

City of Stockton - Audit Findings Tracking Report
1/17/2018

	(A)	(B)	(C)	(D)	(E)
	Total Findings	Open Findings (Not Yet Completed by City)	Completed Findings (Validated and Not yet Validated)	Validated Findings (By Moss Adams)	Reportable Findings (Newly validated since last summary)
Reports					
2011 Memorandum of Internal Control for CAFR (MOIC11)	38	7	31	16	1
2011 Single Audit (SA11)	5	1	4	4	1
2010 Single Audit (SA10)	8	1	7	5	0
2010 Report to Management (RMIC10)	3	1	2	1	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	6	16	8	2
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	36	34	15	5
2014 Internal Audit of Revenue and Cash Operations (MA-REV)	18	6	12	3	0
2014 Internal Audit of IT General Controls (MA-IT)	20	13	7	6	3
2014 Internal Audit of Payroll Operations (MA-PAY)	12	5	7	2	1
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
2017 Internal Controls Testing: Cash Handling (MA-CASH)	18	18	0	0	0
2017 Internal Controls Testing: Month End Close and Reconciliation Process (MA-MONIC)	13	13	0	0	0
2017 Internal Controls Testing: Grants Management and Administration (MA-17GRANT)	15	15	0	0	0
2017 Internal Controls Testing: Payroll and Timekeeping (MA-17PAY)	15	15	0	0	0
2017 Internal Controls Testing: Superior Access (MA-17IT)	4	4	0	0	0
2017 Internal Controls Testing: Purchasing and AP (MA-17PUR)	16	16	0	0	0
2012 SAS 115 - Internal Controls Identified in an Audit (12 SAS115)	11	2	9	3	1
2012 Single Audit Report (SA12)	6	1	5	3	0
2013 SAS 115 - Internal Controls Identified in an Audit (13 SAS115)	9	3	6	3	2
2013 Single Audit Report (SA13)	3	1	2	2	0
2014 Single Audit Report (SA14)	2	1	1	1	1
2014 SAS 115 - Internal Controls Identified in an Audit (14SAS115)	6	4	2	2	2
2015 SAS 115 - Internal Controls Identified in an Audit (15SAS115)	4	3	1	1	1
2015 Single Audit Report (SA15)	2	1	1	1	1
2016 SAS 114 - Report on Internal Control Related Matters Identified in the Audit (16SAS114)	4	4	0	0	0
2016 Public Agency Review (16PAR)	1	1	0	0	0
2012 Independent Accountant's Report on RDA Dissolution - Agreed Upon Procedures Engagement (RDA-AUP)	5	0	5	4	0
Total	421	211	210	104	21

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	Finding	Recommendation	Responsible Dept(s)	City's Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	City's Status Comments	Risk Category	Moss Adams Determination
12	2011-1	MOIC11	11/17/12	MAZE	07/1/10-06/30/11	Going Concern And The Auditor's Opinion- City Finances	The City has hired consultants and legal experts to assist the City's new management team work through the bankruptcy proceedings and develop other cost savings measures in order to enter a plan of adjustment that will return the City to financial health. City staff and management should continue to work as expeditiously as possible to	ASD	Confirm a Plan of Adjustment with the Bankruptcy Court	Yes	Management is currently in the long range Financial Planning Stages and will continue to progress forward. Also see 12-SAS115 and 2012-12, Per Vanessa Burke.	E	We validated that this finding can be considered closed and have reasonable assurance that this issue has been resolved. The City's Plan of Adjustment was in effect as of February 2015.
55	SA2011-03	SA11	11/17/2012	MAZE	7/1/10-6/30/11	City experienced high volume of staff turnover which contributed to the reconciliation of NSP program income & expenditures being overlooked.	The City should have an accounting mechanism in place which accurately tracks all the expenditures and program income generated from the Neighborhood Stabilization Program.	EDD	1) City agrees as it relates to providing annual reconciliation of grant draws and activity. 2) Staff has developed procedures to provide instructions on the proper treatment of NSP Program Income.	1) Yes 2) Yes	1) Finance has developed and implemented a monthly reconciliation between the general ledger and the City's third party loan servicer which is the mechanism used for the monthly accounting and tracking of expenditures and program income generated from all housing loan programs, including the Neighborhood Stabilization Program. This reconciliation takes into account the change in	A	Upon review of EDD's updated policies and procedures and evidence of recent reconciliations, Moss Adams has determined that this finding is complete and the recommendation has been implemented.
