

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022****FINANCIAL STATEMENT FINDINGS – PRIOR AUDIT****2021-001      Timely and Accurate Year-End Close**

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Carmen Gusman, Deputy Director of Finance
- **Current Status:** See response to current year finding #2022-001 in Corrective Action Plan.
- **Anticipated Completion Date:** 9/30/2024

**2021-002      Accurately Adopting and Amending the Annual Budget**

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Lana McBroom, Acting Budget Manager
- **Current Status:** Agree. During FY 21, all finance management and department heads had turnover. In addition, multiple consultants, department reorganizations, and turnover created an unstable environment where the understanding of what was done for budget and what was needed was not always transferred to the next person. For FY 22, the budget was prepared before June 30, but was subsequently corrected three times, as well as a mid-year budget update after the new Finance Director was hired.

For the FY 23 budget with new management in place, the budget was more stable; however, lacked some basic components such as a comprehensive cost allocation plan, policy updates, long-term financial forecasts, comprehensive fund-level budget schedules, comprehensive information on major revenue sources and spending areas of the General Fund, and information on reserves and fund balances. In addition, there was management changes (including the departure of the Finance Director), other turnover, and a lack of Budget staff leading toward the preparation of the FY 24 budget. This was adopted prior to June 30; however, it was noted that the attributes listed above were missing in the FY 24 Budget as well due to the lack of Budget staff and leadership. As of June 2024, the Finance Department is fully staffed. The Finance Director's decision to appoint an Acting Budget Manager, along with his own expertise and experience in Municipal Budgeting resulted in a successful Mid-Year Budget Update to Council in February of 2024. In addition, the Fiscal Year 2025 Annual Budget was a vast improvement over the prior two Fiscal Years, and includes all of the attributes mentioned above with the exception of the comprehensive cost plan, which is currently in draft form and under review.

- **Anticipated Completion Date:** 6/30/2024

**2021-003 Prior Year Material Weaknesses Not Implemented**

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Carmen Gusman, Deputy Director of Finance
- **Current Status:** The corrective action plans for these findings are listed below in the Summary Schedule of Prior Audit Findings
  - 2020-001 Timely and Accurate Year End Close
  - 2020-002 Timely Preparation and Approval of Bank Reconciliations
  - 2020-004 Redevelopment Bonds Projects Fund
  - 2020-005 Accurate Preparation of the Schedule of Expenditures of Federal Awards
- **Anticipated Completion Date:** 10/31/2024

**2021-004 Purchasing Policy Compliance**

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Carmen Gusman, Deputy Director of Finance
- **Current Status:** Agree. Given past issues with Finance Department staff and other Department staff complying with the City's Purchasing Policy, there has been a renewed emphasis on following the policy at all levels of the City. In September of 2023, the pages of the Purchasing Policy regarding thresholds for bidding/solicitation, purchase orders and agreements/contracts were updated via Council Approval. A comprehensive review of the whole policy is planned for Fiscal Year 2025. In the interim, with the appointment of a new Deputy Director of Finance during Fiscal Year 2024 overseeing the accounting and purchasing functions, there has been an emphasis on educating Departments on the importance of complying with the Purchasing Policy. In addition, under the Deputy Director's guidance, the City has transitioned to fully electronic Purchase Order and AP invoice batch processing. Electronic processing allows for thorough cataloging, and lower risk of losing back-up documentation.
- **Anticipated Completion Date:** 12/31/2024

**2021-005 Using Capital Projects Identifiers for All Projects**

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Lana McBroom, Senior Budget Analyst
- **Current Status:** Agree. The City plans to do a review of the CIP policy and update in FY 25 to include internally constructed projects.
- **Anticipated Completion Date:** 07/01/24

