**City of Stockton - Audit Findings Tracking Report**
9/28/2016

| Reports | ( A )<br>Total Findings | ( B )<br>Open Findings<br>(Not Yet Completed by City) | ( C )<br>Completed Findings<br>(Validated and Not yet Validated) | ( D )<br>Validated Findings<br>(By Moss Adams) | ( E )<br>Reportable Findings<br>(Newly validated since last summary) |
|---|---|---|---|---|---|
| 2011 Memorandum of Internal Control for CAFR (MOIC11 ) | 38 | 8 | 30 | 15 | 0 |
| 2011 Single Audit (SA11 ) | 5 | 1 | 4 | 3 | 0 |
| 2010 Single Audit (SA10 ) | 8 | 1 | 7 | 5 | 0 |
| 2010 Report to Management  (RMIC10 ) | 3 | 1 | 2 | 0 | 0 |
| Internal Audit | 36 | 15 | 21 | 6 | 0 |
| *2002 Performance Audit - Administrative Directives (IA-AD )* | 1 | 1 | 0 | 0 | 0 |
| *2007 Internal Control Evaluation - Stockton Events Center (IA-SEC )* | 1 | 0 | 1 | 0 | 0 |
| *2008 Performance Audit - Library Fines and Fees (IA-LIB )* | 1 | 0 | 1 | 0 | 0 |
| *2010 Compliance Audit - Election Costs (IA-EC )* | 1 | 0 | 1 | 1 | 0 |
| *2010 Performance Audit - Fire Department Overtime Processing System (IA-FP )* | 2 | 1 | 1 | 1 | 0 |
| *2012 Compliance Audit-ARRA Update (IA-ARRA )* | 4 | 1 | 3 | 0 | 0 |
| *2012 Compliance Audit: Disbursements – Payment Authority (IA-PA )* | 10 | 5 | 5 | 1 | 0 |
| *2012 Compliance Audit: Disbursements – Purchase Cards (IA-PC )* | 5 | 1 | 4 | 1 | 0 |
| *2005 Performance Audit: City Clerk (IA-CC )* | 1 | 1 | 0 | 0 | 0 |
| *2012 Performance Audit: Police Property Room (IA-PP )* | 3 | 0 | 3 | 2 | 0 |
| *2012 Performance Audit: Fleet Utilization and Management (IA-FUM )* | 7 | 5 | 2 | 0 | 0 |
| 2011 City of Stockton's Gas Tax Audit (SCOGT11 ) | 3 | 0 | 3 | 3 | 0 |
| 2011 City of Stockton's Administrative and Accounting Controls Review (SCOIC11 ) | 8 | 3 | 5 | 3 | 0 |
| 2011 City of Stockton's Redevelopment Agency Asset Transfer Review (SCORA11 ) | 2 | 0 | 2 | 2 | 0 |
| 2014 City of Stockton's Crime Statistics Report for the Department of Justice Program (SCOCS14 ) | 1 | 0 | 1 | 0 | 0 |
| 2012-2013 San Joaquin County Grand Jury Report, Case No. 0112 (SCGJ-112 ) | 22 | 7 | 15 | 6 | 0 |
| 2012-2013 San Joaquin County Grand Jury Report, Case No. 0312 (SCGJ-312 ) | 2 | 1 | 1 | 1 | 0 |
| 2012-2013 San Joaquin County Grand Jury Report, Case No. 0912 (SCGJ-912 ) | 4 | 0 | 4 | 4 | 0 |
| 2012-2013 San Joaquin County Grand Jury Report, Case No. 1112 (SCGJ-1112 ) | 1 | 1 | 0 | 0 | 0 |
| 2012-2013 San Joaquin County Grand Jury Report, Law and Justice Report (SCGJ-LAW ) | 1 | 1 | 0 | 0 | 0 |
| 2013-2014 San Joaquin County Grand Jury Report, Stockton City Council and The Brown Act (SCGJ-BRN ) | 14 | 2 | 12 | 3 | 0 |
| 2013-2014 San Joaquin County Grand Jury Report, Case No. 1613 (SCGJ-1613 ) | 2 | 0 | 2 | 0 | 0 |
| 2013 Internal Controls Review (Enterprise Risk Assessment) (MA-ICR ) | 70 | 41 | 29 | 6 | 0 |
| 2014 Internal Audit of Revenue and Cash Operations (MA-REV ) | 18 | 8 | 10 | 1 | 0 |
| 2014 Internal Audit of IT General Controls (MA-IT ) | 20 | 14 | 6 | 3 | 0 |
| 2014 Internal Audit of Payroll Operations (MA-PAY ) | 12 | 6 | 6 | 1 | 0 |
| 2014 Internal Audit of Accounts Payable and Procurement Internal Controls (MA-AP/PUR ) | 10 | 7 | 3 | 2 | 0 |
| 2015 Internal Audit of Monthly Close Process (MA-MON ) | 4 | 1 | 3 | 0 | 0 |
| 2015 Internal Audit of Grants Management (MA-GRANT) | 3 | 2 | 1 | 0 | 0 |
| 2012 SAS 115 - Internal Controls Identified in an Audit (12 SAS115 ) | 11 | 6 | 5 | 2 | 0 |
| 2012 Single Audit Report (SA12 ) | 6 | 1 | 5 | 3 | 0 |
| 2013 SAS 115 - Internal Controls Identified in an Audit (13 SAS115 ) | 9 | 5 | 4 | 1 | 0 |
| 2013 Single Audit Report (SA13 ) | 3 | 1 | 2 | 2 | 0 |
| 2014 Single Audit Report (SA14 ) | 2 | 2 | 0 | 0 | 0 |
| 2014 SAS 115 - Internal Controls Identified in an Audit (14SAS115 ) | 6 | 6 | 0 | 0 | 0 |
| 2015 SAS 115 - Internal Controls Identified in an Audit (15SA115) | 4 | 0 | 0 | 0 | 0 |
| 2015 Single Audit Report (SA15) | 2 | 0 | 0 | 0 | 0 |
| 2016 Public Agency Review (16PAR) | 1 | 0 | 0 | 0 | 0 |
| 2012 Independent Accountant's Report on RDA Dissolution - Agreed Upon Procedures Engagement (RDA-AUP ) | 5 | 0 | 5 | 4 | 0 |
| **Total** | 336 | 141 | 188 | 76 | 0 |

**Legend:**
Reports = report name
Reporting Entity = organization that prepared the report
Total Findings = number of findings in the report
Open Findings = number of findings not yet completed by City
Completed Findings = number of findings completed by City,  both and not yet validated
Validated Findings = number of findings validated by Moss Adams as completed and adequately addresses the finding
Reportable Findings=number of findings validated since last summary report for Audit Committee report

**Relationships between Columns**
Total Findings: Column (A) = Column ( B ) + Column ( C )
Open Findings: Column (B)
Completed Findings: Column (C) = Column ( A ) - (B)
Validated Findings: Column (D) (subset of (C) Completed Findings)
Reportable Findings: Column (E) (subset of (D) Validated Findings)