106	1.3	SCGJ-112	05/24/13	SCGJ		The City Council's approval of loans between restricted funds without receiving any information or documents on the repayment requirements or impacts created an unclear picture of the actual balances in the various accounts.	All proposals for the City Council to authorize interfund loans be accompanied with loan documents detailing obligations of the loan and any impacts on the City's General Fund.	ASD/CM	The City Manager currently requires that any proposal for an inter-fund loan will be brought before Council and must be accompanied with loan documents detailing the obligation, its impacts on the General Fund, if any, and the plan for repayment including the term of the loan and source of repayment. In addition, no later than December 2013, staff will prepare for Council adoption an inter-fund	Yes	Resolution #2017-10-03-1104, Adopting New Financial Management Policies, was brought before the Council for approval on October 3, 2017. The Resolution was approved and adopted on October 3, 2017.	I	Based on the review of the inter-fund policy as well as evidence of the Council's adoption of this policy, Moss Adams determines that this finding can be considered closed.
112	3.3	SCGJ-112	05/24/13	SCGJ		The final audit for the fiscal year ending June 30, 2011 indicated there had been major deficiencies and material errors in the prior financial accounting records and procedures, which the prior external audit firm failed to identify and emphasize in their reports.	No later than 9/30/13 the City Council annually select a qualified individual or firm to provide an independent review of the external auditor's Letter to Management and city management's response. Following the FY 2012-13 audit, the CFO and City Manager provide the City Council with quarterly status on actions taken to address recommendations, deficiencies, and material weaknesses identified in the CAFR.	ASD/CM	The City disagrees with this recommendation. It adds yet another layer of review that will actually slow improvements down and consume an extraordinary amount of staff time bringing another firm up to speed. It is not a wise use of tax payer dollars. The recommendation is not considered a standard practice within governmental agency audits nor other industry audits, including publicly traded companies. City Council Policy 100-4 establishes the responsibility of the Audit Committee to review the external audit and reports of the external auditor. The Chief Financial Officer, who reports to the City Manager, and the City Manager are charged with fixing any issues. The role of the audit committee in that policy is considered standard practice. The audit reports, Letter to Management on Internal Controls and responses have been and will continue to be provided to the Audit Committee in advance of the meeting with subsequent discussion at an open meeting of the audit committee. The City of Stockton recognizes the concerns caused by past audit errors. However, the City has demonstrated transparency, accountability, and professional expertise in recent years by finding and correcting these errors. City staff and the City Council, with assistance from new internal auditors and external auditors, are responsible for assuring that the financial audits are sufficient and that these be followed through. The City agrees with this recommendation. The Council Audit Committee holds regular meetings with the newly contracted City	Yes	With the hiring of new external auditors (Pun & McGeady, LLP) in March, 2012 staff assigned to the Accounting Division in the Finance Administration Department have been working together to ensure that accurate financial reporting is performed. To address the issue of keeping the City Council informed on recommendations, deficiencies, and material weaknesses identified in the CAFR, staff has developed an Audit Finding Tracking Report. This report is presented to the Audit Committee on a quarterly basis to demonstrate the progress staff is making in resolving all findings. The first presentation was done in November of 2012.	O	Moss Adams has determined that this finding is closed and the recommendation has been reasonably implemented. We reviewed information regarding the selection of the City's external auditor, internal auditor, as well as the City's financial reporting schedule and determined that the City has improved financial operations and oversight in place.
