



CITY OF PLACENTIA  
FINANCIAL OVERSIGHT AUDIT COMMITTEE  
401 E CHAPMAN AVENUE  
PLACENTIA, CA 92870

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## MEETING AGENDA

July 25, 2011 7:00 P.M.

**ROLL CALL** - Benuzzi, DeRose, Larson, McCallick, Mooberry

**PUBLIC COMMENT**- The public is invited to address the Committee concerning any item on the agenda.

1. **Approval of Minutes of the April 11, 2011 Financial Oversight Audit Committee Meeting and June 8, 2011 Special Financial Oversight Audit Committee**
2. **Brown Act Overview - City Attorney Andrew Arczynski**
3. **Introduction of new audit firm, Haskell and White, LLC**
4. **Fiscal Year 2010-11 Audit Schedule and timeline**
5. **Review of Corrective Action Plan**

**COMMITTEE COMMENTS** -

**STAFF COMMENTS** -

**ADJOURNMENT** - To the next regular meeting of the Financial Oversight Audit Committee on October 10, 2011 at 7:00 P.M.

"In compliance with the Americans With Disabilities Act, if you need special assistance to participate in this meeting, please contact the Finance Department at (714) 993-8237 at least forty-eight (48) hours prior to the meeting to allow the City to make reasonable arrangements to ensure accessibility to this meeting."

**\*\*\*CERTIFICATION OF POSTING AGENDA\*\*\***

I, Karen Ogawa, Secretary to the Financial Oversight Audit Committee, hereby certify that the agenda for the meeting was posted on July 21, 2011.

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Karen Ogawa, Secretary

CITY OF PLACENTIA  
FINANCIAL OVERSIGHT AUDIT COMMITTEE  
MINUTES  
REGULAR MEETING OF APRIL 11, 2011  
COMMUNITY MEETING ROOM

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**CALL TO ORDER:** Chairman Benuzzi called the meeting to order at 7:09 p.m.

**ROLL CALL:**

Present: James Benuzzi, Craig Green, Mark McCallick, David Mooberry

Absent: None

**PUBLIC PRESENT:** None

**STAFF PRESENT:** Karen Ogawa, Director of Finance; Mike Nguyen, Finance Services Manager; Scott Nelson, Mayor; Constance Underhill, Councilmember; Troy Butzlaff, City Administrator; Patrick Melia, City Clerk; Teri Knutson, Administrative Assistant

**COMMENTS –** None

1. **Approval of Minutes – MOTION** by Chairman Benuzzi, to approve the minutes of March 14, 2011. **SECONDED** by member Green **MOTIONED CARRIED (3-0-1)** (Mooberry abstain).

2. **Installation of New Committee Members –**

City Clerk Patrick Melia installed new Financial Audit Committee members Dwayne DeRose and Kevin Larson.

3. **Update on the Fiscal Year 2008-09 and 2009-10 Corrective Action Plan for the Redevelopment Agency Financial Statements, Single Audit Report and Management Report -**

Karen Ogawa informed the Committee that there were no changes to Corrective Action Plans from the last meeting of March 14, 2011. They were taken to City Council for receive and file per direction of the Committee.

4. **Discuss Request for proposal for Audit Services / Extension of Contract with current Auditor for Fiscal Year 2010-2011 Audit –**

Chairman Benuzzi stated that he had spoken to Kevin from Vavrinek, Trine, Day & Co. and that they are not interested in exercising their mutual option under the current contract; however, they would like to be on the bidders list.

**MOTION** by Chairman Benuzzi to recommend to City Council that the contract to Vavrinek, Trine, Day & Co., for auditing services not be extended for the fiscal year 2011/2012 **SECONDED** by member Mooberry, **MOTION CARRIED (4-0-1)** (Larson abstain).

Karen Ogawa reviewed the RFP for auditing services with the committee.

A discussion took place on the feasibility of changing the due date of the RFP to a later date; it was decided to leave the proposed deadline at April 20<sup>th</sup>. Troy Butzlaff suggested that the only schedule change should be that the RFP will be brought to City Council at the June 7<sup>th</sup> meeting, with the contract beginning on June 8<sup>th</sup>.

