned Implementation Date: Draft policies and procedures will be presented to City Council by September 30, 2019.

Responsible Person: CFO Kevin Riper and City Treasurer Phil Molina

2015-055 - Grants Management (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Not yet started. See also current year finding 2017-009.

City's Response 2017: Planned weekly coordination meetings during fiscal 2017 focused on specific problems with bring grant reimbursement and reporting up to date. Workload has limited progress on making proactive improvements in grant administration. Staffing levels and priorities in departments benefitting from grants has limited efforts at citywide coordination.
Grantee departments' expectations and competing priorities relating to grant administration cause them to depend on Finance rather than a participating in a collaborative effort.

Finance staff's competing priorities continue to draw attention away from grants, creating the risk of non-compliance with its related consequences. The City has not fully implemented the Administrative Requirements of OMB's Uniform Guidance (2 CFR 200). Because of the high priority placed on achieving compliance objectives, the CFO has engaged consultants to assist with drafting policies to implement controls responsive to the FY 15 and 16 Single Audit findings. Those policies include implementation of a COSO based Internal Control Integrated Framework to serve as the system of internal controls required by OMB Uniform Guidance by July 1, 2018. Other policies will focus on implementing Administrative Requirements by July 1, 2018.

Draft policies for non-standard items and new and restricted funds include processes for addressing complex regulatory and administrative requirements so that adequate staff with in depth knowledge of grant requirements can effectively administer grants from all sources.

Another policy establishes routine reviews of staffing in the Finance Department and in operating department sections managing financial matters, including grants.

Planned Implementation Date: June 30, 2018

Responsible Person: Assistant CFO Deanne Purcell

E+P’s Comment 2018: Complete

2015-056 - Grants Management (SD)

Finding: Grants receivable were not tracked and reconciled to the general ledger on a monthly basis.

Recommendation: 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.

E+P’s Comment 2017: Not yet started. See also current year finding 2017-009.

City's Response 2017: During fiscal 2017 the City conducted weekly grants coordination meetings. As noted above those meetings focused on making sure accurate reimbursement requests were submitted to grantors. Additional effort focused on improving cost allocation to grants. However, competing priorities affected progress.
The City's consultants will develop Uniform Guidance implementing policies after completing implementing policies for the Internal Control Integrated Framework and providing assistance to Finance Staff in preparing the Fiscal 2017 Single Audit Corrective Action Plan.

**Planned Implementation Date:** June 30, 2018

**Responsible Person:** Assistant CFO Deanne Purcell

E+P’s Comment 2018: To be tested

**City’s Response 2018:** Finance hired another staff accountant to work on grants and the workload was divided to assure that the accounting for grants was given the proper attention it needed. A team was formed that included Finance and various department grant administrators and weekly meetings were held to address all of the audit findings related to grants. Policies and procedures were updated and training was provided to all departments. Training for the updated policy was completed in August of 2018 and this finding is ready to be tested by the auditors.

**2015-057 - Grants Management (SD)**

**Finding:** 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.

**Recommendation:** 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.

E+P's Comment 2017: Not yet started. See also current year finding 2017-009.

**City's Response 2017:** Turnover, workload and training issues have delayed progress on development of policies and implementation of procedures for grants. A project to implement an internal control framework responsive to the City’s single audit findings is underway. The CFO has engaged consultants to provide control implementation policies including policies that implement the administrative requirements of OMB's Uniform Guidance.

The City's consultants will develop Uniform Guidance implementing policies after completing implementing policies for the Internal Control Integrated Framework and providing assistance to Finance Staff in preparing the Fiscal 2017 Single Audit Corrective Action Plan.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

**Planned Implementation Date:** June 30, 2018

**Responsible Person:** Accountant Chandra Crudup

**E+P’s Comment 2018:** Complete

**2015-058 - Grants Management (BP)**

**Finding:** Procedures for grant management in accordance with the new Uniform Guidance have not been adopted.

**Recommendation:** The City should adopt the new Uniform Guidance and procedures should be put in place to implement the policy.

**E+P's Comment 2017:** Not yet started.

**City's Response 2017:** Turnover, workload and training issues have delayed progress on development of policies and implementation of procedures for grants. A project to implement an internal control framework responsive to the City's single audit findings is underway. The CFO has engaged consultants to provide control implementation policies including policies that implement the administrative requirements of OMB's Uniform Guidance.

The City's consultants will develop Uniform Guidance implementing policies after completing implementing policies for the Internal Control Integrated Framework and providing assistance to Finance Staff in preparing the Fiscal 2017 Single Audit Corrective Action Plan.

**Planned Implementation Date:** June 30, 2018

**Responsible Person:** Assistant CFO Deanne Purcell

**E+P’s Comment 2018:** Complete

**2015-059 - Grants Management (BP)**

**Finding:** 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.

**Recommendation:** 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.
E+P's Comment 2017: Not yet started.

City's Response 2017: Turnover, workload and training issues have delayed progress on development of policies and implementation of procedures for grants. A project to implement an internal control framework responsive to the City's single audit findings is underway. The CFO has engaged consultants to provide control implementation policies including policies that implement the administrative requirements of OMB's Uniform Guidance.

The City's consultants will develop Uniform Guidance implementing policies after completing implementing policies for the Internal Control Integrated Framework and providing assistance to Finance Staff in preparing the Fiscal 2017 Single Audit Corrective Action Plan. After Uniform Guidance implementing policies are in place staff will organize grant records consistent with the standards established in those policies.

**Planned Implementation Date:** September 30, 2018

**Responsible Person:** Accountant Chandra Crudup

E+P’s Comment 2018: In progress

City’s Response 2018: Policies and procedures were updated and training was provided to all departments. Included in the training was instruction to the grant administrator that all grant agreements needed to be reviewed and filed in the Finance Department. Most departments have set up a shared drive that Finance has access to and Finance maintains copies of the grant agreements in its file server. Grant Agreements are kept in the Finance office in the appropriate hard folder for each grant that Finance manages, there is also a copy on the file server (G: drive.) Master agreements are not printed and stored in every file as they are stored electronically on the G: drive. Currently, departments forward the award letter to the Finance Department. All awards and requests for expenditure reviewed by Finance follow the Grantor’s publication of allowable expenditures. This finding is ready to be tested in the next audit cycle.

**2015-060 - Grants Management (BP)**

**Finding:** The City does not have a cost allocation plan for Federal awards. Only direct payroll is charged against Federal awards.

**Recommendation:** 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.
E+P's Comment 2017: Not yet started. See also prior year finding 2017-005.

City's Response 2017: The City contracted for indirect cost and central service allocation studies with a consultant. Unfortunately, the timeliness and technical issues with the reports have delayed implementation of new cost allocations. In addition, the consultant's scope did not include creation of a cost allocation that complies with Uniform Guidance. The City continues to work with the consultant.

Management is analyzing use of the de Minimis 10% allocation allowed by 2 CFR 200. It has not used indirect cost recovery for Federal grants for years in order to preserve grant funds for direct program costs. Given other internal control priorities management intends to apply available resources to other findings and limit its action to adopting a policy regarding the de Minimis rate. It also intends to issue an RFP for cost allocation services to improve its ability to analyze the costs of City services.