| Item No. | Finding No. | Report Code | Report Date | Auditing Entity Code | Period Covered | Council Approval Date | Finding | Recommendation | Responsible Dept. | City's Remediation Plan (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | City's Status Comments | Risk Category | Moss Adams Determination |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 | 321A-01 | IA-FP | 09/08/10 | City | 1/07 - 6/08 | 10/5/2010 | There are no comprehensive, written, citywide policies and procedures related to payroll processing. | We recommend that comprehensive policies and procedures be developed for the payroll process. Policies and procedures could serve as a guide for Human Resources, Payroll staff, department payroll clerks, supervisors, and employees. This would encourage consistent processing, information security, and compliance with City policies. A format similar to the one used for City contracting guidelines would be effective. Key employees should receive training related to the policies and procedures, and the documentation should be made available to all employees. Departments should be surveyed and periodically monitored to ensure consistent and accurate implementation. | ASD | HR & Payroll will review the segregation of duties between the departments to ensure internal controls are in place to safeguard City assets. Written policies and procedures will be developed that clearly define the division of responsibilities. HR & Payroll will develop a meeting schedule to develop these documents. In addition, both departments will review the payroll processes in each department to develop consistent procedures. To develop uniformity, training will be conducted for the payroll users in each department. | No | Though work had begun on a draft payroll manual in November 2009, due to the City's Fiscal Emergency/Bankruptcy and turnover in Finance personnel, work was stopped on this finding. However, the City took additional steps to have a deeper review of the Payroll functions as part of both the Efficiency Reviews conducted by Management Partners and the Enterprise Risk Assessment and Internal Controls conducted by the new Internal Auditor Moss Adam LLP. Both of these reviews resulted in additional findings and recommended areas for improvement that would be beneficial for further enhancement and inclusion in a city-wide payroll manual. The proposed Internal Audit Workplan adopted by the Audit Committee on August 13, 2013 includes additional work on the policies and procedures and internal controls in the area of Payroll. This project is scheduled to begin in the second quarter of 2013-14 with testing to be performed in the second quarter of 2014-15. The outcome of this work will be documented polices, procedures and internal controls. | A | |
| 115 | 4.3 | SCGJ-112 | 05/24/13 | SCGJ | | 7/8/13 Audit Committee, reports not shared, just a brief discussion of the findings. Council accepted ACM minutes on 10/22/13 | The complexity of City funds and accounts permitted prior city governments to move money among accounts without adequate tracking or knowledge of actual balances in the funds. | Prior to the FY 2014-15 budget preparation the CFO, with assistance of the City Auditor and External Auditors, review the City's Chart of Accounts and submit recommendations to the Council on revisions to simplify fund and account structure. | ASD-Accounting | The City agrees with this recommendation. The Administrative Services Department is in the process of reviewing the account structure and number of funds and will consolidate funds to simplify the account structure when appropriate. Several funds have already been consolidated that do not require a separate tracking for external purposes and create additional work. We anticipate that this work will have a better impact in the implementation of a new financial system rather than expending significant resources redesigning an old account code in an old financial system. Rather than migrating old data we will establish a new and modern chart of accounts that is scalable to the City. | No | The Administrative Services Department continues reviewing and consolidating the funds and simplify the account structure when appropriate. Several more funds have been consolidated since the last update. We further consolidating and standardizing chart of accounts within current financial system constraint. We anticipate that with implementation of a new financial system the chart of accounts will be reviewed and re-designed to provide consistency and structure to meet the needs of the City. | F | |
| 135 | A-2 | MA-ICR | 8/19/2013 | MOSS | 3/1/2013-6/30/2013 | 10/22/2013 | Hours are not accumulated and processed accurately. | Institute a process where division management approves an hours proof report by employee for their department prior to payroll processing, or establish monitoring controls by the payroll department to ensure departments are accurately accumulating employee hours for each pay period. A more automated process could be established to track and report hours and ultimately strengthen monitoring. | ASD-Payroll | ASD management and Payroll staff will update and clarify current Administrative Directive (Fin-04, Payroll Time Sheets) procedure to include proper level for review and approval of hours proof report prior to payroll processing by ASD payroll unit. | No | Administrative Directive Fin-04, Payroll Time Sheets is still under revision. Estimated completion is 12/31/15. The City is still researching a payroll software solution. | A | |