Chairman Benuzzi requested that committee members receive a copy of the monthly progress reports from the auditing firm; Mayor Nelson requested that council members receive a copy as well.

#### **5. Selection of Ad-Hoc Committee for Auditing Services RFP Selection -**

Chairman Benuzzi stated that Craig Green will be stepping down from the Audit Oversight Committee as he has been appointed City Treasurer. Do to this appointment the committee is required to select a new member for the Ad-Hoc Committee for Auditing Services RFP selection process.

**MOTION** by member Larson to replace member Green with member DeRose on the AD-Hoc committee for auditing services RFP selections. **SECONDED** by member Mooberry, **MOTION CARRIED (5-0-0)**.

**COMMITTEE COMMENTS:** Member McCallick inquired as to the backgrounds of the new members. Members DeRose and Larson gave a brief statement as to their backgrounds.

#### **STAFF COMMENTS:**

Troy Butzlaff thanked Craig Green for serving on the Financial Oversight Audit Committee.

Karen Ogawa distributed to the committee a list of policies/procedures for the Finance Department. Chairman Benuzzi requested that when policies/procedures are completed that they be forwarded on to the committee members for review.

**ADJOURNMENT: MOTION** by member Mooberry, to adjourn to the next regular meeting on Monday, July 11, 2011 at 7:00 p.m., **SECONDED** by member McCallick, **MOTION CARRIED (5-0-0)** The meeting adjourned at 8:47 p.m.

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Karen Ogawa  
Director of Finance

CITY OF PLACENTIA  
FINANCIAL OVERSIGHT AUDIT COMMITTEE  
MINUTES  
REGULAR MEETING OF JUNE 8, 2011  
COMMUNITY MEETING ROOM

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**CALL TO ORDER:** Chairman Benuzzi called the meeting to order at 7:01 p.m.

**ROLL CALL:**

**Present:** James Benuzzi, Dwayne DeRose, Kevin Larson, Mark McCallick,  
David Mooberry

**Absent:** None

**PUBLIC COMMENT:** Craig Green stated that he hopes that the Audit Committee that is chosen does a good job.

**STAFF PRESENT:** Karen Ogawa, Director of Finance; Mike Nguyen, Finance Services Manager

**COMMENTS** – None

**1. Discussion/Recommendation to City Council of Auditing Firm for Auditing Services F/Y 2010-11, F/Y 2011-2012 and F/Y 2012-2013 –**

Chairman Benuzzi explained the process to the committee members stating that seven firms were reviewed and that list was narrowed down to three. The top three were interviewed on May 21<sup>st</sup> then the Ad-Hoc committee came up with their recommendations. Member Larson informed the committee that his current employer is under contract with Haskill & White. Chairman Benuzzi requested that member Larson recuses himself from the voting of the auditing firm so that there is no conflict of interest. Member Larson didn't believe that this was a conflict of interest but it was up to the committee. The committee decided that member Larson should recuse himself. Member Larson stepped out during the proceedings for the selection of the audit firm.

Chairman Benuzzi reviewed the questions that were asked to each auditing firm. A discussion took place on the three firms selected. Member McCallick stated that Macias, Gini & O'Connell LLP has a strong background in municipal government auditing and Haskill & White also has a very good reputation; and from his experience both of these companies are very solid in city government. Member McCallick has never heard of Teaman, Ramires & Smith.

Member DeRose stated that the Ad-Hoc committee recommends Haskill and White as the cities auditing firm.

**MOTION** by member DeRose, to recommend that City Council award the Professional Auditing Services contract to Haskill and White **SECONDED** by Chairman Benuzzi **MOTIONED CARRIED (4-0-1)** (Larson abstain).

**2. Reschedule July 11, 2011 Regular Financial Oversight Audit Committee Meeting –**

Do to schedule conflicts the next Financial Oversight Audit Committee meeting will be re-scheduled to Monday July 25, 2011

**COMMITTEE COMMENTS:** Member McCallick is still curious as to why VTD did not send a letter confirming that they would not be submitting an RFP. Chairman Benuzzi stated that he will contact VTD to inquire as to why they did not send a letter to the City.