**2021-006 Prior Year Significant Deficiencies Not Implemented**

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Lana McBroom, Senior Budget Analyst
- **Current Status:** The corrective action plans for these findings are listed below in the Summary Schedule of Prior Audit Findings.
  - 2019-004 Finance Personnel Super-User Rights
  - 2017-002 Golf Enterprise Fund Working Capital
  - 2015-002 Timely Review and Approval of Journal Entries
  - 2015-003(a) Timely Preparation and Approval of Treasurer’s Reports – Implemented in 2022
  - 2015-003(b)iii Investment Reporting and Compliance – Implemented in 2022
  - 2015-004 Timely Filing of Continuing Disclosure Reports
  - 2014-002 Timely Preparation and Approval of Bank Reconciliations
  - 2012-02(a) Internal Controls – Segregation of Duties - Super-User Status in the General Ledger System
- **Anticipated Completion Date:** 07/01/24

**SA2021-001 Schedule of Expenditures of Federal Awards (SEFA) Preparation**

**CFDA Number:** 14.218  
**CFDA Title:** COVID-19 - Community Development Block Grants/Entitlement Grants  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Pass Through Entity:** San Joaquin County Community Development Department  
**Federal Award Identification Number:** A-93-916

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Carmen Gusman, Deputy Director of Finance
- **Current Status:** Staff will review the procedures related to preparing the schedule of expenditures of federal awards including having additional staff members designated to confirming expenses are being applied to the correct project and reported appropriately. The SEFA effort will now be a collaborative effort between the Accounting Division and Budget Division. There are new written procedures being reviewed for grant tracking/reporting that should be help with completing the SEFA more accurately moving forward.
- **Anticipated Completion Date:** 06/30/24

**Finding Reference Number: 2020-001 Timely and Accurate Year-End Close**

- **Fiscal Year of Initial Finding:** 2019
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:** See current year comment #2022-001 in Corrective Action Plan
- **Anticipated Completion Date:** 9/30/2024

**Finding Reference Number: 2020-002      Timely Preparation of Bank Reconciliations**

- **Fiscal Year of Initial Finding:** 2020
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:** During FY 21 and FY 22 staff turnover and lack of cross training caused us to be behind. The City has engaged with an outside consultant to help catch-up on Bank Reconciliations. The City is on track to process Bank Reconciliations in a timely manner starting in Fiscal Year 2025.
- **Anticipated Completion Date:** 10/31/2024

**Finding Reference Number: 2020-004      Redevelopment Bonds Projects Fund**

- **Fiscal Year of Initial Finding:** 2020
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:** Agree. Staff recognizes the need to make timely drawdowns of project funds to match eligible expenses. Due to staff turnover this has not been completed. In addition, cross training on projects and reconciliation of projects in is process and this is expected to be completed during FY 25. A “catch-up” of drawdowns happened during FY 24.
- **Anticipated Completion Date:** 10/31/2024

**Finding Reference Number: 2020-005      Accurate Preparation of the Schedule of Expenditures of Federal Awards**

- **Fiscal Year of Initial Finding:** 2020
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:** For the FY 20 and FY 21 SEFA, outside consultants were used who were unaware of the intricacies of prior grants funds and what was reported. In addition, staff will review the procedures related to preparing the schedule of expenditures of federal awards including having additional staff members designated to confirming expenses are being applied to the correct project and reported appropriately. Staff will also enhance cross-departmental collaboration and communication to ensure that grant spending information is being recorded, tracked, and documented properly. The SEFA effort will now be a collaborative effort between the Accounting Division and Budget Division. There are new written procedures being reviewed for grant tracking/reporting that should be help with completing the SEFA more accurately moving forward.
- **Anticipated Completion Date:** 7/1/2024