177	F-2	MA-ICR	8/19/2013	MOSS	3/1/2013-6/30/2013	Business license revenue is not monitored for unusual variations by the customer, and appropriate action is initiated if amounts look unusual.	Implement procedures and set standardized parameters so that adequate investigation is performed. Management is in the process of engaging audit services for business licenses.			Yes	MuniServices was hired and performed two rounds of business license audit discoveries.	H	We validated that this finding is closed and determined that the City has successfully resolved this issue. We based our determination based on the contract with Muni Services, contract extensions, and
192	I-1	MA-ICR	8/19/2013	MOSS	3/1/2013-6/30/2013	A system development life cycle (SDLC) methodology should be in place, which includes security and processing integrity requirements of the organization.	Update and/or develop policy and procedural documentation to help govern SDLC and change management processes. Policies and procedures are important because they communicate requirements how systems are intended to be developed, implemented and used, and provide guidance to technical staff regarding how systems should be administered. Policies are high-level directives developed by IT management and approved by non-IT management that help build and maintain the development effort. Procedures are specific activities to be followed regarding how systems will be secured and used by departments in the maintain process. Policies and procedures can serve as an insurance policy for the IT Department in the event any of its employees leave unexpectedly, as there will be documentation to support the organization which describes critical IT-related processes. Formalized policies and procedures can help to smooth a transition to new staff. Some of the different types of policies and procedures the IT Department should consider to build out the technology governance framework include: • Change Management Procedure – Covers the requirements for ensuring management approval before hardware, software, and configuration	IT		No	See update for item #272	L	Based on our review of the IT Department's formal system development life cycle documentation, including templates and FAQs's, we were able to determine that this finding has reasonably been resolved and can be considered closed.
193	I-2	MA-ICR	8/19/2013	MOSS	3/1/2013-6/30/2013	Requests for program changes, system changes, and maintenance (including changes to system software) are standardized, documented, and subjected to formal change management procedures.	Provide internal users a status dashboard or similar communication vehicle to provide status of current change requests. The goal of change management, from a process perspective, is to ensure that any change does not lead to reduced or compromised system security or reduced integrity of database information. The primary purpose is to make all changes subject to detailed requirements documentation and auditing. This allows key stakeholders to oversee alterations of every aspect of the system, including hardware configurations, operating systems, databases, and applications. Changes are implemented in a monitored, orderly manner which undergoes a formalized testing process to verify that the change produced expected results. Most importantly, users are informed of changes before they occur to prevent loss of productivity. The use of a status dashboard will allow internal requestors to see the overall status of their changes from initial submission through closeout. IT should allow users who submit change requests to have the ability to view or receive status information. This functionality can be either	IT		Yes	See update for item #272	L	The City has entered an agreement with Beyond20 for IT service management system software and implementation services. We reviewed the agreement as well as walked through the service's offerings, and confirmed that this software standardizes and documents the process of change requests and help tickets. Based on our review, we determined that this finding can be closed with reasonable assurance of resolution.

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200	I-9	MA-ICR	8/19/2013	MOSS	3/1/2013-6/30/2013	The City does not have a project management life cycle (PMLC) methodology, which guides the approach to managing IT-related projects.	Continue efforts to formalize a standard project management methodology. Project management is employed to keep a development project on target and moving toward the goal of completion. Often, this is structured using life cycle models to direct the system development process. Using formalized lifecycle models helps ensure adequate implementation practices and the embedding of security and data integrity in each stage of the project's development. IT should formalize the minimum set of core project management activities to be used for each project, including: <ul style="list-style-type: none"> • Key stakeholders roles and responsibilities. • Proper project plans. • Functional requirements definition. • Ongoing project management and trouble shooting. • Reporting. • Project deliverables, including timing. • Conceptual definitions. • Protection specifications development. • Implementation review. 	IT		Yes	See update for item #276	L	Based on our review of the IT Department's document of its project management life cycle (PMLC) methodology, we were able to determine that this finding has been reasonably resolved and can be considered closed.