| 137 | A-4 | MA-ICR | 8/19/2013 | MOSS | 3/1/2013-6/30/2013 | 10/22/2013 | Time card processing varies by department and is decentralized. Time cards for all departments require approval for payment. Time cards (if manual) are sent to the payroll department; however, the payroll department does not check to ensure all time cards are received and does not monitor that time cards have proper approvals. Departments have varying levels of resources assigned to review for proper time card approval, and, as a result, some departments are not monitoring that proper approval has been obtained (due to lack of resources). | Implement procedures to monitor approval of time cards. A log should be kept for errors that are noted, and the payroll department should follow up with departments to increase training and internal controls. A more centralized and automated process should be implemented. | ASD-Payroll | ASD will be looking in to identifying automated staffing and payroll software solutions, which can mitigate the areas currently lacking in the department's payroll data entry, approval and review. The more modern staffing and payroll database will also allow employees to verify and approve time entered prior to payroll information being transferred to Payroll for processing.<br><br>Payroll unit is in the process of hiring an additional staff and a Supervisor. Once payroll unit is at its full staffing capacity, the ASD management and Payroll will review current procedures and will implement new procedures to improve monitoring of the time sheets. The ASD management will also assess the department staff needs and will develop training to address deficiencies. | No | Payroll unit is in the process of hiring an additional staff and a Supervisor. Once payroll unit is at its full staffing capacity, the ASD management and Payroll will review current procedures and will implement new procedures to improve monitoring of the time sheets. The ASD management will also assess the department staff needs and will develop training to address deficiencies. | A | |
| 146 | B-7 | MA-ICR | 8/19/2013 | MOSS | 3/1/2013-6/30/2013 | 10/22/2013 | Management does not monitor procurements for best possible price and propriety against policy and budget | Evaluate ways to enter the granular transactions into HTE in order to produce useful management reports that will allow proper oversight and efficiency of spending by vendor or item. | ASD-Purchasing | Competitive bids were solicited by ASD to contract with a purchasing/procurement services firm that provides advanced supply-management analysis and review. Work included an expenditure review of historical supplier expenditures and contracting activities including a review of the current procure-to pay policies, procedures, processes, systems and limits. The consultant has completed their scope of work and will be providing a final report of their findings to management and Council by the end of August 2014. Additional time is needed to correct this finding. This will allow the City to review the purchasing/procurement firm's report and allow staff to follow through on the firm's recommendations. | No | Competitive bids were solicited by ASD to contract with a purchasing/procurement services firm that provides advanced supply-management analysis and review. Work included an expenditure review of historical supplier expenditures and contracting activities including a review of the current procure-to pay policies, procedures, processes, systems and limits. The consultant has completed their scope of work and will be providing a final report of their findings to management and Council by the end of August 2014. Additional time is needed to correct this finding. This will allow the City to review the purchasing/procurement firm's report and allow staff to follow through on the firm's recommendations. | N | |
| 213 | 2012-05 | 12 SAS115 | 12/9/2013 | PUN | 7/1/2011 - 6/31/2012 | 12/16/2013 | The City does not have an updated policies and procedures manual (Accounting Manual) which would define personnel roles and responsibilities, described appropriate procedures for recording significant transactions in finance and accounting systems, define and set procedures for management oversight and review, establish key internal controls, and ensure accounting and reporting requirements established by GAAP are followed. | We recommend that the City develop a comprehensive Accounting Manual that would set the guidelines for recording significant transactions in the general ledger. In addition, Management should consider developing an Accounting Manual which includes at a minimum:<br><br>• Descriptions of functions each position performs<br>• Specific duties and responsibilities (desk procedures)<br>• Minimum required qualifications