Planned Implementation Date:
  Policy adoption: July 1, 2019
  RFP: September 30, 2018

Responsible Person: CFO Jim Throop

E+P’s Comment 2018: Not yet started.

City’s Response 2018: Due to turnover in the CFO position, the City has not yet started. The planned RFP for a consultant to perform an analysis on the City’s administrative services is currently on hold due to management change.

Planned Implementation Date:
  Policy adoption: July 1, 2019

Responsible Person: CFO Kevin Riper

2015-061 - Grants Management (SD)

Finding: There are no procedures in place to inform the Finance Department what items get capitalized and what items were donated.

Recommendation: 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.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P's Comment 2017: Not yet started.

City's Response 2017: Implementing policies for Uniform Guidance will include capital asset policies consistent with the guidance.

   Planned Implementation Date: June 30, 2018

   Responsible Person: Management Accountant Pam Greer

E+P’s Comment 2018: To be tested

City’s Response 2018: The City implemented the Capital Asset Policy and Procedure effective July 1, 2018. Training for the updated policy was completed in August of 2018 and this finding is ready to be tested by the auditors.

2015-062 - Grants Management (SD)

Finding: Several state grant funds have negative fund balances due to the unallowable costs and expenditures incurred in the past.

Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: Implementing policies for Uniform Guidance will include policies regarding monitoring grant transactions and balances and following up on unusual items, like disallowed costs.

   Planned Implementation Date: June 30, 2018

   Responsible Person: Accountant Chandra Crudup

E+P’s Comment 2018: Complete

2015-063 - Notes Receivable (MW)

Finding: 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.
Recommendation: 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.

E+P's Comment 2017: Policies and procedures in process. See also current year finding 2017-010.

City's Response 2017: Notes receivable that result from expenditures of grant funds will be the subject of policies that implement the requirements of Uniform Guidance. The City intends to record all grant related notes to provide reasonable assurance that repayments are treated as program income and to assure documentation of City controls and related liens associated with grant funded notes.

Planned Implementation Date: June 30, 2018

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: Complete

2015-064 - Notes Receivable (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Policies and procedures in process. See also current year finding 2017-010.

City's Response 2017: After implementing control policies for Uniform Guidance are adopted Finance and operating department personnel associated with notes receivable will implement an orderly system for documenting and accounting for the notes.

Planned Implementation Date: June 30, 2018

Responsible Person: Accountant Chandra Crudup
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

E+P’s Comment 2018: Complete

2015-065 - Notes Receivable (SD)

Finding: Notes receivable are not tracked and reconciled to the general ledger. Repayment of HOME and CDBG loans were not properly classified as program income.

Recommendation: 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.

E+P’s Comment 2017: Policies and procedures in process.

City's Response 2017: Notes receivable that result from expenditures of grant funds will be the subject of policies that implement the requirements of Uniform Guidance. The City intends to record all grant related notes to provide reasonable assurance that repayments are treated as program income and to assure documentation of City controls and related liens associated with grant funded notes.

Tracking systems will be implemented following adoption of implementing policies for the requirements of OMB's Uniform Guidance.

Planned Implementation Date: December 31, 2018

Responsible Person: Management Accountant Pam Greer and Grants Manager, Roel Briones

E+P’s Comment 2018: In progress

City’s Response 2018: Finance is working with Housing and Economic Development to reconcile notes receivable to the general ledger and will establish procedures to be followed for obtaining the information from other departments as well as training the departments on the procedures. Implementation has been delayed due to staffing changes and competing priorities. Procedures will be drafted and approved by June 2019 with training to follow immediately thereafter.

2015-066 - Notes Receivable (SD)

Finding: Interest has not been accrued on any of the notes receivable.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

**Recommendation:** 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.

**E+P's Comment 2017:** Not yet started.

**City's Response 2017:** Preparation plans for the FY 2016-17 audit were to have produced computations of interest accruals. However staffing limitations and competing priorities prevented this from happening. Because this financial reporting issue does not expose the City to the risk of financial loss given its historical policy of forgiving accrued interest in almost all cases this calculation will only be done once per year in connection with the annual audit and single audit or during the year where adjustment is required for transactions relating to a specific loan. Interest is being calculated and billed as appropriate.

**Planned Implementation Date:** June 30, 2018

**Responsible Person:** Controller Christine Williams

**E+P’s Comment 2018:** Management believes that lack of interest accrual does not expose the City to the risk of financial loss given its historical policy of forgiving accrued interest in almost all cases.

**City’s Response 2018:** Procedures were documented for notes receivable defining responsibilities of the Finance Department and Originating Department which include applicable interest accrual.

2015-067 - Notes Receivable (SD)

**Finding:** 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.

**Recommendation:** 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.

**E+P's Comment 2017:** Not yet started. See also prior year finding 2017-010.

**City's Response 2017:** Policies related to non-standard items and restricted funds require analytical review and detailed knowledge of grant requirements.
Estimating uncollectible amounts based on policy, credit and security issues will be implemented as a control activity based on the City's assessment of risk. In the meantime, staff review this in connection with its annual CAFR and Single Audit reporting requirements. Grant specific provisions will be included in Uniform Guidance implementing policies.

These receivables will be included in the policy discussion relating to valuation of all receivables expected to be completed by August 15, 2018.

**Planned Implementation Date**: August 15, 2018

**Responsible Person**: Controller Christine Williams

**E+P’s Comment 2018**: Not yet started.

**City’s Response 2018**: Estimating uncollectible amounts based on policy, credit and security issues will be implemented as a control activity based on the City's assessment of risk. In the meantime, staff continues to review this in connection with its annual CAFR and Single Audit reporting requirements. Grant specific provisions will be included in Uniform Guidance implementing policies. Procedures were documented for notes receivable defining responsibilities of the Finance Department and Originating Department which include evaluation of allowance for doubtful accounts to be adjusted.

**Planned Implementation Date**: June 30, 2019

**Responsible Person**: Controller Christine Williams

**2015-068 - Notes Receivable (SD)**

**Finding**: There are no procedures in place to collect payments from developers based on residual revenues.

**Recommendation**: Policies and procedures must be developed and implemented to collect payments from developers based on residual revenues.

**E+P's Comment 2017**: Not yet started.

**City's Response 2017**: Transactions related to notes receivable that result from expenditures of grant funds will be the subject of policies that implement the requirements of Uniform Guidance. The City intends to record all grant related notes to provide reasonable assurance that repayments are treated as program income and to assure documentation of City controls and related liens associated with grant funded notes.
In addition, specific staff will be assigned to monitor compliance with grant terms and the terms of agreements related to grant, successor agency or City expenditures.

Tracking systems will be implemented following adoption of implementing policies for the requirements of OMB's Uniform Guidance.