201	I-10	MA-ICR	8/19/2013	MOSS	3/1/2013-6/30/2013	The City does not have a project management life cycle (PMLC) methodology, which guides the approach to managing IT-related projects including the use of project charters, methodologies, and artifacts.	Develop a formal project management checklist documenting the standard artifacts for each project. Project management is defined in the Project Management Institute's <i>Book of Knowledge</i> (PMBOK) as the application of knowledge, skills, tools, and techniques to perform the activities indicated by the project requirements. Project management requires the balancing of competing demands of scope, cost and time resources, and quality. IT has taken the initial steps for identifying key PMLC process items, but should continue their efforts on refining the required PMLC artifacts for all projects, including a formal project management checklist. The communication needs of the project stakeholders can be taken into consideration along with the scope of the project when using a checklist. The checklist should be scalable to different sized projects, yet include the required minimum artifacts to support the project through to completion. In general, the PMLC checklists should include the following, along with example owners: <ul style="list-style-type: none"> • Feasibility and user cases: Project Owner. • Project scope and project charter: Project Owner and Project Manager. • High-level architecture documentation: Project Manager. • Functional specification, design, design review: Systems Architect. • Statement of work (SOW): Project Manager. • Systems configuration, development, testing strategy: Systems Architect. • Test plans (unit, integration, performance, regression, user): Test Analyst. • Training plans: Project Manager and Project Owner. 	IT		Yes	See update for item #276	L	Based on our review of the IT department's formal project management documentation, including standardized templates and process information for each phase of the process, we were able to determine that this finding has reasonably been resolved and can be considered closed.
219	2012-11	12 SAS115	12/9/2013	PUN	7/1/2011 - 6/31/2012	The City has kept on its books for the past two fiscal years material amounts of uncollectible accounts receivable. The City should remove all uncollectible accounts receivable amounts.	We recommend that the City take necessary action to bring the delinquent accounts to City Council for authorization to remove all uncollectible accounts receivable amounts from their records and create policies and procedures for the criteria for when an amount is determined to be uncollectible.	ASD- Accounting/Revenue Services	The City partially agrees with this finding and recommendation. Management does agree with the removal of all old uncollectible accounts receivable amounts from both centralized and decentralized accounts receivable systems and subsidiary systems. First, management needed to make a valid and good faith attempt to collect all possible accounts due to the pending bankruptcy filing. Management also hired an outside collection agency to assist with these collection efforts. Only after exhausting collection efforts will the write-off be performed. Responsible billing departments received guidance on the requirements of the City Council Policy 700-3 in October 2013 and were requested to submit their write-off recommendations (with appropriate supporting documentation) in accordance with the Policy to the Administrative Services Department by November 15, 2013. Under the Policy, the next step is for the CFO to notify the City Council with the receivable write-off amounts and justification for the write-off. This is anticipated to occur in spring 2014. Subsequently, the City will perform audits of all billing systems to ensure the timely removal of the accounts.	Yes	A memorandum has been prepared by Administrative Services Department to notify the City Council of the write-off of a total of \$10,530,855. The total projected write-off reported, is as of December 31, 2012. Because there is an inherent risk that some accounts might default on payment, it is a Generally Accepted Accounting Practice (GAAP) to record accounts receivable at net realizable value. The portion of the accounts receivable that is estimated to be uncollectible is set aside in an Allowance for Doubtful (Uncollectible) accounts. The allowance as of June 30, 2012 was \$18,146,094. The disposition of these accounts will have no effect on the City's stated financial position. Ryan Pham 1/27/2015	O	This audit finding was issued by the external auditor. As part of their financial audit, they determined that this finding has been resolved.