or standards<br>• Council/Management approved policies relating to specific transactions<br>• Procedures for processing of specific financial activities<br>• Appropriate monitoring and review controls | ASD-Accounting | The City agrees with the finding and recommendation. With the largest burden on Finance for the bankruptcy filing which is now at the stage where the Plan of Adjustment will be heard by the U.S. Bankruptcy Court, management and staff will be able to turn inward towards operational improvements, reviews of policies and procedures, and the establishment of better internal controls. This recommendation will be considered in connection with the work being performed as a result of the Risk Assessment and Internal Control Review by Moss Adams over the next 24 months. The outcome of that work will be improvements to the internal controls and revisions to policies and procedures which could be used for the development of a formal Comprehensive Accounting Manual. | Partial | Accounting division is in the process of developing a comprehensive accounting manual to memorialize the process. The accounting manual will include the development of an integrated system of Standard Operating Procedures; Internal control checklist and evaluation tool; City governance with policies and procedure; Accounting flowcharts; business and strategic planning, business policies, procedures, and internal controls covering cash, checks, accounts payable, payroll, purchasing, accounts receivable, general ledger, ethics, code of conduct, email, fraud, division of duties, job cost, projects, office tasks, and best practices. Recommendation from the risk assessment and internal control review by Moss Adams will be considered on the development of the manual. Currently, the division has developed training schedules to continue building the skill set of the staff. The training is also to update us on continuing GASB guidelines to keep us up to date on changes in accounting policies. | | |

| Item No. | Finding No. | Report Code | Report Date | Auditing Entity Code | Period Covered | Council Approval Date | Finding | Recommendation | Responsible Dept. | City's Remediation Plan (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | City's Status Comments | Risk Category | Moss Adams Determination |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 214 | 2012-06 | 12 SAS115 | 12/9/2013 | PUN | 7/1/2011 - 6/31/2012 | 12/16/2013 | The financial systems employed by the City in managing its overall fiscal operations, including processing of billings and payments, preparation of financial reports, budgets, and analysis of trends are outdated and inadequate for a city the size of Stockton. | The City is strongly urged to begin the process of review of other software applications that are specifically designed for municipal entities and have the full functionality needed for a City of this size and complexity. These other software applications should be evaluated in light of their general acceptance in cities of this nature and size, the level of internal user support required to operate the software, the training required for users and the cost. | ASD | The City agrees with this finding. However, due to high technology costs and significant staff involvement of a new system implementation competing against the City's financial situation, it is unlikely the City will be able to purchase a new financial system in the near future. Management also concurs that regular reconciliation is an industry standard and will continue to be pursued and implemented as an operational standard. Until a new system arrives and is operationalized, the City will continue to operate in a manual mode without needed modern business analytics processes or tools. Following are the actions that will be taken by management: 1) Issue an RFP for a financial system's business requirements development vendor to select a software application that are specifically designed for municipal entities and will support the City's needs by the end of fiscal year 2014. 2) Work with the City's internal auditor to develop and implement monthly reconciliation policy, procedure, process, communication and standard practice within the City's key financial operation touch points over the next 24 months. 3) Complete the rollout to City departments of the City's internally developed Financial Monitoring Tool (FMT), an Excel based revenue and expenditure drill down tool by the end of fiscal year 2014. Provide follow up training with all key financial staff within Administrative Services Department. | 1) No 2) No 3) Yes | Replaced by 2014-04, See Item No. 96 | L | |
| 262 | 4 | MA-PAY | 4/4/2014 | MOSS | 11/01/2013 - 3/31/2014 | 8/11/2014 | Payroll procedures are not well documented. | Payroll Unit staff should formally document all payroll procedures as soon as possible. | ASD - Payroll | ASD plans to have the draft online payroll manual completed by December 2015. This will be largely impacted by the hiring of the Financial Services Supervisor and Finance Assistant II – Payroll. | No | | | |