**STAFF COMMENTS:** Karen Ogawa stated that staff will bring to the next meeting an update on the corrective action plan.

**ADJOURNMENT: MOTION** by Chairman Benuzzi, to adjourn to a special meeting on Monday, July 27, 2011 at 7:00 p.m., **SECONDED** by member DeRose, **MOTION CARRIED (5-0-0)** The meeting adjourned at 7:42 p.m.

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Karen Ogawa  
Director of Finance

**OVERVIEW OF THE  
THE BROWN ACT**  
July 20, 2011

**City of Placentia**



**ANDREW V. ARCZYNSKI**  
City Attorney  
1400 North Brea Boulevard  
Fullerton, CA 92835-3538



**Ralph D. Hanson**  
Assistant City Attorney  
2875 Michelle Drive  
Suite 350  
Irvine, CA 92606-1028



A meeting also includes any use of direct communication, personal intermediaries, or technological devices which are employed by a majority of the members of the Board to develop a collective concurrence on any action to be taken on an item by members of the Board.

(§ 54952.2)

#### WHAT IS NOT A “MEETING”?

Individual contacts or conversations.

Attendance by a majority of members at:

1. A conference;
2. An open and publicized meeting of another body of the public agency;
3. An open and publicized meeting of another organization; or
4. A social or ceremonial occasion;

PROVIDED that a majority of the members do not discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the agency.

(§ 54952.2)

#### TECHNOLOGICAL CONFERENCING

Meetings may be conducted by teleconferencing (*i.e.*, any electronic audio or video connection) only under the following conditions:

1. Agendas must be posted in advance at video teleconferencing locations specifying all teleconference locations;
2. Public access to all teleconference locations is required;
3. Public must have the opportunity to speak at each teleconference location;
4. Votes must be taken by roll call; and
5. A majority of the Board must be present within the jurisdiction.  
(§ 54953(b))

#### Serial Meetings

If member A contacts member B, and B contacts member C, and C contacts member D, and so on, until a quorum has been involved, this type of “serial meeting” may result in a violation of the Brown Act.

## PUBLIC PARTICIPATION

A regular meeting agenda must allow an opportunity for members of the public to speak on any item of interest, so long as the item is **within the subject matter jurisdiction** of the Board.

The public must be allowed to speak on a specific item of business before or during the Board's consideration of the item.

The Board may adopt reasonable regulations, including time limits, on public comments (*e.g.*, five minutes).

## PUBLIC CONDUCT

Expressions of support or opposition to matters before the agency (provided they are not overly disruptive) constitute protected speech.

The Board cannot prohibit public criticism of policies, procedures, programs, or services of the agency or the acts or omissions of the Board itself. On the other hand, the Brown Act provides no immunity for defamatory statements

### “ALL PERSONS SHALL BE PERMITTED TO ATTEND”

Members of the public cannot be required to register their names, provide other information, complete a questionnaire, or otherwise “fulfill any condition precedent” to attending a meeting.

No meeting or any other function can be held in a facility that prohibits attendance based on race, religious creed, color, national origin, ancestry or sex, or which is inaccessible to the disabled. Nor can a meeting be held where the public must make a payment or purchase in order to be present. (§§ 54953.3; 54961)

### No Secret Ballots

Action by secret ballot, whether preliminary or final, is prohibited. (§54953(c))

## CLOSED SESSIONS

The exceptions to the Brown Act's requirement that all meetings be open are termed “closed sessions” and include must be on agenda:

1. Personnel Matters;
2. Pending Litigation;
3. Real Estate Negotiations;



The Board then has up to 30 days to cure and correct its action. If it does not act, any lawsuit must be filed within the next 15 days. (§ 54960.1)

## OVERTURNING ACTIONS

Only very specific actions can be overturned by legal action based on Brown Act violations.

No challenge can succeed if there is substantial compliance with the Brown Act, or if the decision involves:

1. The sale or issuance of notes, bonds or other indebtedness, or any related contracts or agreements;
2. A contractual obligation upon which a party has in good faith relied to its Detriment;
3. The collection of any tax;
4. Situations where there was actual notice at least 72 hours prior to the meeting  
Courts require that a challenger also show prejudice to his interests as a result of the alleged violation.