**Planned Implementation Date:** June 30, 2019

**Responsible Person:** Grants Manager Roel Briones and Management Accountant Pam Greer

**E+P’s Comment 2018:** Not yet started.

**City’s Response 2018:** Policies and procedures for collection of payments from developers based on residual revenues have not been started. This is expected to be implemented by June 30, 2019. The City intends to contract with a consultant for assistance in calculating residual payments and receipts in fiscal year 2019-20.

**2015-069 – Deferred Balances (BP)**

**Finding:** A supporting analysis was not prepared for calculating deferred balances.

**Recommendation:** 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.

**E+P’s Comment 2017:** Not yet started.

**City’s Response 2017:** The Controller will convene a Compliance Team established pursuant to ICIF and Uniform Guidance implementing policies to review grant funded note receivable GAAP and compliance reporting objectives to develop and document policies applicable to grant funded notes receivable and related interest and valuation adjustments.

**Planned Implementation Date:** June 30, 2019

**Responsible Person:** Controller Christine Williams

**E+P’s Comment 2018:** In progress
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2018: Policies and procedures for calculating deferred amounts have not been started. This is expected to be implemented by June 30, 2019.

2015-074 Capital Assets and Construction in Progress (CIP) (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: The City's draft policy regarding non-standard items provides for a qualified Compliance Team to assemble to address accounting treatment for transactions that occur infrequently. The City does not have a large number of leases, especially structured like the transaction for Fire Station 8. The Governmental Accounting Standards Board issued a new standard for lease accounting in June 2017 for years beginning after December 15, 2019. Earlier implementation is encouraged.

In response the CFO will convene a Compliance Team to identify and review all transactions and agreements affected by the new standard. That team will create a plan to implement the new standard during the 2018-2019 fiscal year, two years before it is required. In the course if this project the team will develop the institutional knowledge and capacity to properly implement accounting and reporting treatment for future lease transactions.

Planned Implementation Date: July 1, 2019

Responsible Person: Management Accountant Pam Greer

E+P’s Comment 2018: Repeat finding 2018-015

2015-075 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: 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.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

**Recommendation:** 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.

**E+P's Comment 2017:** Not yet started.

**City's Response 2017:** The City made progress in completing its year end close out review with the assistance of its inventory and valuation consultant in Fiscal 2017. The CFO has contracted with consultants to help staff develop internal control policies to address to the Single Audit findings for fiscal years 2015 and 2016. Those policies will include standards for transaction systems and major asset classes consistent with State Controller's Office guidelines and OMB's Uniform Guidance. Policies will address how the City acquires assets and how they are valued at acquisition in addition to policies for procedures that transfer completed construction in process projects to in-use capital assets.

**Planned Implementation Date:**
- Policies: June 30, 2018
- CIP procedures: August 15, 2018

**Responsible Person:** Assistant CFO, Deanne Purcell

**E+P's Comment 2018:** Complete

**2015-076 - Capital Assets and Construction in Progress (CIP) (MW)**

**Finding:** CIP amounts that represent discontinued projects were not expensed.

**Recommendation:** Construction projects that have been discontinued should be properly expensed.

**E+P's Comment 2017:** Not yet started.

**City's Response 2017:** Major transaction system and balance sheet category policies will follow completion of the ICIF implementing policies, the 2017 Corrective Action Plan and the Uniform Guidance implementing policies. Draft policies should be prepared by June or July 2018. Planned policies will require regular reviews of all capital projects to identify projects that should not be capitalized, construction in progress that has been abandoned or completed construction in progress that should be transferred to in-use assets.
Planned Implementation Date: Not later than August 31, 2018. Control activities related to the policy will be periodic and ongoing.

Responsible Person: Assistant CFO, Deanne Purcell

E+P’s Comment 2018: Complete

2015-077 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: Capital outlay expenditures were not evaluated to determine whether capitalization was appropriate

Recommendation: Capital outlay expenditures should be routinely evaluated to determine whether capitalization was appropriate.

E+P’s Comment 2017: Not yet started.

City's Response 2017: Policies for control activity standards have been drafted. Those policies require periodic review of problem areas identified as sources of risk and identify all Single Audit internal control findings as markers for risk in the financial system. Implementing policies for Uniform Guidance will add policies for items purchased with grant proceeds.

Purchasing and accounting staff have been briefed on the control issues involved with improperly capitalizing expenses in asset accounts. The regular periodic capital assets review for discontinued projects, completed CIP projects will integrate with controls at the point of purchase to create an integrated control framework to improve the accuracy and reliability of capital asset records. The recent project to inventory and value capital assets has resolved a number of outstanding issues related to proper capitalization. This significantly reduced the complexity involved with implementing these controls without a reliable starting point.

Planned Implementation Date:
- Policy adoption: June 30, 2018
- Purchasing review of expenditures: March 31, 2018

Responsible Person: Assistant CFO, Deanne Purcell

E+P’s Comment 2018: Complete
2015-078 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: 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.

Recommendation: Policies and procedures must be developed and implemented to properly account for capitalized interest. In addition, we recommend more effective review procedures.

E+P's Comment 2017: Not yet started.

City's Response 2017: Implemented. The Controller and Management Accountant have reviewed accounting principles for capitalization of interest and are applying those rules as part of their pre-closing review of capital asset additions. Future periodic CIP reviews will include attention to capitalized interest. New debt financed construction projects will be referred to a Compliance Team to establish GAAP accounting and monitoring programs related to capitalized interest.

Planned Implementation Date: June 30, 2018

Responsible Person: Management Accountant Pam Greer

E+P’s Comment 2018: Complete

2015-079 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: 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.

Recommendation: Review and update the process for indirect cost allocation for accuracy. Review is needed to ensure that projects are assigned the appropriate labor cost.

E+P’s Comment 2017: Not yet started.
City's Response 2017: The consultants engaged by the City to complete indirect cost, internal service and service cost analyses have not been timely in producing reports required for updating project labor charges. In addition, HTE software does not support combined payroll and project and labor distribution. HTE has been unresponsive about improving project costing functionality within the currently installed version of the software. Staff is in contact with RCS, the cost allocation consultant, about producing usable reports.

The City will continue to use manual systems to allocate indirect labor charges to capital projects until improved reports are obtained and the current ERP is replaced for fiscal 2020 or 2021. Periodic review of open projects is expected to detect problems with labor distributions for attention by the accounting and Public Works staffs.

Planned Implementation Date:
  For periodic review, September 30, 2018
  For ERP conversion: December 31, 2019

Responsible Person: Assistant CFO, Deanne Purcell

E+P’s Comment 2018: In progress

City’s Response 2018: Updating of process for indirect cost allocation for improved accuracy has not yet started. The City will continue to use manual systems to allocate indirect labor charges to capital projects until improved reports are obtained and the current ERP is replaced for fiscal 2020 or 2021. Periodic review of open projects is expected to detect problems with labor distributions for attention by the accounting and Public Works staffs.

Planned Implementation Date: ERP implementation expected to begin in FY2019-20

Responsible Person: Assistant CFO Donna Ventura

2015-080 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: 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.
**Recommendation:** 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.

**E+P's Comment 2017:** Not yet started.

**City's Response 2017:** Turnover in Finance and Public Works and competing priorities have slowed implementation of appropriate control activities including periodic capital project review by trained, competent personnel.