## **ATTACHMENT 4**

**Finding Reference Number:** 2020-006

**Prior Year Significant Deficiencies Not Implemented**

- **Fiscal Year of Initial Finding:** 2019, 2017, 2015 and 2014
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Jared Hansen
- **Current Status:** The Findings below are unresolved findings from the prior year that are also considered current year findings. The corrective action plans for these findings are listed below in the Summary Schedule of Prior Audit Findings.
  - 2019-004 Finance Personnel Super-User Rights
  - 2019-007 Determine Disposition of Lease Proceeds
  - 2017-002 Golf Enterprise Fund Working Capital
  - 2015-002 Timely Review and Approval of Journal Entries
  - 2015-003(a) Timely Preparation and Approval of Treasurer's Reports
  - 2015-003(b)iii Investment Reporting and Compliance
  - 2015-004 Timely Filing of Continuing Disclosure Reports
  - 2014-002 Timely Preparation and Approval of Bank Reconciliations
- **Anticipated Completion Date:** 2019-004 is ongoing as the deficiency is related to the ERP provider. 2019-007 through 2015-003(b)iii was resolved as of 02/28/2024. 2015-004 through 2014-002 anticipated to be resolved by 10/31/2024.

**Finding Reference Number:** 2020-007

**Authorization and Communication of New Bank Accounts**

- **Fiscal Year of Initial Finding:** 2020
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:** The City agrees (1) bank accounts should not be opened by any City department without prior communication with the Finance Department and (2) bank accounts should have more than one authorized signer. Staff has educated departments on the importance of and necessity for this policy. The unauthorized-by-finance bank account was closed in August 2021.
- **Anticipated Completion Date:** Completed as of 8/31/2021

**Finding Reference Number:** 2020-008

**Timely Preparation and Approval of Treasurer's Reports**

- **Fiscal Year of Initial Finding:** 2020
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:** The City began formal quarterly investment reporting to the City Council and the public in November 2020, for the period ending September 2020. In addition, the investment policy was updated in December 2020 and includes a requirement for quarterly investment reporting. In addition, because of staff turnover, the quarterly reports for March 31 and June 30 were submitted late.
- **Anticipated Completion Date:** Implemented

**Finding Reference Number: 2019-001      Timely and Accurate Year-End Close**

- **Fiscal Year of Initial Finding:** 2019
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:** See current year comment #2022-001 in Corrective Action Plan
- **Anticipated Completion Date:** 6/30/2024

**Finding Reference Number: 2019-003      Prior Year Recommendations Not Yet Implemented**

- **Fiscal Year of Initial Finding:** 2012, 2015 and 2017, as noted below
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:**
  - **2017-002 Golf Enterprise Fund Working Capital** - The revenue for the golf course was evaluated for the FY 22 budget and we believe the subsidy from the General Fund is sufficient to correct the issue with working capital. This was further evaluated during FY 22 as a fee study took place which recommended increasing the overall user fees for the golf course.
  - **2015-002 Timely Review and Approval of Journal Entries** - The City has procedures in place for all journal entries to be reviewed before they are posted to the general ledger, and these entries are initialed by the reviewer. Due to staff turnover, the entries were not entered timely. This is also related to the 2021-001 finding with the timely close. As the close management system is being refined, procedures for close will be done on a more regular basis. During FY 24, additional controls took place with closing each period and utilizing system controls from the FloQast software to lock down prior period transactions.
  - **2015-003(b)iii Investment Reporting and Compliance** - The City began formal quarterly investment reporting in November 2020, for the period ending September 2020. In addition, the investment policy was updated in December 2020, including investment reporting as a quarterly requirement in the policy. The practice of investment reporting on a quarterly basis continues currently.
  - **2015-004 Timely Filing of Continuing Disclosure Reports** - The City has contracted out all continuing disclosure reporting. We anticipate this to be a reoccurring issue until such time that the Financial Statements are filed timely and the required information is available for disclosure.
  - **2012-02(a) Internal Controls – Segregation of Duties - Super-User Status in the General Ledger System** - See 2019-004 below.
- **Anticipated Completion Date:** 10/31/24

