

City of Los Alamitos

**Agenda Report
Consent Calendar**

**February 18, 2015
Item No: 9F**

To: Mayor Richard D. Murphy & Members of the City Council
Via: Bret M. Plumlee, City Manager
From: Jason Al-Imam, Administrative Services Director
Subject: Fiscal Year 2013/14 Audit Reports

Summary: The item for City Council consideration is receipt of the Fiscal Year 2013/14 audit reports.

Recommendation: Receive and file the annual audit reports for the Fiscal Year 2013/14: Comprehensive Annual Financial Report, Report on Appropriations (Gann) Limit, and Management Report and Auditor Communication Letter.

Background

Each year an independent audit of the City is conducted in conformity with *generally accepted auditing standards* (GAAS). Those standards require that an independent Certified Public Accountant plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The auditor also expresses an opinion on the fairness of the presentation of the financial position and the results of operations of the government's basic financial statements in conformity with *generally accepted accounting principles* (GAAP).

Discussion

The City's auditors (Moss, Levy & Hartzheim) recently completed their audit of the City's financial statements for the year ended June 30, 2014. The auditors provided an "unmodified", or clean, opinion that the City's financial statements are presented fairly.

The auditors have also issued a Report on the City's Appropriations (Gann) Limit and have also issued a Management Report and Auditor's Communication Letter, which outlines matters that are required to be communicated to City Council.

Fiscal Impact

There is no fiscal impact associated with this report.

Submitted By:



Jason Al-Imam
Administrative Services Director

Approved By:



Bret M. Plumlee
City Manager

Attachment:

- 1. 2013/14 Comprehensive Annual Financial Report*
- 2. Report on Appropriations (Gann) Limit*
- 3. Management Report and Auditor Communication Letter*

ATTACHMENT 1

COMPREHENSIVE ANNUAL FINANCIAL REPORT

AVAILABLE FOR REVIEW IN THE
CITY CLERK'S OFFICE

CITY OF LOS ALAMITOS
INDEPENDENT ACCOUNTANT'S REPORT
ON AGREED-UPON PROCEDURES APPLIED TO
APPROPRIATIONS LIMIT SCHEDULE

FOR THE FISCAL YEAR ENDING
JUNE 30, 2014



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DRIVE, SUITE #730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

**INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON
PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS**

Honorable Mayor and Members of the City Council
City of Los Alamitos, California

We have applied the procedures enumerated below to the accompanying Appropriations Limit Worksheet (or other alternative computation) of the City of Los Alamitos (City) for the fiscal year ended June 30, 2014. These procedures, which were agreed to by the City and presented in their Article XIII-B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution (the Gann Spending Limitation Initiative). The City's management is responsible for the Appropriations Limit Worksheet (or other alternative computation).

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheets (or other alternative computation) used by the City to calculate its appropriations limit for the fiscal year ending June 30, 2014, and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Worksheet, we added prior year's limit to the total ratio of change, and agreed the resulting amount to the current year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Worksheet to other worksheets used by the City as described in No. 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet (or other alternative computation). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the City Council and City Management and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTZHEIM

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
January 20, 2015

**CITY OF LOS ALAMITOS
2013/2014
APPROPRIATIONS LIMIT CALCULATION**

		<u>AMOUNT</u>
Appropriations Limit for 2012-13	\$	15,496,112
Adjustment Factors:		
Change in Population - County		1.0078
Change in Per Capita income		<u>1.0512</u>
Total Adjustment %		1.0594
Annual/Other Adjustments:		<u> </u>
Appropriations Limit for 2013-14	\$	<u>16,416,571</u>
Appropriations Subject to Limit:		
Proceeds of Taxes	\$	8,364,420
Minus Exclusions		<u> </u>
Appropriations Subject to Limit		<u>8,364,420</u>
Appropriations Over (Under) Limit	\$	<u>(8,052,151)</u>

**CITY OF LOS ALAMITOS
NOTES TO APPROPRIATIONS LIMIT SCHEDULE
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

1. PURPOSE OF LIMITED PROCEDURES REVIEW

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII-B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

2. METHOD OF CALCULATION

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

3. POPULATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the County in which the City is located. The factor adopted by the City of Los Alamitos for fiscal year 2013-14 represents the annual percentage change in population for the County of Orange of .78%.

4. INFLATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State of California Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City of Los Alamitos for fiscal year 2013-14 represents the California per capita personal income Increase of 5.12%.

5. OTHER ADJUSTMENTS

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City of Los Alamitos had no such adjustments for the calculation for the fiscal year ending June 30, 2014.

**CITY OF LOS ALAMITOS
MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER**

June 30, 2014

CITY OF LOS ALAMITOS
June 30, 2014

TABLE OF CONTENTS

Transmittal / Management Letter	1
Required Communication under SAS 114.....	3
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	6
 Current Year Recommendations:	
Significant Deficiencies:	
2014-01 Deficiencies in Internal Control over Business Licenses	8
2014-02 Voids are not approved by Recreation Center Management	8
2014-03 Lack of Segregation of Duties, Oversight, and Control in the Finance Department	8



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DR., SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 E. HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

Members of the City Council
City of Los Alamitos
3191 Katella Avenue
Los Alamitos, CA 90720

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Los Alamitos (City), as of and for the fiscal year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies presented in the current year recommendations section as Findings 2014-01 through 2014-03 to be significant deficiencies in internal control.