The City plans to begin periodic review of capital projects and to continue to apply additional controls and analyses of capital asset costs until a new ERP can be used to implement controls that will prevent charges to projects categorized as complete.

**Planned Implementation Date:**
- Periodic reviews: September 30, 2018
- Automated controls and reports: July 1, 2019

**Responsible Person:** Assistant CFO, Deanne Purcell

**E+P’s Comment 2018:** In progress

**City’s Response 2018:** The City plans to bring the departments, such as Finance and Public Works, together to meet at least on a quarterly basis to review projects, including status and any updated information, such as estimated completion date and any other information that is being monitored and needs to be communicated. The planned implementation should take place by July 1, 2019.

**Planned Implementation Date:** by July 1, 2019

**Responsible Person:** Assistant CFO Donna Ventura

**2015-081 - Capital Assets and Construction in Progress (CIP) (MW)**

**Finding:** Department and project managers were not involved in the internal control process.

**Recommendation:** The capital assets listing should be routed to department and project managers to determine whether assets still physically exist.
E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: The recommendation was implemented as part of the City's capital assets inventory and valuation project. Finance staff intends to circulate asset listings to appropriate managers in future years to determine whether assets still exist. Implemented. Planned control policies for major transaction systems and balance sheet account classes will include regular reviews of capital projects and ongoing inventory and reconciliation of capital assets.

   Planned Implementation Date: September 30, 2018

   Responsible Person: Assistant CFO, Deanne Purcell

E+P's Comment 2018: Complete

2015-082 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: The City has changed its implementation priorities to adopting a COSO based Internal Control Integrated Framework through a number of implementing policies, to fully comply with Uniform Guidance Corrective Action Plan reporting requirements and to implement the administrative requirements of the Uniform Guidance by June 30, 2018. In Fiscal 2019 internal control improvements will focus first on adopting internal control policies for major transaction systems and balance sheet accounts then on designing and documenting control activities using a risk-based approach.
Implementing policies for the ICIF and Uniform Guidance will include policies related to compliance and to information and communication. This Single Audit finding, combined with problems revealed by detailed analysis of the City capital asset systems are considered important risk indicators for documentation efforts in Fiscal 2019.

Planned Implementation Date:
- ICIF and Uniform Guidance policy adoption: June 30, 2018
- Transaction system and balance sheet control policies adoption: September 30, 2018
- Procedures design and documentation: June 30, 2019

Responsible Person: Assistant CFO Deanne Purcell

E+P's Comment 2018: In progress

City's Response 2018: The City has established policies and procedures relating to capital assets and CIP and Finance is working with the individuals designated with responsibility for assuring compliance with the terms of grants and contracts in other departments. In addition, staff training was completed in August and September of 2018. This finding is ready to be tested in the next audit cycle.

2015-083 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: Project managers are designated to monitor construction projects; however, there was insufficient communication between the project managers and the finance department.
Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: From 2015-082 EPF - The City has changed its implementation priorities to adopting a COSO based Internal Control Integrated Framework through a number of implementing policies, to fully comply with Uniform Guidance Corrective Action Plan reporting requirements and to implement the administrative requirements of the Uniform Guidance by June 30, 2018. In Fiscal 2019 internal control improvements will focus first on adopting internal control policies for major transaction systems and balance sheet accounts then on designing and documenting control activities using a risk-based approach.
Implementing policies for the ICIF and Uniform Guidance will include policies related to compliance and to information and communication. This Single Audit finding, combined with problems revealed by detailed analysis of the City capital asset systems are considered important risk indicators for documentation efforts in Fiscal 2019.

**Planned Implementation Date:**
- ICIF and Uniform Guidance policy adoption: June 30, 2018
- Transaction system and balance sheet control policies adoption: September 30, 2018
- Procedures design and documentation: June 30, 2019

**Responsible Person:** Assistant CFO Deanne Purcell

**E+P's Comment 2018: In Progress**

**City's Response 2018:** The City plans to bring the departments, such as Finance and Public Works, together to meet at least on a quarterly basis to review projects, including status updates such as estimated completion date and other relevant information that may have financial impacts. A policy and procedure was established for capital assets and includes a section specifically on CIP. In addition, staff training was completed in August and September of 2018. Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

**Planned Implementation Date:** Implementation should begin by July 1, 2019. ICIF policies are expected to be presented to City Council by September 30, 2019.

**Responsible Person:** Assistant CFO Donna Ventura

**2015-084 - Capital Assets and Construction in Progress (CIP) (MW)**

**Finding:** Depreciation was not properly calculated by the automated system because the inputs were made incorrectly. No review was made by management during the year.

**Recommendation:** The capital assets system should be reviewed and inputs should be corrected when necessary.

**E+P's Comment 2017:** Policies and procedures in process.
City's Response 2017: The completion of the physical inventory and valuation of the City's capital assets significantly improved the asset database, including depreciation bases. The Controller's staff worked with the independent auditors to assure that entries for capital assets were properly calculated and recorded for fiscal 2016-2017. Planned policies for major balance sheet accounts will include capital asset depreciation policies.

However additional review and monitoring will be required due to the limitations of the HTE system. Staff will explore options to maintain capital asset records in a third-party system with better reporting and management features than the one it has been using for the last twenty years. Implementation of a new ERP for Fiscal 2020 is expected to address problems with depreciation calculations. Policies and procedures for entering and maintaining depreciation elements of capital asset master files will be based on risk and will depend on the tracking options selected by staff during fiscal 2019.

The capital assets inventory and valuation reviewed and updated all depreciation elements at June 30, 2017. This finding recommendation is implemented. Future work will be part of ICIF and Uniform Guidance efforts.

Responsible Person: Deanne Purcell

E+P's Comment 2018: Complete

2015-085 - Capital Assets and Construction in Progress (CIP) (MW)

Finding: There is no process in place for reporting disposals of capital assets.

Recommendation: Policies and procedures should be established to obtain information from various departments regarding any disposals of capital assets.

E+P's Comment 2017: Not yet started.

City's Response 2017: The completion of the physical inventory and valuation of the City's capital assets significantly improved the capital asset database. The CFO has engaged consultants to prepare draft policies to implement elements of the ICIF to address Single Audit Findings. Policies establishing standards for ICIF Information and Communication control activities will be drafted to assure that asset system information requirements are built into practices implemented to improve the quality of financial information. The capital asset project built high levels of understanding and appreciation for the importance of durable and accurate asset records. Staff will follow up with policies and training to assure maintenance of the capital asset database.
Planned policies for major balance sheet accounts will include these recommendations.

**Planned Implementation Date:**
- Balance Sheet account policies: September 30, 2018
- Control activity design and documentation: June 30, 2019

**Responsible Person:** Deanne Purcell

E+P’s Comment 2018: Complete

2015-086 - Accounts Payable (MW)

**Finding:** 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.

**Recommendation:** 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.

**E+P's Comment 2017:** Not yet started.

**City's Response 2017:** City staff has not received a proposal for training and implementation services from HTE-Sungard. As a result, staff must use inefficient analyses to compensate for the current ERP's inability to support accurate point-in-time reporting of subledger balances. These analyses will continue until a new ERP is implemented for Fiscal 2020.