260	2	MA-PAY	4/4/2014	MOSS	11/01/2013 - 3/31/2014	The Payroll office and confidential information within the Payroll office is not always physically secure.	The door between the payroll office and accounts payable should be secured at any time that the payroll office is not occupied, keys to the payroll office doors and locking file cabinets should be limited to authorized employees, and all confidential information should be stored in locked file cabinets when not directly being used for work purposes.	ASD - Payroll	Inform Payroll personnel to be more careful about securing and locking the door to the Payroll office when there is no staff available during normal business hours. Lock the door at the end of the business day to ensure that non Payroll staff does not have access to employees' confidential information. Discuss with staff the importance of keeping confidential information stored away and locked when not directly being used.	Yes	The door between the Payroll office and Accounts Payable is open during normal business hours only. As soon as internal auditors pointed out the deficient physical security, Payroll personnel became more careful about securing and locking the door to the Payroll office when there is no staff available during normal business hours. Otherwise, the door is locked at the end of the business day to ensure that non Payroll staff does not have access to employees' confidential information. Management has discussed and emphasized to staff the importance of keeping confidential information stored away and locked when not directly being used. In addition, staff was directed to be more	H	We validated that this finding has been reasonably resolved and can be considered closed. Since this finding was issued, the Payroll and Accounts Payable Units have moved offices to a new location. In the new location, these Units are not located immediately next to each other as in the past. Staff has been advised verbally, with confirmation in writing, of the expectation to keep all confidential files locked when not in use.
271	1	MA-IT	8/4/2014	MOSS	07/01/2013 - 3/31/2014	There are no formal system development life cycle (SDLC) policies and procedures for most of the City's applications, systems, and infrastructure.	IT should continue to develop and refine policy and procedural documentation to help direct SDLC and change management processes. In addition, they should implement mitigating controls such that additional audit logging occurs when code deployment is performed by the developer.	IT	1) A staff report will go before City Council in mid-October 2014 to obtain approval to release an RFP to purchase a robust Information Technology Service Management (ITSM) help desk solution. (no longer proposed as solution to this finding) 2) Staff will develop an SDLC Framework with written Policy and	Yes	The IT Department has developed and implemented a System Development Life Cycle (SDLC) framework along with associated documents, templates, forms, and diagrams to be used for managing IT systems. All documents are included in a standardize workflow process. The framework provides a phased model of a hardware/software		Based on our review of the IT Department's formal system development life cycle documentation, including templates and FAQs's, we were able to determine that this finding has reasonably been resolved and can be considered closed.

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272	2	MA-IT	8/4/2014	MOSS	07/01/2013 - 3/31/2014	Requests for program changes, system changes, and maintenance (including changes to system software) are not standardized, documented, and subjected to formal change management procedures.	IT should provide internal users with a status dashboard or similar communication vehicle to view or receive current status information on change requests. Changes should be implemented in a monitored, orderly manner that undergoes a formalized testing process to verify that the change produced expected results.	IT	1) A staff report will go before City Council in mid-October 2014 to obtain approval to release an RFP to purchase a robust Information Technology Service Management (ITSM) help desk solution. 2) The new ITSM solution will include either a status dashboard or similar communication vehicle.	Yes	Agenda item #14-0274, on 11/18/14 Council calendar, is a request to issue an RFP to acquire an Information Technology Service Management system (ITSM) which will include capability for tracking change management processes. Dependent upon City Council action, the ETA to have software solution in place is 8/31/16. Jim Limbaugh, 02/20/2015		The City has entered an agreement with Beyond20 for IT service management system software and implementation services. We reviewed the agreement as well as walked through the service's offerings, and confirmed that this software standardizes and documents the process of change requests and help tickets. Based on our review, we determined that this finding can be closed with reasonable assurance of resolution.
276	6	MA-IT	8/4/2014	MOSS	07/01/2013 - 3/31/2014	The City does not have a complete and consistent project management life cycle (PMLC) methodology, which guides the approach to managing IT-related projects including the use of project charters, methodologies, and artifacts.	IT should continue efforts to develop and implement a standard project management methodology to keep projects on target and moving towards completion. Formalized life cycle models should include the embedding of security and data integrity in each stage of development. IT should formalize the minimum set of core project management activities to be used and develop a checklist documenting the required artifacts for each project.	IT	While staff has been using Project Charters since 2012, a formal Project Checklist has not been developed. A project checklist will be developed by December 2015.	Yes	The IT Department has developed and implemented a System Development Life Cycle (SDLC) framework along with associated documents, templates, forms, and diagrams to be used for managing IT systems. All documents are included in a standardize workflow process. The framework provides a phased model of a hardware/software project and depicts the relationship among activities, products, reviews, approvals, and resources. Change is formally managed through a Change Management process to insure proper monitoring and controlling process during each SDLC phase. The supporting documents guide system development from concept to disposition and include Concept Proposal, Functional Requirements, Project Charter, Change Management Plan, Testing, and Post-Implementation Review. The framework and documents are available for Citywide use on the		Based on our review of the IT department's formal project management documentation, including standardized templates and process information for each phase of the process, we were able to determine that this finding has reasonably been resolved and can be considered closed.