**Finding Reference Number: 2019-004 Finance Personnel Super-User Rights**

- **Fiscal Year of Initial Finding:** 2012
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:** We agree that the security of super users should be reviewed more thoroughly and that a procedure should be established for system changes. Internal controls for super users is currently being reviewed. Because of the nature of the ERP system, other compensating controls will be necessary. We will add an independent review of the log files to the close management software for the super users. However, ultimately, staff understands that super user rights should be limited to a select few and have actively discussed during FY 2024. Finance staff has explained to IT staff the need to shift super-user rights/duties from Finance staff to IT staff. In collaboration with the IT staff, a new form has been developed for ERP system end-user changes. The purpose of the form is to have Finance staff approve changes in the ERP system and have IT staff ultimately make the changes. The form is currently being used for GL account access requests, and then will be rolled out for other types of requests. .
- **Anticipated Completion Date:** 10/31/24

**Finding Reference Number: 2018-001 Prior Year Recommendations Not Yet Implemented**

- **Fiscal Year of Initial Finding:** 2012, 2015 and 2017, as noted below.
- **Current Status:** *See Below*
  - **2017-002 Golf Enterprise Fund Working Capital** - The revenue for the golf course was evaluated for the FY 22 budget and we believe the subsidy from the General Fund is sufficient to correct the issue with working capital. This was further evaluated during FY 22 as a fee study took place which recommended increasing the overall user fees for the golf course.

**Name(s) of the contact person:** Director Shay Narayan

**Anticipated Completion Date:** Completed as of 2/28/2024

- **2015-002 Timely Review and Approval of Journal Entries-** The City has procedures in place for all journal entries to be reviewed before they are posted to the general ledger, and these entries are initialed by the reviewer. Due to staff turnover, the entries were not entered timely. This is also related to the 2021-001 finding with the timely close. As the close management system is being refined, procedures for close will be done on a more regular basis. We anticipate the during FY 24 that additional controls will take place with closing each period and using system controls to lock down prior period transactions.

**Name(s) of the contact person:** Deputy Director Carmen Gusman

**Anticipated Completion Date:** Completed as of 2/28/2024

- **2014-002 Timely Preparation and Approval of Bank Reconciliation** - See 2020-002

**Name(s) of the contact person:** Deputy Director Carmen Gusman

**Anticipated Completion Date:** 10/31/2024



**Finding Reference Number: 2018-001 Prior Year Recommendations Not Yet Implemented (Continued)**

- **2015-004 Timely Filing of Continuing Disclosure Reports** - The City has contracted out all continuing disclosure reporting. We anticipate this to be a reoccurring issue until such time that the Financial Statements are filed timely and the required information is available for disclosure.

**Name(s) of the contact person:** Director Shay Narayan

**Anticipated Completion Date:** 10/31/2024

- **2012-02 Internal Controls – Segregation of Duties –**
  - a. See 2019-004
  - b. Implemented.
  - c. Implemented

**Name(s) of the contact person:** Deputy Director Carmen Gusman

**Anticipated Completion Date:** 10/31/24

**Finding Reference Number: 2017-002 Golf Enterprise Fund Working Capital**

- **Fiscal Year of Initial Finding:** 2017
- **Name(s) of the contact person:** Director Shay Narayan
- **Current Status:** The revenue for the golf course was evaluated for the FY 22 budget and we believe the subsidy from the General Fund is sufficient to correct the issue with working capital. This was further evaluated during FY 22 as a fee study took place which recommended increasing the overall user fees for the golf course. Staff will evaluate the financial position of the Golf Fund during the FY 25 Budget process and will budget costs (and subsize if necessary) to meet the 25% reserve target.
- **Anticipated Completion Date:** Completed as of 2/28/2024