In the meantime, a risk-based approach will be used to develop and document procedures that provide reasonable assurance that major balance sheet accounts are materially correct. Procedural documentation will be developed pursuant to control activity standards implementing the ICIF.

**Planned Implementation Date:**
- ICIF implementing policies and control activity standards: June 30, 2018
- Major balance sheet account policies: September 30, 2018
- Control activity design and documentation: June 30, 2019

**Responsible Person:** Controller Christine Williams

E+P’s Comment 2018: In progress
City's Response 2018: City staff has implemented a workaround solution until the new ERP system is in place. A procedure has been implemented to run an A/P reconciliation report as an alternative to an aging report. Beginning in July 2019 this report will be run monthly and reconciled to the general ledger accounts.

2015-087 - Accounts Payable (MW)

Finding: No formal process in place to review master vendor file and investigate any exceptions.

Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: The City has hired a purchasing manager to improve the procurement function and controls related to non-personnel costs. Staff is considering recent best practice guidance with respect to digital security of the vendor files (http://www.gfoa.org/electronic-vendor-fraud) as it develops procedures. The City plans to adopt policies for internal control of major transaction systems and for major balance sheet accounts. Control activity design will be risk-based. However, due to planned changes in financial management software, extensive documentation efforts will be delayed until the new system is designed and implemented.

Planned Implementation Date:
   ICIF Control Activity standards: June 30, 2018
   Balance Sheet and Transaction System Controls: September 30, 2018
   Control activity design and documentation: Ongoing through new ERP implementation.

   Responsible Person: Purchasing Manager Lisa Boerner

E+P’s Comment 2018: To be tested

City's Response 2018: A procedure was established for the maintenance of the vendor master file and the purchasing manager provided training to her staff in September 2018. This finding is ready to be tested in the next audit cycle.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2015-088 - Long-Term Debt (MW)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: Turnover in the position responsible for debt accounting and reconciliation has required distribution of duties among other employees during the course of recruitment. The current ERP does not have automated controls to prevent postings to closed fiscal years so reconciliation of use of debt proceeds requires additional analysis and review. The debt management and accounting position has been filled and the City expects to resume regular analysis and reconciliation of long term debt by a person trained in and familiar with accounting, contractual and regulatory issues.

Planned Implementation Date: June 30, 2018

Responsible Person: CFO Jim Throop

E+P's Comment 2018: Policies and procedures in process.

City's Response 2018: In order to ensure the City appropriately adjusts long-term liability balances at year-end, the City adopted and implemented procedures related to long term debt recorded in the City's funds as part of its year-end closing process. This finding is ready to be tested in the next audit cycle.

2015-089 - Long-Term Debt (MW)

Finding: Significant adjustments for bond issuance and defeasance were not recorded. Bond proceeds of approximately $20 million was not recorded in the general ledger.
Recommendation: 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.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: ICIF implementing policies, including a policy regarding non-standard items has been drafted to provide a structured process to assure that unusual transactions, debt issuance and capital leases, are identified, analyzed, recorded and reported properly. Any debt issuance or capital lease would be treated as a non-standard item. The Finance Department will communicate with other city departments to prevent them from executing agreements that qualify as capital leases without CFO approval.

The City of Oxnard plans early implementation of the newly released GASB statement on lease accounting.

Planned Implementation Date:
ICIF implementing policy adoption: June 30, 2018
Uniform Guidance implementing policy adoption: June 30, 2018
GASB 87 - Leases implementation: July 1, 2018

Responsible Person: CFO Jim Throop

E+P’s Comment 2018: In progress

City’s Response 2018: The City has drafted ICIF implementation policies to address situations that apply not only to general ledger journal entries but also to accounting requirements of grants and programs subject to legal or contractual conditions like maintenance district administration or bond indentures. Guidelines for non-standard journal entries are incorporated into the draft ICIF. Compliance teams will be convened to perform rapid evaluation of material or significant non-standard items. These teams will be appointed by the CFO based on knowledge and experience. Employees will receive training to keep them abreast of developments in financial accounting standards. When necessary, external technical expertise will be solicited. Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). The ICIF policies are expected to be presented to City Council by September 30, 2019.

Training sessions began in fiscal year 2018-19 with Finance management team to introduce and discuss the draft guidelines.
The City hired a Management Accountant whose primary focus is ensuring the proper accounting for the City’s debt. He works directly with the City’s Accounting department, the City’s bond trustees, and with the City’s bond advisors. He will perform quarterly reconciliations of bond trustee accounts to the City’s general ledger, and will communicate with the bond trustees and with the City’s bond advisors on a quarterly basis to determine if there are any changes to the City’s existing long term debt, if there are any new issuances, and if there any defeasances of debt. If there are any noted changes to long term debt, he will evaluate those changes and how to appropriately account for them in accordance with GAAP.

**Planned Implementation Date:**
ICIF policies presented to City Council by September 30, 2019
Proper accounting for debt - ongoing

**Person responsible:** Management Accountant Jason Williams

**2015-090 - Long-Term Debt (MW)**

**Finding:** 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.

**Recommendation:** 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.

**E+P's Comment 2017:** Policies and procedures in process.

**City's Response 2017:** ICIF implementing policies, including a policy regarding non-standard items has been drafted to provide a structured process to assure that unusual transactions, debt issuance and capital leases, are identified, analyzed, recorded and reported properly. Any debt issuance or capital lease would be treated as a non-standard item. The Finance Department will communicate with other city departments to prevent them from executing agreements that qualify as capital leases without CFO approval.

The City of Oxnard plans early implementation of the newly released GASB statement on lease accounting.
Planned Implementation Date:
- ICIF implementing policy adoption: June 30, 2018
- Uniform Guidance implementing policy adoption: June 30, 2018
- GASB 87 - Leases implementation: July 1, 2018

Responsible Person: CFO Jim Throop

E+P’s Comment 2018: In progress

City’s Response 2018: The City has drafted ICIF implementation policies to address situations that apply not only to general ledger journal entries but also to accounting requirements of grants and programs subject to legal or contractual conditions like maintenance district administration or bond indentures. Guidelines for non-standard journal entries are incorporated into the draft ICIF. Compliance teams will be convened to perform rapid evaluation of material or significant non-standard items. These teams will be appointed by the CFO based on knowledge and experience. Employees will receive training to keep them abreast of developments in financial accounting standards. When necessary, external technical expertise will be solicited. Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). The ICIF policies are expected to be presented to City Council by September 30, 2019. Training sessions began in fiscal year 2018-19 with Finance management team to introduce and discuss the draft guidelines.