293	2013-01	13 SAS115	41815	PUN	07/01/2012 - 06/31/2013	There is a substantial doubt about the City's ability to continue as a going concern through June 30, 2013. The City's bankruptcy filings and Pendency Plan notified debt creditors that the City would enter into default on some debt and contractual obligations beginning in fiscal year 2011-12.	The City has hired consultants and legal experts to assist the City's new management team to work through the bankruptcy proceedings and develop other cost savings measures in order to enter a Plan of Adjustment that will return the City to financial health. City staff and management should continue to work as expeditiously as possible to return to financial solvency. This single issue remains the City's top priority.	ASD/CM	The City agrees with the findings and recommendation. The City as part of its Chapter 9 bankruptcy protection is working with all of its significant creditors to return the City to solvency. The City has filed with the United States Bankruptcy Court its "Plan for the Adjustment of Debts" of the City of Stockton, California, dated October 10, 2013 (as amended November 15, 2013) and its "Disclosure Statement" with respect to the "Plan for the Adjustment of Debts". The Plan is scheduled to be heard by the United States Bankruptcy Court in March 2014. There is no other priority higher for the City than to	Yes	See update for item #12		We validated that this finding can be considered closed and have reasonable assurance that this issue has been resolved. The City's Plan of Adjustment was in effect as of February 2015.
301	2013-09	13 SAS115	6/25/2014	PUN	07/01/2012 - 06/31/2013	The City has kept on its books for the past two fiscal years material amounts of uncollectible accounts receivable. The City should remove all uncollectible accounts receivable amounts.	We recommend that the City take necessary action to bring the delinquent accounts to City Council for authorization to remove all uncollectible accounts receivable amounts from their records and create policies and procedures for the criteria for when an amount is determined to be uncollectible.	ASD-Accounting/Revenue Services	The City partially agrees with this finding and recommendation. Management does agree with the removal of all old uncollectable accounts receivable amounts from both centralized and decentralized accounts receivable systems and subsidiary systems. A project charter was initiated and substantial work and collaboration performed with the departments to identify and approve all write offs City prior to submission by the CFO to the City Manager and City Council. The identification of all write offs has now been completed and approved by the CFO. Under the Policy, the next step is for the CFO to notify the Council with the receivable write-off amounts and justification for the write-off. This is anticipated to occur within the next 30-60 days. Subsequently, the City will perform audits of all billing systems to ensure the timely removal of the accounts receivable approved for write-off. The work in the subsidiary ledgers to remove the bad debt will be the next phase of the project which we anticipate will take several months to complete due to the level of department interaction as well as with our outside vendor billing agencies. Responsible billing departments also received guidance on the requirements of the City Council Policy 700-3 in October 2013 and were requested to submit their write-off recommendations (with	Yes	See update for item #219	O	This audit finding was issued by the external auditor. As part of their financial audit, they determined that this finding has been resolved.