**Finding Reference Number: 2015-002 Timely Review and Approval of Journal Entries**

- **Fiscal Year of Initial Finding:** 2015
- **Name(s) of the contact person:** Deputy Director Carmen Gusman
- **Current Status:** The City has procedures in place for all journal entries to be reviewed before they are posted to the general ledger, and these entries are initialed by the reviewer. Due to staff turnover, the entries were not entered timely. This is also related to the 2022-001 finding with the timely close. As the close management system is being refined, procedures for close will be done on a more regular basis. We anticipate the during FY 24 that additional controls will take place with closing each period and using system controls to lock down prior period transactions.
- **Anticipated Completion Date:** Completed as of 2/28/2024

**Finding Reference Number: 2015-003 Investment Reporting and Compliance**

- **Fiscal Year of Initial Finding:** 2015
- **Name(s) of the contact person:** Director Shay Narayan
- **Current Status:** Implemented

**Finding Reference Number: 2015-004 Timely Filing of Continuing Disclosure Reports**

- **Fiscal Year of Initial Finding:** 2015
- **Name(s) of the contact person:** Director Shay Narayan
- **Current Status:** The City has contracted out all continuing disclosure reporting. We anticipate this to be a reoccurring issue until such time that the Financial Statements are filed timely, and the required information is available for disclosure.
- **Anticipated Completion Date:** 10/31/24

**Finding Reference Number: 2014-002 Timely Preparation and Approval of Bank Reconciliation**

- **Fiscal Year of Initial Finding:** 2014
- **Name(s) of the contact person:** Deputy Director Carmen Gusman
- **Current Status:** See 2020-002.
- **Anticipated Completion Date:** 10/31/24

**Finding Reference Number: 2012-02 Internal Controls – Segregation of Duties**

- **Fiscal Year of Initial Finding:** 2012
- **Name(s) of the contact person:** Deputy Director Carmen Gusman
- **Current Status:**
  - a. Super-User Status in the General Ledger System – see 2019-004
  - b. Reviewing Changes to Vendor Database - Implemented.
  - c. Reviewing Changes to Employee Database - Implemented.
- **Anticipated Completion Date:** 10/31/24

**FEDERAL AWARD FINDINGS – PRIOR AUDIT**

**Finding Reference Number #SA2021-002: Support for Payroll Costs Charged to Grant**

**CFDA number:** 20.507  
**CFDA Title:** Federal Transit – Formula Grants (Urbanized Area Formula Program)  
**Name of Federal Agency:** Department of Transportation - Federal Transportation Administration  
**Federal Award Identification Number:** CA-2021-009-01, CA-2020-005-01, CA-2020-005-02

- **Fiscal Year of Initial Finding:** 2019
- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Carmen Gusman, Deputy Director of Finance
- **Current Status:** Implemented

**Finding Reference Number #SA2021-003: Pro-Rating Annual Payroll Costs Charged to Grant**

**Assistance Listing Number:** 21.019  
**Assistance Listing Title:** COVID-19 - Coronavirus Relief Fund  
**Name of Federal Agency:** Department of Treasury  
**Pass Through Entity:** California Department of Finance  
**Federal Award Identification Number:** 390

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Carmen Gusman, Deputy Director of Finance
- **Current Status:** Now that payroll services and the budget division are both fully staffed, the City will be able to develop procedures that will ensure personnel budgets and costs are accurately pro-rated and allocated to the appropriate funding source. Additionally, the City expects to have sufficient staffing to work more closely with grantors make certain that all eligible costs are accounted for.
- **Anticipated Completion Date:** 10/31/2024

**Finding #SA2021-004: Allowable Subrecipient and Contract Costs**

**Assistance Listing Number:** 14.218  
**Assistance Listing Title:** COVID-19 - Community Development Block Grants/Entitlement Grants  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Pass Through Entity:** San Joaquin County Community Development Department  
**Federal Award Identification Number:** A-93-916

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Carmen Gusman, Deputy Director of Finance
- **Current Status:** The City will develop procedures for grant management, accounting and reporting to ensure that only allowable subrecipient costs are claimed and are supported by contract. Amended policy went to Council in September 2023 and the City is working on this through this fiscal year and expect to have this fully resolved by 10/31/2024.
- **Anticipated Completion Date:** 10/31/2024