The City hired a Management Accountant whose primary focus is ensuring the proper accounting for the City’s debt; in addition, the City hired a Capital Asset Accountant whose primary focus is ensuring the proper accounting for the City’s capital assets. To ensure the City captures new debt agreements and capital leases, the Management Accountant and Capital Asset Accountant will inquire of all departments on a quarterly basis if there are any new debt agreements and/or leases agreements. In addition, they will review all agendas and/or minutes of City Council meetings for any new debt and lease agreements. Finally, the Management Accountant will communicate with the bond trustees and the City’s bond advisors to determine if there are any new debt agreements, and the Capital Asset Accountant will communicate with the vendors with whom the City has master lease agreements to see if there are any changes, deletions, and/or additions to the lease agreements and/or the assets leased under those agreements.

Planned Implementation Date:
- ICIF policies presented to City Council by September 30, 2019
- Proper accounting for debt - ongoing
Person responsible: Management Accountant Jason Williams and Capital Asset Accountant Daniel Carlon

2015-091 - Long-Term Debt (MW)

Finding: Compliance with debt covenants particularly rate covenants in the water and wastewater funds were not determined and reviewed in a timely manner.

Recommendation: Procedures should be improved to ensure that debt compliance determinations are prepared and reviewed timely.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: Consistent operation of the control activity has been affected by turnover for both of the people assigned to this area over the last year. However, proposed rate increases, changes in variable rate debt credit facilities and litigation related to rate increases focused attention on compliance with bond indentures.

The City has consulted with its Financial Advisors and Bond Counsel and has provided informational briefings to bond rating agencies, letter of credit providers and interest rate swap counterparties about compliance with debt covenants. It has successfully replaced its letter of credit and received improved bond ratings.

An employee has been recruited for these important bond accounting, reporting and ongoing disclosure responsibilities. That person, working with Finance Department Managers, new financial advisors and bond counsel will monitor debt covenant compliance in the remainder of Fiscal 2018 and in future years and will assure compliance with continuing disclosure requirements.

Planned Implementation Date: June 30, 2018

Person responsible: Controller Christine Williams

E+P’s Comment 2018: Policies and procedures in process.

City’s Response 2018: The City has consulted with its financial advisors and bond counsel and has provided informational briefings to bond rating agencies, letter of credit providers and interest rate swap counterparties about compliance with debt covenants. As a result of these consultations, the City has successfully refunded its variable rate bonds and terminated the related interest rate swap agreements, leading to improved bond ratings.
In addition, a Management Accountant was hired for these important bond accounting, reporting and ongoing disclosure responsibilities. That person, working with Finance Department managers, the City’s bond advisors, and the City’s bond counsel will monitor debt covenant compliance to ensure compliance with continuing disclosure requirements. Finally, the City is developing a schedule with the bond advisors delineating the City’s responsibilities and the agreed-upon bond advisors’ responsibilities to ensure that the City meets its debt compliance requirements in a timely manner.

**Planned Implementation Date:** June 30, 2019

**Person responsible:** Management Accountant Jason Williams

**2015-092 Pension Plans (SD)**

**Finding:** 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.

**Recommendation:** Review the census data used by actuaries in calculating the net pension liability and ensure that discrepancies are investigated and resolved appropriately.

**E+P’s Comment 2017:** Policies and procedures in process.

**City’s Response 2017:** New staff in HR are receiving training in CalPERS administration and information was supplied to the PARS plan actuary, Bartel and Associates for the biennial valuation. Finance and HR will work together with the actuaries for both plans to assure that data required to develop appropriate actuarial analyses is complete and accurate. Inadequate staffing and training have contributed to past problems. Staffing in Payroll is inadequate for the current workload and Payroll staff found little time to process payrolls and stay up to date with training and review of changes in taxes, regulation and labor agreements. New policies drafted by the City’s consultants for reviewing the adequacy of Finance Department staffing, developing training plans and conducting performance evaluations incorporating control system accountability will combine to address this problem.

The City will also adopt internal control policies for major balance sheet accounts. Those policies will include both pension and other post-employment benefit liabilities and deferred inflows and outflows.

Responsibilities in the Finance and Human Resource departments will be structured to develop expertise and organizational capacity to account for these liabilities.
Planned Implementation Date:
ICIF implementing policy adoption: June 30, 2018
Uniform Guidance implementing policy adoption: June 30, 2018
Finance and HR staff assignments: June 30, 2018
GASB 87 - Leases implementation: July 1, 2018

Responsible Person: CFO Jim Throop

E+P’s Comment 2018: Repeat finding 2018-016

2015-095 - Use of Credit Cards (BP)

Finding: Credit cards remained active for a period of 2 months to almost 9 months after employee was terminated before being cancelled.

Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:
ICIF Policies: June 30, 2018
Uniform Guidance Policies: June 30, 2018
Major transaction system policies: September 30, 2018
Purchasing manual including credit card policies and procedures: October 31, 2018

Responsible Person: Purchasing Manager Lisa Boerner

E+P’s Comment 2018: To be tested

City’s Response 2018: A policy and procedure (P&P) was established for credit cards and includes the implementation of verification by Purchasing that the active credit card has been cancelled upon termination of the employee. The P&P was prepared by the Purchasing Manager, training took place in July 2018 and the P&P is ready to be tested by the auditors.
2015-096 - Use of Credit Cards (SD)

Finding: Credit card transactions were not processed and reviewed timely by the Finance Department.

Recommendation: The Finance Department should process and review credit card transactions on a timely basis.

E+P’s Comment 2017: Not yet started.

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:
   ICIF Policies: June 30, 2018
   Uniform Guidance Policies: June 30, 2018
   Major transaction system policies: September 30, 2018
   Purchasing manual including credit card policies and procedures: October 31, 2018

Responsible Person: Purchasing Manager Lisa Boerner

E+P’s Comment 2018: To be tested

City’s Response 2018: A P&P was established for credit cards and includes a procedure for processing and reviewing credit card transactions on a timely basis. The P&P was prepared by the Purchasing Manager, training took place in July 2018 and the P&P is ready to be tested by the auditors.

2015-097 - Contracts (BP)

Finding: 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.

Recommendation: Bids/proposals greater than $25,000 should be sent to the Purchasing Department to indicate the approved bids were submitted and received according the City policy
and to retain a copy for their records for a period of three years, according the Purchasing Manual.

**E+P's Comment 2017**: Not yet started.

**City's Response 2017**: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

**Planned Implementation Date:**
- ICIF Policies: June 30, 2018
- Uniform Guidance Policies: June 30, 2018
- Major transaction system policies: September 30, 2018
- Purchasing manual including credit card policies and procedures: October 31, 2018
- Documentation, training and implementation of new purchasing policies: June 30, 2019

**Responsible Person**: Purchasing Manager Lisa Boerner

**E+P’s Comment 2018**: To be tested

**City’s Response 2018**: The Purchasing Manual has been adopted and training took place for six weeks during the summer/fall of 2018. The Purchasing Manual is ready to be tested by the auditors.