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322	2014-01	14SAS115	6/30/2014	PUN	07/01/2013 - 06/30/2014	<p>On May 26, 2010, the City Council declared a state of emergency based on fiscal circumstances and directed the City Manager to take appropriate and lawful measures to achieve a balanced budget for fiscal year 2010-11, which was accomplished. Unfortunately, the City's fiscal health continued to deteriorate in fiscal years 2010-11 and 2011-12 despite various cost cutting measures the City implemented. As a result, the fiscal emergency was continued on May 17, 2011 and February 28, 2012, along with Council authorization for the City Manager to enter into the measures specified in California Assembly Bill 506 (AB 506). By participating in the AB 506 process, the City hoped that discussions with creditors would yield concessions relating to the City's obligations. While progress was made with some creditors, sufficient progress was not made to avoid insolvency, thereby leading the City to file a petition for Chapter 9 Bankruptcy Protection on June 28, 2012.</p> <p>Additionally, the City adopted a Pendency Plan on June 26, 2012, under which it is operating for fiscal year 2012-13. Payments of principal and interest for General Fund debt obligations, not required for the City to operate, have been suspended, pending the outcome of the bankruptcy process. The Bankruptcy Judge has appointed a mediator to work with the City and its largest creditors during the bankruptcy process toward a Plan of Adjustment.</p> <p>The City was current on all debt payments for fiscal year 2010-11. On February 28, 2012, the Council approved suspending payment on three bonds, with payments due at various times prior to the end of the fiscal year 2011-12, to preserve General Fund cash and attempt to avoid insolvency. Accordingly, the City entered into default on the following debt obligations, beginning in fiscal year 2011-12:</p>	The City has hired consultants and legal experts to assist the City's ne	CM	<p>The City agrees with the findings and recommendation and it is a repeat from the prior year(s) due to the compressed timing of audits. Relative to the recommendation, the City as part of its chapter 9 bankruptcy protections is working with all of its significant creditors to return the City to solvency. The City has filed with the United States Bankruptcy Court its "Plan for the Adjustment of Debts" of the City of Stockton, California, dated October 10, 2013 (as amended) and its "Disclosure Statement" with respect to the "Plan for the Adjustment of Debts".</p> <p>Since the filing of the Plan, one creditor has filed an objection to the Confirmation of the Plan and subsequently an appeal to the Plan, if confirmed. The Plan was confirmed by Judge Klein on January 4, 2015 whose written opinion indicates that the Plan is feasible and in the best interest of creditors. Though the outcome of the appeal process remains uncertain, management is continuing to proceed towards its exit from bankruptcy with its creditors and has been managing its finances within the long-range financial plan (LRFP) submitted to the Court.</p>	Yes	Repeat Finding from the Prior Year	I	We validated that this finding can be considered closed and have reasonable assurance that this issue has been resolved. The City's Plan of Adjustment was in effect as of February 2015.
327	2014-06	14SAS115	6/30/2014	PUN	07/01/2013 - 06/30/2014	The City should remove all uncollectible accounts receivable amounts.	We recommend that the City take necessary action to bring the delinque	ASD	<p>Repeat Finding from Prior Year</p> <p>Management partially agrees with this finding and recommendation. This information is not new and was reported to the City Council by the prior auditors and management during the fiscal year 2011 audit. Management disagrees that they have not been actively reconciling or reviewing outstanding accounts receivable for collectability. The write-off of aged receivables has been a very complex, high priority project. This project required the City perform an extensive reconciliation of the old accounts in multiple subsidiary ledgers to the general ledger. Due to increased collection efforts and stabilization in operations, there has not been a substantial increase in the aging of the outstanding receivables. This was achieved by focusing daily operations on the current year billings to prevent new problems from developing. Also, a valid and good faith attempt to collect all possible accounts due to the bankruptcy filing was made before deeming an account uncollectible. Management felt it was not prudent to write-off amounts that could potentially be collected and converted to cash at a time when cash solvency was so critical to the City. Management also hired an outside collection agency to assist with these collection efforts.</p> <p>Management does agree with the removal of all old uncollectable accounts receivable amounts from both centralized and decentralized accounts receivable systems and subsidiary systems that meet our policy criteria for write-offs. A project charter was initiated and substantial work and collaboration was performed with the departments to identify and approve all write offs for submission to the CFO, the City Manager and City Council. Responsible billing departments also received guidance on the requirements of the City Council Policy 700-3 Uncollectible Accounts in October 2013 and were requested to submit their write-off recommendations (with appropriate supporting documentation) in accordance with the Policy to the Administrative Services Department by November 15, 2013. This process has taken</p>	Yes	Repeat Finding from Prior Year		This audit finding was issued by the external auditor. As part of their financial audit, they determined that this finding has been resolved.