**Finding #SA2021-005: Cash Management**

**Assistance Listing Number:** 14.218  
**Assistance Listing Title:** COVID-19 - Community Development Block Grants/Entitlement Grants  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Pass Through Entity:** San Joaquin County Community Development Department  
**Federal Award Identification Number:** A-93-916

- **Name(s) of the contact person:** Shay Narayan, Director of Finance; Carmen Gusman, Deputy Director of Finance
- **Current Status:** The City will develop procedures to ensure all grant-funded expenditures are included on drawdown request and prepared quarterly.
- **Anticipated Completion Date:** 10/31/2024

**Finding Reference Number #SA2020-001: Support for Payroll Costs Charged to Grant**

**CFDA number:** 20.507  
**CFDA Title:** Federal Transit – Formula Grants (Urbanized Area Formula Program)  
**Name of Federal Agency:** Department of Transportation - Federal Transportation Administration  
**Federal Award Identification Number:** CA-2016-104-02, CA2020-005-00

- **Fiscal Year of Initial Finding:** 2019
- **Name(s) of the contact person:** Director Shay Narayan and Deputy Director Carmen Gusman
- **Current Status:** Implemented

**Finding Reference Number #SA2019-001: Support for Payroll Costs Charged to Grant**

**CFDA number:** 20.507  
**CFDA Title:** Federal Transit – Formula Grants (Urbanized Area Formula Program)  
**Name of Federal Agency:** Department of Transportation - Federal Transportation Administration  
**Federal Award Identification Number:** CA-90-Z172, CA-2016-104-01, CA-2016-104-02

- **Fiscal Year of Initial Finding:** 2019
- **Name(s) of the contact person:** Director Shay Narayan
- **Current Status:** Implemented

**Finding Reference Number: 2018-001      Review and Accuracy of Federal Financial Reports and Reimbursement Requests**

**CFDA number:** 20.507  
**CFDA Title:** Federal Transit – Formula Grants (Urbanized Area Formula Program)  
**Name of Federal Agency:** Department of Transportation - Federal Transportation Administration  
**Federal Award Identification Number:** CA-2016-104-00, CA-90-Z172-00

- **Fiscal Year of Initial Finding:** 2018
- **Name(s) of the contact person:** Director Shay Narayan
- **Current Status:** Management are working on a master grants management plan which includes transit grant activities. Enhanced collaboration between the Finance Department and the Transit Division, especially regarding agreed upon procedures for Federal Grants record keeping, will help with timely and accurate submissions of reimbursement claims and reporting. Finance staff is currently reviewing a draft procedures document which comprehensively outlines the City's responsibilities for administrating Federal Grants. Once City Departments begin utilizing the procedures document, the reviewing and accuracy of filing and reporting should improve.
- **Anticipated Completion Date:** 06/30/2025

**Finding Reference Number: 2018-002      Timely Filing and Accuracy of Federal Financial Reports**

**CFDA number:** 20.507  
**CFDA Title:** Federal Transit – Formula Grants (Urbanized Area Formula Program)  
**Name of Federal Agency:** Department of Transportation - Federal Transportation Administration  
**Federal Award Identification Number:** CA-2016-104-00, CA-90-Z172-00

- **Fiscal Year of Initial Finding:** 2018
- **Name(s) of the contact person:** Director Shay Narayan
- **Current Status:** Management are working on a master grants management plan which includes transit grant activities. Enhanced collaboration between the Finance Department and the Transit Division, especially regarding agreed upon procedures for Federal Grants record keeping, will help with timely and accurate submissions of reimbursement claims and reporting. Finance staff is currently reviewing a draft procedures document which comprehensively outlines the City's responsibilities for administrating Federal Grants. Once City Departments begin utilizing the procedures document, the timeliness and accuracy of filing and reporting should improve.
- **Anticipated Completion Date:** 06/30/2025