| 263 | 5 | MA-PAY | 4/4/2014 | MOSS | 11/01/2013 - 3/31/2014 | 8/11/2014 | The Payroll unit is not fully reconciling information received from departments to ensure the City's record of employees is current and accurate. | Payroll Unit staff should review information received on the returned employee listing from divisions and departments each pay period and investigate issues, in conjunction with the Human Resources Department, to endure the City's record of employees is current and accurate. | ASD - Payroll/Human Resources | Communications between the Payroll unit, departments, and HR should be improved to ensure the City's record of employees is current and accurate. This will take a concerted effort by all parties. The Department Payroll User Group (PUG) meetings can serve as a forum for discussion and development of the reconciliation process. | No | Policy and procedure have been drafted for separation of duties but has not been approved or implemented formally. There are still some technical issues that need to be resolved to separate certain functions. | | |
| 296 | 2013-04 | 13 SAS115 | 6/25/2014 | PUN | 07/01/2012 - 06/31/2013 | 9/8/2014 | The City does not have an updated policies and procedures manual (Accounting Manual) which would define personnel roles and responsibilities, described appropriate procedures for recording significant transactions in finance and accounting systems, define and set procedures for management oversight and review, establish key internal controls, and ensure accounting and reporting requirements established by GAAP are followed. | We recommend that the City develop a comprehensive Accounting Manual that would set the guidelines for recording significant transactions in the general ledger. In addition, Management should consider developing an Accounting Manual which includes at a minimum: • Descriptions of functions each position performs • Specific duties and responsibilities (desk procedures) • Minimum required qualifications or standards • Council/Management approved policies relating to specific transactions • Procedures for processing of specific financial activities • Appropriate monitoring and review controls | ASD-Accounting | The City agrees with the finding and recommendation. With the largest burden on Finance for the bankruptcy filing which is now at the stage where the Plan of Adjustment will be filed by the U.S. Bankruptcy Court, management and staff will be able to turn inward towards operational improvements, reviews of policies and procedures, and the establishment of better internal controls. This recommendation will be considered in connection with the work being performed as a result of the Risk Assessment and Internal Control Review by Moss Adams over the next 24 months. The outcome of that work will be improvements to the internal controls and revisions to policies and procedures which could be used for the development of a formal Comprehensive Accounting Manual. | No | | A | |
| 297 | 2013-05 | 13 SAS115 | 6/25/2014 | PUN | 07/01/2012 - 06/31/2013 | 9/8/2014 | The financial systems employed by the City in managing its overall fiscal operations, including processing of billings and payments, preparation of financial reports, budgets, and analysis of trends are outdated and inadequate for a city the size of Stockton. | The City is strongly urged to begin the process of review of other software applications that are specifically designed for municipal entities and have the full functionality needed for a City of this size and complexity. These other software applications should be evaluated in light of their general acceptance in cities of this nature and size, the level of internal user support required to operate the software, the training required for users and the cost. | ASD | The City agrees with this finding. However, due to high technology costs and significant staff involvement of a new system implementation competing against the City's financial situation, it is unlikely the City will be able to purchase a new financial system in the near future. Management also concurs that regular reconciliation is an industry standard and will continue to be pursued and implemented as an operational standard. Until a new system arrives and is operationalized, the City will continue to operate in a manual mode without needed modern business analytics processes or tools. Following are the actions that will be taken by management: • Issue an RFP for a financial system's business requirements development vendor to select a software application that are specifically designed for municipal entities and will support the City's needs by the end of fiscal year 2014. • Work with the City's internal auditor to develop and implement monthly reconciliation policy, procedure, process, communication and standard practice within the City's key financial operation touch points over the next 24 months. • Complete the rollout to City departments of the City's internally developed Financial Monitoring Tool (FMT), an Excel based revenue and expenditure drill down tool by the end of fiscal year 2014. Provide follow up training with all key financial staff within Administrative Services Department. | No | See update for item #214 | L | |