## CRIMINAL CHARGES

A violation of the Brown Act may result in a misdemeanor charge against a member where:

1. Action is taken in violation of the Brown Act; and
2. The member intends to deprive the public of information to which the member knows or has reason to know the public is entitled (§ 54959)

## THE BEST SOLUTION IS PREVENTION

CORRECTIVE ACTION PLAN  
**REPORT ON SINGLE AUDIT**  
 FISCAL YEAR 2009-10



**SINGLE AUDIT FINDINGS**

**PROJECTED  
 DATE OF  
 COMPLETION**

**DESCRIPTION**

**DATE OF  
 COMPLETION**

FINDING	DESCRIPTION	DATE OF COMPLETION
Finding 2010-1: Oversight by those charged with governance and management	Summary: City should continue to work to develop a plan to address the findings	December 2010
Finding 2010-2: Financial condition	Summary: City should continue to monitor the financial health of the City and General Fund	April 2009*
	During Fiscal Year 2009-10, internal controls have been implemented to address the past deficit spending actions, which attributed to the City's weak financial condition. Finance has implemented budgetary controls to assist with monitoring expenditure budgets. One of the budgetary controls implemented requires a purchase order to be issued prior to purchases and an issuance of a warrant with the exception utilities, refunds and employee benefits payments.	April 2009*
	Another budgetary control implemented requires budgetary funds available prior to the issuance of a purchase order. All purchase orders are encumbered and are approved by the Finance Director.	April 2009*
	In addition to the encumbrance system controls, the Budget Transfer Policy has been modified to allow the City Administrator authorization to approve intrafund budget transfers. Interfund budget transfers are approved by City Council via budget resolutions.	April 2009*

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON SINGLE AUDIT**  
 FISCAL YEAR 2009-10



**SINGLE AUDIT FINDINGS**

**PROJECTED DATE OF COMPLETION**

**DESCRIPTION**

**DATE OF COMPLETION**

**April 2009\***

Budget resolutions are prepared for purchases and/or projects that were not originally included in the adopted annual budget. All budget resolutions are approved by City Council. Budget transfers and resolutions approved by City Council are entered into the accounting system by the Accounting Technician. The Finance Director reviews and approves transfers prior to entry into the accounting system. The Financial Service Manager post the budget transfers.

**May 2009\***

Another enhanced internal control is the preparation of quarterly financial reports that are approved by City Council as part of the City Council agenda.

**May 2009**

As stated by the City Attorney Arczynski in the May 28, 2009 correspondence to Vavrinek, Trine Day and Co.:

Summary: No formal borrowing agreement specifying which funds were used to cover cash

Finding 2010-3: Cash Management

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON SINGLE AUDIT**  
 FISCAL YEAR 2009-10



**SINGLE AUDIT FINDINGS**

**PROJECTED DATE OF COMPLETION**      **DATE OF COMPLETION**

SINGLE AUDIT FINDINGS	PROJECTED DATE OF COMPLETION	DATE OF COMPLETION
shortfalls/deficit cash balances	<p><i>It appears the underlying purpose of the [City] Charter §1209 is to enable the utilization of available cash to maintain the cash flows of the City in order to pay demands. Charter §1209 appears to authorize the use of funds, excluding Low and Moderate Income Housing, Redevelopment Agency Debt Service Fund, Supplemental Law Enforcement Fund and the Park Development Fund, to augment any other fund by means of short-term transfers or "loans" between funds, as may be required for cash flow purposes. Stated otherwise, available monies maintained in separate funds may be utilized pursuant to Charter §1209 for the purpose of, in effect, a "loan" to another fund in order to ensure the payment of demands against the City.</i></p>	October 2010
<p>The City has adopted a borrowing agreement policy in October 2010, which states that if cash is insufficient to reallocate the funds from which the cash was originally allocated, a Reallocation Payment Note shall be prepared and presented to City Council for consideration. The City Council shall make final determination of cash allocation and repayment requirements.</p>		

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON SINGLE AUDIT**  
 FISCAL YEAR 2009-10



**SINGLE AUDIT FINDINGS**

**DESCRIPTION**

**PROJECTED DATE OF COMPLETION**

**DATE OF COMPLETION**

City Council has approved formal borrowing agreements between the City and Agency for purchased properties

March 2011

The Finance Director prepares monthly Treasurer's report which is approved by City Council via agenda staff reports.