The City's written responses to the findings identified in our audit are described in the current year recommendations section. We did not audit the City's responses and, accordingly, we express no opinion on them. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We have included in this letter a summary of communications with the members of the City Council as required by professional auditing standards. We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement. The accompanying communications and recommendations are intended solely for the information and use of management, the members of the City Council, and others within the City, and are not intended to be, and should not be, used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
January 20, 2015



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DR., SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 E. HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

Members of the City Council
City of Los Alamitos
3191 Katella Avenue
Los Alamitos, CA 90720

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Los Alamitos for the fiscal year ended June 30, 2014. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and, if applicable, Government Auditing Standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated June 26, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2013, the City of Los Alamitos adopted the provisions of Governmental Accounting Standards (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the estimated historical cost and useful lives of certain capital assets, the funding progress and actuarial of the CalPERS pension plan, Other Postemployment Benefits (OPEB) actuarial values and funding progress, the collectability of receivables (including accounts and notes receivable), and the estimated claims payable. Management's estimates of the estimated historical cost and useful lives of certain capital assets are based on historical data and industry guidelines, while the funding progress of the CalPERS pension plan and the Other Postemployment Benefits actuarial values are based on consultants' estimates. The amount of estimated collectability of receivables is based on historical data and the estimated claims payable is based on third party consultant's estimates. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: (1) adjustments to accounts receivable and due to and from General fund and other funds.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 20, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Los Alamitos' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Los Alamitos' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedules for the General Fund and major special revenue funds and the Schedule of Funding Progress for Post Employment Benefits Other than Pension, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining and Individual Non-major fund financial statements, Non-major funds Budgetary Comparison Schedules, Major Capital Project Budgetary Comparison Schedules, and the Combining Internal Service fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council of the City of Los Alamitos and management of the City of Los Alamitos and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
January 20, 2015



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A. LEVY, CPA
CRAIG A. HARTZHEIM, CPA
HADLEY Y. HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DR., SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 E. HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the City Council
City of Los Alamitos
3191 Katella Avenue
Los Alamitos, CA 90720

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Los Alamitos (City), California, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies described in the accompanying current year recommendations section to be significant deficiencies (Findings 2014-01 through 2014-03).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
January 20, 2015

CURRENT YEAR RECOMMENDATIONS

Significant Deficiencies

2014-01 Finding – Deficiencies in Internal Control over Business Licenses:

During our examination of business license cash receipts, we noted the following deficiencies:

- 1) The audit log of transactions, including voids, reversals, and deletions of transactions entered into the system, is not reviewed.
- 2) Cashiers can back date transactions prior to a late fee assessment date, thereby waiving late fees.

Effect:

There is an increased risk for misappropriation of cash, loss of revenue, and incorrect accounting entries.

Recommendation:

We recommend that controls be implemented to prevent these types of changes to transactions from occurring without a supervisor's documented permission.

Management's Response:

The audit log consists of a Cash Receipts Report for the Business License division, which is printed directly from the Business License system. This report is reviewed by the Business License Receptionist for accuracy and completeness. The report is also reviewed by the Finance Assistant in order to verify that the amounts entered into the Business License system reconciles with the amounts deposited into the City's bank account. Due to system limitations with our current licensing software, the Cash Receipts Report does not reflect voids or reversals. These reporting deficiencies and internal control issues will be addressed and remedied with the outsourcing of the Business License function, which was approved by the City Council on January 20, 2015.

2014-02 Finding – Voids are not approved by Recreation Center Management:

During our fieldwork, we noted that voided transactions in CLASS are shown on the closeout report, but not approved by management.

Effect:

There is an increased risk for misappropriation of cash or free attendance for enrollees.

Recommendation:

We recommend that management approve voids before they can be entered into the system, as well as review and approve the closeout report.

Management's Response:

The City recently moved to a new recreation system called CSI. A report will be ran from CSI daily that shows all voided transactions, which will be reviewed and approved by management.

2014-03 Finding – Lack of Segregation of duties oversight, and control:

During our review of internal control, we noted that two employees can enter transactions, post journal entries, make deposits, perform bank reconciliations, prepare payroll, and prepare cash disbursements. Furthermore, the City has experienced turnover in the management of the Finance Department and there have been improper reviews or delays in review processes. A number of audit adjustments were necessary to correct the year end balances.

Effect:

Lack of segregation of duties, oversight, and controls increases the risk of inaccuracy and misappropriation of funds to occur and go undetected.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Significant Deficiencies (Continued)

2014-03 Finding – Segregation of duties in Finance: (Continued)

Recommendation:

We recommend finance personnel only have controls that are critical to the functioning of their duties. We recommend that the City strengthen its internal controls and segregate its duties in order to properly safeguard assets from misappropriation.

Management's Response:

Due to turnover in the Administrative Services Department, there have been some delays in the review process that occurred during the audit period (July 2013 through June 2014). The City is in the process of getting caught-up and will ensure that reviews are done in a timely manner moving forward.

The City understands the importance of a sound internal control structure. Therefore, system access rights have been limited to the extent that it is practical. In situations where it's not practical to segregate certain access rights and duties, City Management believes that compensating key internal controls are in place. Furthermore, we believe that the cost of hiring an additional person in order to provide for full separation of duties would not outweigh the perceived benefit.