**2015-098 - Contracts (SD)**

**Finding**: 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.

**Recommendation**: 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.

**E+P's Comment 2017**: Not yet started.
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:
- ICIF Policies: June 30, 2018
- Uniform Guidance Policies: June 30, 2018
- Major transaction system policies: September 30, 2018
- Purchasing manual including credit card policies and procedures: October 31, 2018
- Documentation, training and implementation of new purchasing policies: June 30, 2019

Responsible Person: Purchasing Manager Lisa Boerner

E+P’s Comment 2018: To be tested

City’s Response 2018: The Purchasing Manual has been adopted and training took place for six weeks during the summer/fall of 2018. The Purchasing Manual is ready to be tested by the auditors.

2015-099 - Contracts (SD)

Finding: 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.

Recommendation: 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.

E+P's Comment 2017: Not yet started.

City's Response 2017: The Finance Department and the City Attorney's Office have prepared new purchasing ordinances and a draft Purchasing Manual. Adoption of the manual has been deferred to incorporate ICIF implementing policies, Uniform Guidance implementing policies and Major Transaction System Policies.

Planned Implementation Date:
SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

ICIF Policies: June 30, 2018
Uniform Guidance Policies: June 30, 2018
Major transaction system policies: September 30, 2018
Purchasing manual including credit card policies and procedures: October 31, 2018
Documentation, training and implementation of new purchasing policies: June 30, 2019

**Responsible Person:** Purchasing Manager Lisa Boerner

**E+P’s Comment 2018:** In progress

**City’s Response 2018:** The Purchasing Manual has been adopted and training took place for six weeks during the summer/fall of 2018. The Purchasing Manual is ready to be tested by the auditors.

**2015-100 - Municipal Golf Course (SD)**

**Finding:** 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.

**Recommendation:** 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.

**E+P’s Comment 2017:** Policies and procedures in process.

**City's Response 2017:** The City Council has engaged a certified public accounting firm to act as the City’s internal auditor and has included an audit of the golf course and related agreements in audit plan. Further detailed review will be done as the City prepares for changes related to the end of the current management contract with the golf course operator. Governance issues relating to oversight of the operation will be addressed as part of that work.

**Planned Implementation Date:** June 30, 2019

**Responsible Person:** CFO Jim Throop

**E+P’s Comment 2018:** Not yet started.
City's Response 2018: The City Council has engaged a certified public accounting firm to act as the City's internal auditor and has included an audit of the golf course and related agreements in the audit plan. Further detailed review will be done as the City prepares for changes related to the end of the current management contract with the golf course operator. Governance issues relating to oversight of the operation will be addressed as part of that work.

**Planned Implementation Date:** June 30, 2019

**Responsible Person:** CFO Kevin Riper

2015-102 - Municipal Golf Course (SD)

**Finding:** The City did not bill the company for water used on the municipal golf course.

**Recommendation:** The City should bill the operator for use of any City services to operate the municipal golf course.

**E+P's Comment 2017:** Not yet started.

City's Response 2017: The City Council has engaged a certified public accounting firm to act as the City's internal auditor and has included an audit of the golf course and related agreements in audit plan. Further detailed review will be done as the City prepares for changes related to the end of the current management contract with the golf course operator. Draft policies developed to implement the ICIF and provide a base for correction of Single Audit findings will provide a process for improving policies and procedures related to the golf course in the context of a more extensive risk assessment process and a new contract for operation of the courses.

**Planned Implementation Date for Water Use Charge Policy:** June 30, 2018. The new contract terms will be developed and negotiated with an operator by December 31, 2018.

**Responsible Person:** CFO Jim Throop

**E+P’s Comment 2018:** In progress
City's Response 2018: The City Council has engaged a certified public accounting firm to act as the City's internal auditor and has included an audit of the golf course and related agreements in the audit plan. Further detailed review will be done as the City prepares for changes related to the end of the current management contract with the golf course operator. Draft ICIF policies will provide a process for improving policies and procedures related to the golf course operation in the context of a more robust risk assessment for the new operator contract. Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

Planned Implementation Date for Water Use Charge Policy:
ICIF policies are expected to be presented to City Council by September 30, 2019. The new contract terms will be developed and negotiated with an operator by December 31, 2019.

Responsible Person: CFO Kevin Riper

2015-103 - Review and Reconciliation of Clearing Funds (SD)

Finding: 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.

Recommendation: Close-out clearing funds periodically, quarterly, or at least annually.

E+P's Comment 2017: Not yet started. See also current year finding 2017-013.

City's Response 2017: The CFO has engaged consultants to implement fundamental elements of the Internal Control Integrated Framework (ICIF) and to create policies for major transaction systems and for business processes to establish control standards. Those standards will include expectations for segregation of duties, assignment of authority and responsibility, reconciliation, information and communication and monitoring for persons with responsibility for systems of processes. Valuation and reporting presentation of related balance sheet accounts will also be covered.

Planned Implementation Date:
ICIF implementing policies, including control activity standards: June 30, 2018
Control activity design and documentation: June 30, 2019

Responsible Person: Controller Christine Williams
E+P’s Comment 2018: In progress

City’s Response 2018: Finance is currently working on implementing the ICIF that includes creating policies for major transaction systems and for business processes to establish control standards. Those standards will include expectations for segregation of duties, assignment of authority and responsibility, information and communication, and monitoring activities. Valuation, reconciliation and reporting of related balance sheet accounts will also be addressed in the P&Ps. Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO). The ICIF policies are expected to be presented to City Council by September 30, 2019.

2015-104 - Review and Reconciliation of Clearing Funds (BP)

Finding: 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.

Recommendation: 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.

E+P’s Comment 2017: Policies and procedures in process.

City's Response 2017: In connection with the FY 17 audit staff analyzed the detail of the private donations trust fund and corrected accounting for the donations recorded in the fund. Staff plans to propose a City Council policy governing acceptance and accounting for private donations.

Other trust fund accounts relating to accounts receivable from developers will be analyzed and corrected during FY 18.

Planned Implementation Date:
- Donation and acceptance policy with management decision on accounting treatment: December 31, 2018
- Analysis of other trust funds: August 31, 2018

Responsible Person: Controller Christine Williams

E+P’s Comment 2018: In progress
City's Response 2018: Policies and procedures for governing and accounting for private donations have not been started. This is expected to be implemented in FY 2019-20 Trust fund accounts will continue to be analyzed for proper classification of funds.

2015-105 - Information and Communication (SD)

Finding: 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.

Recommendation: Improve Communications among departments. The Finance Department should hold meetings with department heads periodically.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: Implemented. Most financial information is shared at Senior Leadership Team meetings and budget meetings. Senior Leadership Team meetings occur weekly and cover a wide range of topics related to management of the city and to the expectations of the City Council. Some meetings are set aside to focus on specific subject areas. The plan is to continue to share information on audit status, CAFR/Single audit status, and audit findings.

Regular communication of status of the annual GAAP audit and the Single Audit findings is occurring. Planned ICIF implementing policies include periodic meetings with the City Manager, Senior Leadership Team and City Council to discuss progress, risk and priorities in the context of the integrated framework. Those policies also establish standards and expectations for information and communication about City Council goals and management's operating, reporting and compliance objectives. The city considers improved communication a key element of building an ethical, competent and accountable organization.

New policies will institutionalize and clarify expectations for communication about risk, the internal control system and the control responsibilities of managers and employees throughout the City.