January 2009\*

Finding 2010-4: Bank Statement and Fiscal Agent Reconciliations  
 Summary: Bank reconciliation and fiscal agent statements should be reconciled in a timely manner

Bank reconciliation process includes the Clerical Aide/Accounting Technician preparing a reconciliation of cash receipts and/or generation of an outstanding checks lists. Effective, January 2011, Accountant prepares reconciliation to the general ledger.

May 2010\* /  
 January 2011

The Account Technician reconciles Fiscal Agent statements and prepares journal entries for Fiscal Agent activities. Effective, January 2011, the Accountant reconciles Fiscal Agent statements. The reconciliations are reviewed by the Finance Director and journal entries are reviewed by the Finance Service Manager and approved by the Finance Director.

February 2009\* /  
 January 2011

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON SINGLE AUDIT**  
 FISCAL YEAR 2009-10



**SINGLE AUDIT FINDINGS**

**PROJECTED  
 DATE OF  
 COMPLETION**

**DESCRIPTION**

**DATE OF  
 COMPLETION**

In addition to the reconciliation of bank and fiscal agent statements, there are other internal controls for cash management. These compensating controls include reconciliation of cash receipts on a daily basis and internal controls for issuances of warrants and payroll checks. Outgoing wire transfers follow the same internal control procedures as the issuance of warrants/payroll checks and incoming wire transfers follow the cash receipts internal control procedures.

**February 2009\***

Finding 2010-5: Year-  
 End Closing

Summary: City should have sufficient resources and adequate oversight to perform the year end closing procedures timely

In December 2010, the Finance Department increased staffing levels by an Accountant and a Management Analyst. These additions are critical to continuing enhancements o the internal controls.

**December 2010**

Finding 2010-6: General  
 Fund Reimbursement By  
 Agency

Summary: Payments and/or reimbursements from one fund to another should be adequately documented or recognized

In December 2010, the Finance Department increased staffing levels by an Accountant and a Management Analyst. These additions are critical to continuing enhancements o the internal controls.

**December 2010**

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON SINGLE AUDIT**  
 FISCAL YEAR 2009-10



**SINGLE AUDIT FINDINGS**

DESCRIPTION	PROJECTED DATE OF COMPLETION	DATE OF COMPLETION
<p><b>Finding 2010-7: Allocated Costs</b></p> <p>Summary: All costs allocated to the City's funds should be supported by adequate documentation</p> <p>The City utilized a study that was conducted by Maximus in 2007 which supported the allocated costs. In April 2010, the audit firm informed the City that the methodology used to determine Maximus' rates were not acceptable to justify the allocated costs.</p>	FY 2008-09	FY 2008-09
<p><b>Finding 2010-8: Capital Asset Inventory</b></p> <p>Summary: City should ensure adequate controls for monitoring assets owned and assets purchased with federal funds</p> <p>Finance interviewed departments to determine the amount of staff time spent on Redevelopment activities. Information gathered is documented to support the allocated costs.</p>	August 2011	January 2011
<p>Completion of the Cost Allocation Study for FY 2010-11</p> <p>Finance prepares a comprehensive capital asset report which includes date of purchase, funding source, cost, estimated useful life, annual depreciation and accumulated depreciation. As part of the year-end closing procedures, the capital asset report is updated with additional capital asset purchases and/or deletions and depreciation of existing assets. Maintenance of the capital asset report is performed by the Financial Services Manager and/or Finance Director.</p>	April 2009*	April 2009*

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON SINGLE AUDIT**  
 FISCAL YEAR 2009-10



**SINGLE AUDIT FINDINGS**

**PROJECTED DATE OF COMPLETION**      **DATE OF COMPLETION**

PROJECTED DATE OF COMPLETION	DATE OF COMPLETION	DESCRIPTION
December 2010	December 2010	The Accountant was added to the maintenance of capital asset report.
July 2011	July 2011	Physical Inventory performed by Vendor
		Summary: City should establish procedures to review minutes and action taken to incorporate in financial statements
		Finding 2010-9: Prior Period Adjustment/Loan Payable/Interest Payable
		In December 2010, the Finance Department increased staffing levels by an Accountant and a Management Analyst. These additions are critical to continuing enhancements o the internal controls.
	January 2011	Finance management team (Finance Director, Finance Services Manager, Management Analyst, and Accountant) meet after City Council meetings to review any Council action taken which has impact on the department.