| 306 | 2 | MA-AP/PUR | 8/4/2014 | MOSS | | 10/14/2014 | The Accounts Payable Unit has made significant progress in documenting their standard operating procedures (SOPs). | The Accounts Payable Unit should continue efforts to formally document all of its standard operating procedures in a comprehensive manual. Following manual development, management should ensure that staff are consistently trained on the procedures within the manual and held accountable to its standards. The manual should be periodically updated with staff input as changes in processes, internal controls, and/or systems are made. | ASD - Accounts Payable | As staffing levels and work load permit, the AP Unit will continue its efforts to formally document SOPs into a comprehensive manual. This manual will be used to expand the knowledge level for existing staff, new employees, and continue ongoing cross training. If staffing shortages can be resolved, management will be able to dedicate sufficient resources to this project for a more timely resolution. | No | The implementation of the Transaction Reporting Accounting Group (TRAG) and Financial Reporting Analysis Group (FRAG) has been established and the recruitment for supervising accountants is in progress. The responsibility of the TRAG supervisor will include oversight of the accounts payable unit and will act as a lead, with the Accounting Manager's supervision, to develop the SOP manual. Currently, desk procedure is in place and being constantly developed to ensure standardization of the accounts payable process. The estimated completion date is December 2015. | | |
| 307 | 3 | MA-AP/PUR | 8/4/2014 | MOSS | | 10/14/2014 | One Purchasing Unit employee's access to the City's financial system is too broad to maintain appropriate segregation of duties between accounts payable and procurement functions. | Management should immediately limit the Buyer I's access levels to modify accounts payable data. | ASD - Accounts Payable/Purchasing | The City has begun the cross training of existing AP staff to release the Buyer I position from performing AP functions. We anticipate this will be completed as part of the Procurement Transformation Project which will take place over the next 15 months. | No | | | |
| 314 | 10 | MA-AP/PUR | 8/4/2014 | MOSS | | 10/14/2014 | Twelve to thirteen percent of City employees have P-cards, and some have high transactional and monthly spending limits. | The Accounts Payable Unit and Purchasing Unit should develop a semiannual procedure to audit historical P-card transactions to determine patterns that show inefficient P-card use. Using this information, the Purchasing Unit should work with City Management to eliminate those P-cards that have been used infrequently, lower transaction and monthly limits in line with average historical transactions, and consider revising allowable transaction types. | ASD - Accounts Payable/Purchasing | Training will be provided to remind and educate department staff that those who prepare and review the statements and transaction logs are accountable for adequate review of purchase card activity within the policy limits and for fraud and inappropriate use. This is a preventive control. As staffing levels and work load permit, the AP Unit and Purchasing Unit staff will develop and formally document SOPs to audit P-card transactions city-wide for use and efficiency, establish appropriate detective controls for inappropriate transactions, and hold departments accountable for non-compliance. The Purchasing Unit and AP Unit already have an internal control process in place for monitoring compliance with current City policies. Additionally, as discussed in finding #5 and 6 above, Strategic Procurement Solutions has included in their report recommendations and findings of usage and utilization of the P-Card program. These improvements will be considered for implementation in Phase 2 of the Procurement Transformation Project over the next 15 months. | No | Per Donald Kwong, the procurement project, which will identify policy and procedures, is on schedule and the next status update meeting is set for the 14th of September, 2015. This meeting will determine the next step in the procurement project process. Jnc/9/2015 | | |

