FINAL DRAFT REPORT FOR

CULVER CITY

INTERNAL CONTROLS REVIEW

June 2016

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY 1

II. SCOPE AND METHODOLOGY 2

III. INTERNAL CONTROLS REVIEW 5

- A. PAYROLL AND HUMAN RESOURCES 5
- B. PURCHASING AND ACCOUNTS PAYABLE 7
- C. WAREHOUSING 10
- D. GRANTS MANAGEMENT 11
- E. CASH HANDLING AND REVENUE COLLECTION 15
- F. REVENUE, BILLING, AND ACCOUNTS RECEIVABLE 28
- G. MONTHLY ACCOUNT RECONCILIATION AND CLOSING 36
- H. IT GENERAL CONTROLS 36
- I. OVERALL CONTROL ENVIRONMENT 38
- J. OTHER 40
- K. DEPARTMENT OR DIVISION SPECIFIC 40

IV. MANAGEMENT RESPONSE 46

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I. EXECUTIVE SUMMARY

The City of Culver City (the City, Culver City) requested third-party assistance to review its internal controls framework. The review took place between February 2016 and May 2016 and focused on assessing select key controls in areas deemed important to protecting the City's assets and resources and processing and reporting timely financial information.

The review of internal controls was completed under the consultancy standards of the American Institute of Certified Public Accountants (AICPA). As such, this work was not an audit of internal controls that resulted in a formal opinion or other form of assurance. Moss Adams reviewed the City's internal controls for design, but did not test those controls for operating effectiveness, which is assumed to be a forthcoming activity.

Specific areas where controls were reviewed included:

- Payroll
- Purchasing and accounts payable
- Monthly account reconciliation and closing
- Budgeting
- Cash receipts and cash handling
- Revenues and billings
- Accounts receivables and write-offs
- Grant management and compliance
- Inventory management
- IT general controls
- Overall control environment

The City has internal controls in place for many functions. In particular, the City deserves commendations in certain areas, including:

- There are monthly meetings for staff involved in grants management.
- The financial system does not allow multiple vendor listings under the same tax ID number.
- The City recently implemented a permitting software system with increased controls and capabilities.

Similar to most cities, there is an opportunity to strengthen policies, procedures, systems, and training. Gaps of varying degrees were discovered in many of the functions reviewed, especially in the case of decentralized operations.

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II. SCOPE AND METHODOLOGY

The scope of our review included a high-level evaluation of key internal controls throughout Culver City to determine the general adequacy of enterprise internal controls and identify areas warranting more in-depth review in the future.

The scope of the internal controls review included the following aspects:

- Identifying control objectives in specific areas and identifying controls that would satisfy each control objective
- Reviewing policies and procedures
- Examining relevant documentation in support of select key controls
- Performing control walkthroughs to observe the design of key controls and understand workflow processes
- Obtaining an understanding of the characteristics of each relevant control activity (who performs it, how often it is designed to operate, whether it is designed to mitigate fraud, whether it is a manual or programmed [automated] control, and whether it is a preventive, detective, or corrective control)
- Assessing whether the controls in place would prevent or detect errors
- Providing recommendations on key controls that need to be implemented or changed

The work performed included interviews with personnel involved in managing functions, processing key accounting transactions, and handling physical assets. Such positions included:

Community Development *Housing* • Housing Programs Administrator *Economic Development* • Economic Development Manager *Building Safety* • Associate Analyst *Planning* • Planning Manager • Senior Planner **Finance Department** • Assistant Chief Financial Officer • Revenue Division Manager • Accounting Division Manager	• Budget and Financial Operations Manager • Associate Analyst • Accounting Technicians • Senior Account Clerks • Senior Management Analyst • Senior Enterprise Business Analyst • Warehouse Supervisor • Warehouse Workers **Information Technology Department** • Service Desk Technician • Network Administrators • Senior Computer Programmer Analyst

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Parks, Recreation, and Community Services • Senior and Social Services and Facilities Manager • Special Events Coordinator • Aquatics Coordinator **Fire Department** • Secretaries • Emergency Preparedness Coordinator • Management Analyst **Police Department** • Management Analyst • Lieutenant Litigation Liaison in Records and Documents • Parking Supervisor	**Human Resources** • Human Resources Associates **Public Works** • Management Analyst • Associate Analyst *Environmental Programs and Operations* • Interim Senior Civil Engineer *Engineering Services* • Senior Civil Engineer *Maintenance Operations* • Maintenance Operations Manager • Administrative Secretaries **Transportation** • Senior Management Analyst

In addition, a comprehensive survey about internal controls for key activities was disseminated to personnel to gain input on internal controls and potential opportunities for improvement. We distributed surveys to 167 employees and received 101 responses.

Additional work was performed to gain further understanding into internal controls in key functions within certain departments. In particular, interviews and walkthroughs were performed for the following functions:

- **Cash Handling:** Community Development, Fire, Police, Parks, Recreation and Community Services, Public Works, and Transportation[1]
- **Revenue, Billing, and Accounts Receivables:** Community Development, Fire, Police, Parks, Recreation and Community Services, Public Works, and Transportation
- **Grants:** Community Development, Parks, Recreation and Community Services[2], Public Works, and Transportation
- **Timekeeping and Payroll:** Fire, Parks, Recreation and Community Services
- **Purchasing and Procurement:** Fire, Public Works, and Transportation

[1] We did not examine cash handling at the Cultural Affairs Foundation, the collection of donations at the Senior Center, and Parks Department's partnership with non-profit organizations.

[2] We did not review the Parks Department's PEP award process.