\*The date listed is an "estimate" and is not the actual date of implementation



CORRECTIVE ACTION PLAN  
**REPORT ON SINGLE AUDIT**  
 FISCAL YEAR 2009-10



SINGLE AUDIT FINDINGS	DESCRIPTION	PROJECTED DATE OF COMPLETION	DATE OF COMPLETION
Finding 2010-10: Capital Asset Inventory	<p>Summary: City should ensure adequate controls for monitoring assets owned and assets purchased with federal funds</p>	<p>Finance prepares a comprehensive capital asset report which includes date of purchase, funding source, cost, estimated useful life, annual depreciation and accumulated depreciation. As part of the year-end closing procedures, the capital asset report is updated with additional capital asset purchases and/or deletions and depreciation of existing assets. Maintenance of the capital asset report is performed by the Financial Services Manager and/or Finance Director.</p>	October 2010
Finding 2010-11: Reporting of Federal Expenditures	<p>Summary: City did not have adequate internal controls relating to the preparation and presentation of the Schedule of Expenditures of Federal Awards</p>	<p>The Accountant was added to the maintenance of capital asset report.</p> <p>Physical Inventory performed by Vendor</p>	<p>December 2010</p> <p>July 2011</p>
Finding 2010-11: Reporting of Federal Expenditures	<p>Summary: City did not have adequate internal controls relating to the preparation and presentation of the Schedule of Expenditures of Federal Awards</p>	<p>Effective Fiscal Year 2010-11, the Financial Services Manager conducts a quarterly meeting with all departments to review the status of approved and potential grants. The Financial Services Manager prepares grant reports that summarizes the grant revenues/expenditures and outstanding reimbursable grant expenditures on a quarterly basis, which is reviewed and approved by the Finance Director.</p>	July 2010

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON SINGLE AUDIT**  
 FISCAL YEAR 2009-10



SINGLE AUDIT FINDINGS	DESCRIPTION	PROJECTED DATE OF COMPLETION	DATE OF COMPLETION
	<p>In December 2010, the Finance Department increased staffing levels by an Accountant and a Management Analyst. These additions are critical to continuing enhancements o the internal controls.</p>		December 2010
	<p>Each Department submits grant claims and supporting documentation to the Accounting Technician who prepares the accounts receivable claims (invoice) for grant reimbursements. Grant claims are reviewed by the Financial Services Manager and approved by the Finance Director.</p>		July 2009*
	<p>An accounts receivable aging report is prepared by the Finance Director to monitor the collection of receivables. The Accounting Technician prepares additional notices, if necessary, for outstanding billings.</p>		October 2009*
	<p>Incoming mail is sorted by the Clerical Aide. Incoming checks that are not easily identified as to the purpose of the check (i.e. business license renewal) are given to the Accounting Technician. The Accounting Technician will review the check and remittance advice, determine the purpose and assign the appropriate account number for cash receipt processing.</p>		July 2009*

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
REPORT ON SINGLE AUDIT  
FISCAL YEAR 2009-10



**SINGLE AUDIT FINDINGS**

**PROJECTED DATE OF COMPLETION**

**DATE OF COMPLETION**

Departments are required to submit copies of grant reports to the Financial Services Manager to confirm compliance requirements are adhered to. The Finance Service Manager maintains a compliance chart to assist with grant monitoring.