Planned Implementation Date:
ICIF Policies: June 30, 2018
Uniform Guidance Policies: June 30, 2018
Major transaction system and balance sheet account policies: September 30, 2018
Periodic ICIF reviews with Senior Leadership team and City Council: Fiscal 2018
Responsible Person: CFO Jim Throop

E+P’s Comment 2018: In progress

City’s Response 2018: This finding was implemented in practice through Senior Leadership Team meetings and budget meetings. In addition, the City plans to bring the departments, such as Finance and Public Works, together to meet at least on a quarterly basis to review projects, including status updates such as estimated completion date and other relevant information that may have financial impacts. Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

Planned Implementation Date: Implementation should begin by July 1, 2019. ICIF policies are expected to be presented to City Council by September 30, 2019.

Responsible Person: CFO Kevin Riper

2015-106 - Monitoring Activities (MW)

Finding: There is a lack of written policies and procedures over monitoring of internal control over financial reporting.

Recommendation: Design and implement an integrated framework for internal control which includes monitoring of implementation of internal control and evaluating it on a regular basis.

E+P's Comment 2017: Policies and procedures in process.

City's Response 2017: The City plans to adopt ICIF implementing policies, Uniform Guidance implementing policies, and transaction system and major balance sheet policies that will address financial reporting control risks. Initial priority focuses on creating the integrated framework, complying with Uniform Guidance administrative and grant administration requirements and developing control activities to address the risks identified in audit findings.
The extent and formality of documentation depends on a risk-based approach appropriate for a rapidly changing organization. Procedural documentation will be developed consistent with ICIF Risk Assessments and staffing resources. Some control activities will be implemented through changes in practices or with limited documentation at the desk manual, FAQ or checklist level. When risks associated with transactions systems, reporting processes, fraud prevention and detection and major balance sheet items are significant, more formal and structured documentation will be prepared.

**Planned Implementation Date:**
- ICIF Policies: June 30, 2018
- Uniform Guidance Policies: June 30, 2018
- Major transaction system and balance sheet account policies: September 30, 2018
- Risk-based documentation of procedures: June 30, 2019

**Responsible Person:** Assistant CFO Deanne Purcell

**E+P’s Comment 2018:** In progress

**City’s Response 2018:** The City plans to adopt ICIF implementing policies that will address financial reporting control risks. Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

**Planned Implementation Date:** ICIF policies are expected to be presented to City Council by September 30, 2019.

**Responsible Person:** Assistant CFO Donna Ventura

**2015-107 - Monitoring Activities (MW)**

**Finding:** 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.

**Recommendation:** Design and implement an integrated framework for internal control, which includes monitoring of implementation of internal control and evaluating it on a regular basis.

**E+P’s Comment 2017:** Policies and procedures in process.
City's Response 2017: The CFO has engaged consultants to help staff draft policies for internal controls to implement key components of the ICIF and establish key controls and control standards for major transaction systems, financial reporting processes, fraud prevention and detection activities and balance sheet items. Since Fiscal 2015 the City Council and management have engaged consultants and attorneys to evaluate the adequacy of consultants' and auditors' disclosures of deficiencies in compliance, financial reporting, budgeting and ethical practices. Subject matter consultants in local government taxes and assessments, development impact fees and human resources systems have identified numerous issues.

With the Fiscal 2014-2015 audit independent auditor's findings identified more weaknesses affecting financial reporting that were disclosed in the Single Audit reports. In addition, new staff experienced in other agencies have identified other important issues. With the support of the City Council the City staff has begun a significant multi-year effort to implement a COSO/GAO ICIF based internal control framework to provide reasonable assurance that operating, reporting and compliance objectives are met.

Until that system has matured the City will use a combination of additional account reconciliation and analytical review to plug gaps in weak systems. In addition, policies to provide systematic analysis of nonstandard items, complex regulatory matters and new finance and accounting issues are planned. During the last two years the City has made significant progress in preparing financial information that is reliable. Future efforts will seek to improve timeliness and quality.

**Planned Implementation Date:**
- ICIF Policies: June 30, 2018
- Uniform Guidance Policies: June 30, 2018
- Major transaction system and balance sheet account policies: September 30, 2018
- Risk-based documentation of procedures: June 30, 2019

**Responsible Person:** CFO Jim Throop

E+P’s Comment 2018: In progress

City's Response 2018: The City plans to adopt ICIF implementing policies that will address financial reporting control risks. Implementation of the ICIF policies has been delayed due to turnover in key leadership positions (City Manager, Deputy City Manager, CFO and Assistant CFO).

**Planned Implementation Date:** ICIF policies are expected to be presented to City Council by September 30, 2019.

**Responsible Person:** CFO Kevin Riper
2015-109 - Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements (NC)

Finding: 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

Recommendation: 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.

E+P’s Comment 2017: Policies and procedures in process.

City's Response 2017: The City Council has adopted utility rate ordinances that provide adequate revenue for debt coverage requirements. Planned policies provide for a risk-based approach to managing risks that threaten the City's reporting and compliance objectives. For utilities those objectives include compliance with constitutional requirements and contractual obligations. Operating objectives relating to the safety and sustainability of utility infrastructure and operations will also be considered.

This area has been the subject of litigation that increases risks that threaten City objectives and has been given extensive attention by legal, engineering, capital markets and financial experts. Continued management of these risks will require ongoing attention and resources given the importance of utilities to the community.

Implemented with future support from implementation of the integrated framework.

   Responsible Person: CFO Jim Throop

E+P’s Comment 2018: In progress

City's Response 2018: The City has consulted with its financial advisors and bond counsel and has provided informational briefings to bond rating agencies, letter of credit providers and interest rate swap counterparties about compliance with debt covenants. As a result of these consultations, the City has successfully refunded its variable rate bonds and terminated the related interest rate swap agreements, leading to improved bond ratings.
In addition, a Management Accountant was hired for these important bond accounting, reporting and ongoing disclosure responsibilities. That person, working with Finance Department managers, the City’s bond advisors, and the City’s bond counsel will monitor debt covenant compliance to ensure compliance with continuing disclosure requirements. Finally, the City is developing a schedule with the bond advisors delineating the City’s responsibilities and the agreed-upon bond advisors’ responsibilities to ensure that the City meets its debt compliance requirements in a timely manner.

**Planned Implementation Date:** June 30, 2019

**Person responsible:** Management Accountant Jason Williams

**2015-110 - Compliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements (NC)**

**Finding:** The Oxnard Successor Agency incurred administrative costs in excess of approved budget amounts as stated in the ROPS

**Recommendation:** Improve processes in place to ensure that the expenses reported in the private purpose trust fund were approved in the ROPS.

**E+P's Comment 2017:** Policies and procedures in process.

**City's Response 2017:** The CFO has engaged consultants with expertise in successor agency compliance and reporting to assist in the financial administration of the agency. This coupled with recent training provided for Finance and Economic Development/CDC staff has implemented the recommendation for this finding.

**Responsible Person:** Controller Christine Williams

**E+P’s Comment 2018:** Complete