329	2014-02	SA14	3/10/2015	PUN	07/01/2013 - 06/30/2014	<p>Sub recipients</p> <p>We determined that the City does not formally communicate the CFDA number to sub recipients under the Community Development Block Grant during the time of the sub-award.</p>	The City should incorporate the CFDA number into sub-award letters.	ASD-Accounting		Yes	The City was not aware they were required to inform subrecipients of the CFDA number in the sub-award communication letter.		We validated that this finding can be considered closed and have reasonable assurance that this issue has been resolved. The City has created a letter template for CDBG Grants that now includes the CFDA #. We reviewed this template and verified that the CFDA# is listed.

Item No.	Finding No.	Report Code	Report Date	Auditing Entity Code	Period Covered	Finding	Recommendation	Responsible Dept(s)	City's Remediation Plan (Course of Action & Expected Benefits)	Finding corrected? (Y, N, Partial)	City's Status Comments	Risk Category	Moss Adams Determination
333	2015-04	15SAS115	12/31/2015	PUN	07/01/2014 - 06/30/2015	The City should remove all uncollectible accounts receivable amounts. The City has kept on its books for the past two fiscal years material amounts of uncollectible accounts receivable. Though the amounts have been reserved and are no longer showing as collectible, the subsidiary ledgers continue to be clogged with old data that ultimately won't be collected. This creates inefficiencies in city operations where sufficient difficulty already exists to extract system data. Compiling the receivable and aging information can take months for the revenue services division.	<RepeatedFinding> We recommend that the City take necessary action to bring the delinquent accounts to City Council for authorization to remove all uncollectible accounts receivable amounts from their records and create policies and procedures for the criteria for when an amount is determined to be uncollectible.	ASD	Repeat Finding from Prior Year (327) Management partially agrees with this finding and recommendation. This information is not new and was reported to the City Council by the prior auditors and management during the fiscal year 2011 audit. Management disagrees that they have not been actively reconciling or reviewing outstanding accounts receivable for collectability. The write-off of aged receivables has been a very complex; high priority project. This project required the City perform an extensive reconciliation of the old accounts in multiple subsidiary ledgers to the general ledger. Due to increased collection efforts and stabilization in operations, there has not been a substantial increase in the aging of the outstanding receivables. Also, a valid and good faith attempt to collect all possible accounts due to the bankruptcy filing was made before deeming an account uncollectible. Management felt it was not prudent to write-off amounts that could potentially be collected and converted to cash at a time when cash solvency was so critical to the City. Management also hired an outside collection agency to assist with these collection efforts. Management does agree with the removal of all old uncollectable accounts receivable amounts from both centralized and decentralized accounts receivable systems and subsidiary systems that meet our policy criteria for write-offs. A project charter was initiated and substantial work and collaboration was performed with the departments to identify and approve all write offs for submission to the CFO, the City Manager and City Council. Responsible billing departments also received guidance on the requirements of the City Council Policy 700-3 Uncollectible Accounts in October 2013 and were requested to submit their write-off recommendations (with appropriate supporting documentation) in accordance with the Policy to the Administrative Services Department by November 15, 2013. This process has taken	Yes	Repeat Finding from Prior Year (327)		This audit finding was issued by the external auditor. As part of their financial audit, they determined that this finding has been resolved.
335	SA 2014-02	SA15	12/31/2015	PUN	7/1/2014 - 6/30/2015	Sub recipients We determined that the City does not formally communicate the CFDA number to sub recipients under the Community Development Block Grant during the time of the sub-award.	<Repeated Finding> The City should incorporate the CFDA number into sub-award letters.	ASD-Accounting	Repeat Finding from Previous Year (329)	Yes	Repeat Finding from Prior Year (329) The City was not aware they were required to inform subrecipients of the CFDA number in the sub-award communication letter.		We validated that this finding can be considered closed and have reasonable assurance that this issue has been resolved. The City has created a letter template for CDBG Grants that now includes the CFDA #. We reviewed this template and verified that the CFDA# is listed.