July 2009\*

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON MANAGEMENT LETTER**  
 FISCAL YEAR 2009-10



**MANAGEMENT LETTER FINDINGS**

**PROJECTED DATE OF COMPLETION**

**DATE OF COMPLETION**

MANAGEMENT LETTER FINDINGS	DESCRIPTION	PROJECTED DATE OF COMPLETION	DATE OF COMPLETION
Orangethorpe Fund Accounts Receivable	Summary: City should closely monitor the remaining receivable balance	On June 2010, a settlement with Caltrans for the Melrose Grade Separation Project was agreed to \$346,162 (invoice \$1.1 million).	JULY 2010
Stale Dated Checks	Summary: City should adopt a policy to address stale dated checks	Each Department submits grant claims and supporting documentation to the Accounting Technician who prepares the accounts receivable claims (invoice) for grant reimbursements. Grant claims are reviewed by the Financial Services Manager and approved by the Finance Director.	July 2009*
Documentation of Inventory	Summary: City should adopt procedures to document the inventory observation	City will prepare the necessary procedures for stale dated checks	June 2011
		City will prepare the necessary procedures for documentation of inventory	June 2011
		Physical Inventory performed by Vendor	July 2011

**CORRECTIVE ACTION PLAN  
REPORT ON MANAGEMENT LETTER  
FISCAL YEAR 2009-10**



**MANAGEMENT LETTER FINDINGS**

**PROJECTED DATE OF COMPLETION**

**DESCRIPTION**

**DATE OF COMPLETION**

Budget

Summary: City should continue to ensure spending procedures in compliance with adopted budget

Finance has implemented budgetary controls to assist with monitoring expenditure budgets. One of the budgetary controls, implemented during Fiscal Year 2009-10, requires a purchase order to be issued prior to purchases and an issuance of a warrant with the exception utilities, refunds and employee benefits related activities payments.

**April 2009\***

Another budgetary control implemented requires budgetary funds available prior to the issuance of a purchase order. All purchase orders are encumbered. All purchase orders are approved by the Finance Director.

**April 2009\***

In addition to the encumbrance system controls, the Budget Transfer Policy has been modified to allow the City Administrator authorization to approve transfer of funds within the same fund. Budget transfers between funds are approved by City Council via budget resolutions.

**April 2009\***

Budget resolutions are prepared for purchases/projects that were not originally included in the adopted annual budget. All budget resolutions are approved by City Council and budget amendments (transfers and resolutions) are entered into the accounting system.

**April 2009\***

CORRECTIVE ACTION PLAN  
REPORT ON MANAGEMENT LETTER  
FISCAL YEAR 2009-10



MANAGEMENT LETTER FINDINGS

PROJECTED  
DATE OF  
COMPLETION

DATE OF  
COMPLETION

Finance has developed an expenditure report which provides expenditures to date, approved budget amendments (includes transfers and resolutions), encumbered funds, funds available and highlights any expenditure that exceeds monthly benchmark percentage. This expenditure report can be generated by any accounting system user.

May 2009\*

CORRECTIVE ACTION PLAN  
**REPORT ON RDA**  
 FISCAL YEAR 2009-10



RDA FINDINGS	DESCRIPTION	PROJECTED DATE OF COMPLETION	DATE OF COMPLETION
Finding 2010-1: Bank Statement and Fiscal Agent Reconciliations	<p>Summary: Bank reconciliation and fiscal agent statements should be reconciled in a timely manner</p> <p>Bank reconciliation process includes the Clerical Aide/Accounting Technician preparing a reconciliation of cash receipts and/or generation of an outstanding checks lists. Effective, January 2011, Accountant prepares reconciliation to the general ledger.</p> <p>The Account Technician reconciles Fiscal Agent statements and prepares journal entries for Fiscal Agent activities. Effective, January 2011, the Accountant reconciles Fiscal Agent statements. The reconciliations are reviewed by the Finance Director and journal entries are reviewed by the Finance Service Manager and approved by the Finance Director.</p> <p>In addition to the reconciliation of bank and fiscal agent statements, there are other internal controls for cash management. These compensating controls include reconciliation of cash receipts on a daily basis and internal controls for issuances of warrants and payroll checks. Outgoing wire transfers follow the same internal control procedures as the issuance of warrants/payroll checks and incoming wire transfers follow the cash receipts internal control procedures.</p>	May 2010* / January 2011	February 2009* / January 2010