| Item No. | Finding No. | Report Code | Report Date | Auditing Entity Code | Period Covered | Council Approval Date | Finding | Recommendation | Responsible Dept. | City's Remediation Plan (Course of Action & Expected Benefits) | Finding corrected? (Y, N, Partial) | City's Status Comments | Risk Category | Moss Adams Determination |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 324 | 2014-03 | 14SAS115 | 6/30/2014 | PUN | 07/01/2013 - 06/30/2014 | | During the performance of our audit for the year ended June 30, 2014, we noted that the City does not have an updated policies and procedures manual (Accounting Manual) which would define appropriate procedures for recording significant transactions in finance and accounting systems, define and set procedures for management oversight and review, establish key internal controls, and ensure accounting and reporting requirements established by GAAP are followed. | Repeat Finding from Previous Year. We recommend that the City develop a comprehensive Accounting Manual that would set the guidelines for recording significant transactions in the general ledger. In addition, Management should consider developing an Accounting Manual which includes at a minimum: • Descriptions of functions each position performs • Specific duties and responsibilities (desk procedures) • Minimum required qualifications or standards • Council/Management approved policies relating to specific transactions • Procedures for processing of specific financial activities • Appropriate monitoring and review controls | ASD-Accounting | Repeat Finding from Previous Year. The City agrees with the finding and recommendation. In addition, the City agrees that there hasn't been sufficient time or priority given to the development of this type of manual; though it wasn't due to the lack of understanding that one needs to be developed. | No | This is in the early stages with targeted completion date of 10/2016. Framework is being defined and desk procedures are being gathered and updated. Areas within the manual such as payroll, budget and purchasing are in the final stages for inclusion in the manual. | | |
| 325 | 2014-04 | 14SAS115 | 6/30/2014 | PUN | 07/01/2013 - 06/30/2014 | | We evaluated the financial systems employed by the City in managing its overall fiscal operations, including processing of billings and payments, preparation of financial reports, budgets, and analysis of trends. These systems form the basis for all financial reporting that is critical to the decision making process, and ultimately, the basis for the financial stability of the City. We found that the systems employed by the City are outdated and are not adequate nor are appropriate for a City of this size and complexity. Specific deficiencies of the system employed include, but are not limited to: 1. Inability to automatically post activity from outsourced operations such as banking, loan servicer, parking, parking tickets, library and other auxiliary systems. 2. There is a sufficiently high volume of manually posted transactions to record daily financial activities due to the lack of integration. Manual entries are time consuming, subject to significant risk of error, and cause delays in monthly and year end close process. 3. Complex processes for the retrieval of data that is needed on a day-to-day basis. In addition, certain key reports used for budgeting and limited financial reporting contain unresolved errors in the data. 4. The library's accounting billing and AR system is not integrated into the City's GL. The City in only able to reconcile the two systems on an annual basis due to the time it consumes. The result of these overall system deficiencies is a significant degradation in efficiency of staff, who must utilize manual processes or other software products for the recording and reporting of routine financial activity, such as billings, personnel and payroll data, inventories, capital asset, depreciation, budgeting, etc. | The City is strongly urged to begin the process of review of other software applications that are specifically designed for municipal entities and have the full functionality needed for a City of this size and complexity. These other software applications should be evaluated in light of their general acceptance in cities of this nature and size, the level of internal user support required to operate the software, the training required for users and the cost. | ASD | Repeat Finding From Prior Year. We agree reconciling the systems is difficult and time consuming; the use of systems with batch postings requires a manual effort no different than if we were operating twenty years ago. We agree more efficient operations could be achieved with a new system implementation. The interface of key data was also identified by Moss Adams in their Report on General Computer Controls dated June 2014. Finding 2014-04 Accounting System (Continued) Management also concurs that regular reconciliation is an industry standard and will continue to be pursued and implemented as an operational standard. Until a new system arrives and is operationalized, the City will continue to operate in a manual mode without needed modern business analytics processes or tools. Following are actions that will be taken by management: • Issue an RFP for a financial system's business requirements development vendor to select a software application that are specifically designed for municipal entities and will support the City's needs. • Work with the City's internal auditor to develop and implement monthly reconciliation policy, procedure, process, communication and standard practice within the City's key financial operation touch points over the next 24 months. • Complete the rollout to City departments of the City's internally developed Financial Monitoring Tool (FMT), an Excel based revenue and expenditure drill down tool by the end of fiscal year 2014. To date, all departments have received training on the FMT. | No | Repeat Finding from Prior Year | | |