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON RDA**  
 FISCAL YEAR 2009-10



RDA FINDINGS	DESCRIPTION	PROJECTED DATE OF COMPLETION	DATE OF COMPLETION
Finding 2010-2: Year-End Closing	Summary: City should have sufficient resources and adequate oversight to perform the year end closing procedures timely		December 2010
Finding 2010-3: Allocated Costs	Summary: All costs allocated to the City's funds should be supported by adequate documentation		FY 2008-09
Finding 2010-4: Borrowing Agreement	Summary: Agency should establish formal borrowing agreements		January 2011
Finding 2010-5: General Fund Reimbursement By Agency	Summary: Payments and/or reimbursements from one fund to another should be supported by adequate documentation. The date listed is an "estimate" and is not the actual date of implementation	August 2011	March 2011
Completion of the Cost Allocation Study for FY 2010-11	Finance interviewed departments to determine the amount of staff time spent on Redevelopment activities. Information gathered is documented to support the allocated costs.		December 2010



CORRECTIVE ACTION PLAN  
**REPORT ON RDA**  
 FISCAL YEAR 2009-10



RDA FINDINGS	DESCRIPTION	PROJECTED DATE OF COMPLETION	DATE OF COMPLETION
	<p>another should be adequately documented or recognized</p> <p>to continuing enhancements of the internal controls.</p>		
<p>Finding 2010-6: Agency Capital Assets and Properties</p>	<p>Summary: City should ensure properties purchased are appropriately capitalized and/or removed</p> <p>Finance prepares a comprehensive capital asset report which includes date of purchase, funding source, cost, estimated useful life, annual depreciation and accumulated depreciation. As part of the year-end closing procedures, the capital asset report is updated with additional capital asset purchases and/or deletions and depreciation of existing assets. Maintenance of the capital asset report is performed by the Accountant, Financial Services Manager and/or Finance Director.</p>	<p>April 2009*</p>	<p>December 2010</p> <p>December 2010</p>
	<p>The Accountant was added to the maintenance of capital asset report.</p> <p>In December 2010, the Finance Department increased staffing levels by an Accountant and a Management Analyst. These additions are critical to continuing enhancements o the internal controls.</p> <p>Physical Inventory performed by Vendor</p>	<p>July 2011</p>	

\*The date listed is an "estimate" and is not the actual date of implementation

CORRECTIVE ACTION PLAN  
**REPORT ON RDA**  
 FISCAL YEAR 2009-10



RDA FINDINGS	DESCRIPTION	PROJECTED DATE OF COMPLETION	DATE OF COMPLETION
Finding 2010-7: Prior Period Adjustment/Loan Payable/Interest Payable	<p>Summary: City should establish procedures to review minutes and action taken to incorporate in financial statements</p> <p>In December 2010, the Finance Department increased staffing levels by an Accountant and a Management Analyst. These additions are critical to continuing enhancements o the internal controls.</p> <p>Finance management team (Finance Director, Finance Services Manager, Management Analyst, and Accountant) meet after City Council meetings to review any Council action taken which has impact on the department.</p>	December 2010	December 2010
Finding 2010-8: Housing Database	<p>Summary: Agency should establish procedures to ensure compliance with applicable codes</p> <p>The Agency has contracted with a consulting firm to develop procedures and create an online database of Agency owned housing.</p>	January 2011	January 2011
Finding 2010-9: Expenditures Outside of the Project Area	<p>Summary: Agency should establish procedures to ensure compliance with applicable codes</p> <p>In December 2010, the Finance Department increased staffing levels by an Accountant and a Management Analyst. These additions are critical to continuing enhancements o the internal controls.</p>	December 2010	December 2010
Finding 2010-10: Redevelopment Compliance of Oversight/Untimely Reporting	<p>Summary: Agency should implement procedures to ensure sufficient resources and oversight to oversee Agency's compliance with <del>code</del> <sup>code</sup></p> <p>In December 2010, the Finance Department increase staffing levels by an Accountant and a Management Analyst. These additions are critical to continuing enhancements o the internal controls.</p>	December 2010	December 2010

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