LEGEND

| | Entity Code | Report Code | Report Name | Entity Name |
|---|---|---|---|---|
| 38 | MAZE | MOIC11 | 2011 Memorandum of Internal Control for CAFR | MAZE and Associates |
| 5 | MAZE | SA11 | 2011 Single Audit | MAZE and Associates |
| 8 | MGO | SA10 | 2010 Single Audit | Macias Gini & O'Connell LLP |
| 3 | MGO | RMIC10 | 2010 Report to Management | Macias Gini & O'Connell LLP |
| 1 | City | IA-AD | 2002 Performance Audit - Administrative Directives | City of Stockton Internal Audit |
| 1 | City | IA-SEC | 2007 Internal Control Evaluation - Stockton Events Center | City of Stockton Internal Audit |
| 1 | City | IA-LIB | 2008 Performance Audit - Library Fines and Fees | City of Stockton Internal Audit |
| 1 | City | IA-EC | 2010 Compliance Audit - Election Costs | City of Stockton Internal Audit |
| 2 | City | IA-FP | 2010 Performance Audit - Fire Department Overtime Processing System | City of Stockton Internal Audit |
| 4 | City | IA-ARRA | 2012 Compliance Audit-ARRA Update | City of Stockton Internal Audit |
| 10 | City | IA-PA | 2012 Compliance Audit: Disbursements – Payment Authority | City of Stockton Internal Audit |
| 5 | City | IA-PC | 2012 Compliance Audit: Disbursements – Purchase Cards | City of Stockton Internal Audit |
| 1 | City | IA-CC | 2005 Performance Audit: City Clerk | City of Stockton Internal Audit |
| 3 | City | IA-PP | 2012 Performance Audit: Police Property Room | City of Stockton Internal Audit |
| 7 | City | IA-FUM | 2012 Performance Audit: Fleet Utilization and Management | City of Stockton Internal Audit |
| 3 | SCO | SCOGT11 | 2011 City of Stockton's Gas Tax Audit | California State Controller's Office (SCO) |
| 8 | SCO | SCOIC11 | 2011 City of Stockton's Administrative and Accounting Controls Review | California State Controller's Office (SCO) |
| 2 | SCO | SCORA11 | 2011 City of Stockton's Redevelopment Agency Asset Transfer Review | California State Controller's Office (SCO) |
| 1 | SCO | SCOCS14 | 2014 City of Stockton's Crime Statistics Report for the Department of Justice Program | California State Controller's Office (SCO) |
| 22 | GJ | SCGJ-112 | 2012-2013 San Joaquin County Grand Jury Report, Case No. 0112 | San Joaquin County Grand Jury |
| 2 | GJ | SCGJ-312 | 2012-2013 San Joaquin County Grand Jury Report, Case No. 0312 | San Joaquin County Grand Jury |
| 4 | GJ | SCGJ-912 | 2012-2013 San Joaquin County Grand Jury Report, Case No. 0912 | San Joaquin County Grand Jury |
| 1 | GJ | SCGJ-1112 | 2012-2013 San Joaquin County Grand Jury Report, Case No. 1112 | San Joaquin County Grand Jury |
| 1 | GJ | SCGJ-LAW | 2012-2013 San Joaquin County Grand Jury Report, Law and Justice Report | San Joaquin County Grand Jury |
| 14 | GJ | SCGJ-BRN | 2013-2014 San Joaquin County Grand Jury Report, Stockton City Council and The Brown Act | San Joaquin County Grand Jury |
| 2 | GJ | SCGJ-1613 | 2013-2014 San Joaquin County Grand Jury Report, Case No. 1613 | San Joaquin County Grand Jury |
| 70 | MOSS | MA-ICR | 2013 Internal Controls Review (Enterprise Risk Assessment) | Moss Adams |
| 18 | MOSS | MA-REV | 2014 Internal Audit of Revenue and Cash Operations | Moss Adams |
| 20 | MOSS | MA-IT | 2014 Internal Audit of IT General Controls | Moss Adams |
| 12 | MOSS | MA-PAY | 2014 Internal Audit of Payroll Operations | Moss Adams |
| 10 | MOSS | MA-AP/PUR | 2014 Internal Audit of Accounts Payable and Procurement Internal Controls | Moss Adams |
| 4 | MOSS | MA-MON | 2015 Internal Audit of Monthly Close Process | Moss Adams |
| 3 | MOSS | MA-GRANT | 2015 Internal Audit of Grants Management | Moss Adams |
| 11 | PUN | 12 SAS115 | 2012 SAS 115 - Internal Controls Identified in an Audit | Pun & McGeady |
| 6 | PUN | SA12 | 2012 Single Audit Report | Pun & McGeady |
| 9 | PUN | 13 SAS115 | 2013 SAS 115 - Internal Controls Identified in an Audit | Pun & McGeady |
| 3 | PUN | SA13 | 2013 Single Audit Report | Pun & McGeady |
| 2 | PUN | SA14 | 2014 Single Audit Report | Pun & McGeady |
| 6 | PUN | 14SAS115 | 2014 SAS 115 - Internal Controls Identified in an Audit | Pun & McGeady |
| 4 | PUN | 15SAS115 | 2015 SAS 115 - Internal Controls Identified in an Audit | Pun & McGeady |
| 2 | PUN | SA15 | 2015 Single Audit Report | Pun & McGeady |
| 1 | CP | 16PAR | 2016 Public Agency Review | CalPERS |
| 5 | BA | RDA-AUP | 2012 Independent Accountant's Report on RDA Dissolution - Agreed Upon Procedures Engagement | Brown Armstrong Accountancy Corporation |

RISK CATEGORY

| Code | Risk Factor |
|---|---|
| A | Processes |
| B | Capital Program |
| C | Operations/Service Delivery |
| D | Risk Management |
| E | Management |
| F | Organization and Staffing |
| G | Asset Management |
| H | Internal Controls |
| I | Funding and Economics |
| J | Human Resources |
| K | Governance |
| L | Technology |
| M | Compliance |
| N | Procurement |
| O | Accounting and Financial Reporting |
| P | Fraud |
| Q | Public Safety |