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In support of the internal controls review, the matrix provided in Section III provides a summary documentation of:

- Control objectives
- Control issues
- Corresponding recommendations
- Likelihood of occurrence
- Impact of occurrence

Likelihood of occurrence is defined as the probability of a negative event occurring. Impact of occurrence is defined as the level of significance if a negative event occurs. Risk levels of low, moderate, or high were used to rate the likelihood of occurrence and impact of occurrence for each finding.

Beyond the controls that have been reported within this report as a control issue, additional controls were reviewed without exception. The total population of controls reviewed was over 100 controls. It should be noted that many controls were reviewed multiple times in relevant, separate department reviews, but not all controls or departments were reviewed. Departments were selected on a test basis to get a broad understanding of the City's control environment. Only those key controls with exception conditions are reported in this document.

The primary conclusion from this review is that the City has an opportunity to improve internal controls and strengthen processes and procedures. Suggested priorities to address over the next 6 to 12 months include, but are not limited to:

- Revenue
- Cash collection and handling
- Information technology
- Payroll and timekeeping
- Grants management
- Purchasing and accounts payable
- Warehousing

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III. INTERNAL CONTROLS REVIEW

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
A. Payroll and Human Resources				
1. Human resources and payroll functions are properly segregated.	The Payroll Department makes changes to the employee master files by entering wage rates of new employees and modifying employee wage rates in the system. There is no oversight of these changes by the Human Resources Department, and the Payroll Department does not monitor these changes to ensure they are correct and are authorized. Given the lack of management review, unauthorized changes or inaccurate changes could be made and not detected.	Shift control of wage rate entry and changes to the Human Resources Department (best practice) or establish monitoring controls to detect unauthorized or inaccurate changes to wage rates.	Moderate	Moderate
2. Hours are accumulated and accurately processed.	Despite the checks and balances that have been put in place by Parks, Recreation and Community Services (Parks), the current system and process for reporting time have significant gaps. Paper time sheets are used by employees, which are then entered into the system by a timekeeper and verified by supervisors. The verification process requires a significant amount of time by supervisors. For example, at the Plunge Pool, this process takes the manager and a supervisor a total of roughly five hours every two weeks. The manual nature of this process impacts the timing of this whole process. In order to make the Payroll timeline, employees are reporting some time for future days that have not been worked yet. Recording hours that have not yet been worked places even greater importance on the supervisors' verification process, as they have to verify that no	Explore opportunities for electronic time entry at Parks and other locations that are using paper time sheets.	Moderate	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	one called in sick or schedules did not change after the fact. This highly manual process is not only inefficient, but there is an increased risk of hours reported and pay processed being inaccurate.			
3. Confidential records are stored in areas that are locked or under continuous surveillance.	While the Human Resources general office is locked when it is not occupied, the file cabinets where Human Resources files are kept are not locked. Personnel information is kept in these file cabinets and could be compromised.	Ensure that all personnel records are physically secured to protect confidential data.	Low	Moderate
4. Voided checks are maintained and properly defaced.	Payroll shreds voided checks rather than retaining the defaced voided check. As a result, adequate records are not retained to support that the check was actually voided.	The City should deface and retain all voided checks and attach them to the related month's bank statement.	Low	Low
5. Effective management oversight exists over payroll processing.	Payroll registers are not subject to review and final approval by a responsible person outside the Payroll Department, such as the Assistant Chief Financial Officer. A review from someone outside of Payroll mitigates risk by increasing oversight and segregating duties.	Implement a process for an independent review of the completed payroll register for accuracy.	Low	Low
6. Hours worked, including overtime, are accumulated and reported accurately for all employees.	The City has challenges monitoring the cumulative hours worked by part-time employees. Part-time employees are not supposed to exceed 1,600 hours per year; otherwise, the City would be responsible for additional benefits costs. It can be difficult for individual supervisors to accurately monitor the hours of part-time employee they oversee, because some employees have multiple positions at the City. A report can be pulled from the payroll system to monitor cumulative hours, but these reports are not sent out to the departments until an employee is close to the 1,600-hour limit. There are no periodic	Implement periodic reminders, at least quarterly, to all departments with part-time employees. The periodic reminders should include the number of hours worked to date by employees.	Low	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	ongoing reminders to help proactively manage the utilization of part-time employees.			
7. Hours are accumulated and accurately processed.	Payroll does not review time cards completed by department employees on a regular basis. Completion and approval of time cards is a decentralized process and completed time cards remain the responsibility of each department. Without regular, periodic review of time cards by Payroll, there is increased risk that time cards are not completed consistently and accurately and that proper approval is not obtained.	Implement a process for Payroll personnel to periodically review time cards completed by departments. There should be a set schedule for this review with results documented. Based on results of the initial review, Payroll should determine the frequency of continued review. For example, departments with more exceptions should be reviewed more frequently.	Low	Low
B. Purchasing and Accounts Payable				
1. New vendors are entered into the system by someone outside of Accounts Payable.	Certain Accounts Payable employees can establish new vendors in the system. Therefore, vendors can be set up and paid by the same employee, posing a significant issue of insufficient segregation of duties.	Restrict access of vendor set-up to employees outside of Accounts Payable. If access cannot be removed from Accounts Payable personnel, implement monitoring and review procedures, such as reviewing monthly new vendor reports and all vendor changes.	Moderate	Moderate
2. Checks are handled securely.	The City allows departments to pick up checks when they are ready for mailing, rather than Accounts Payable mailing all checks directly to the vendor. Allowing checks to be handled by employees outside Accounts Payable increases the opportunity for fraud and misappropriation.	Implement a process that Accounts Payable mails checks directly to vendors, unless approval by Finance management is obtained and documented.	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
3. Purchasing cards are promptly deactivated upon termination of employment.	Purchasing cards (p-cards) are not consistently and immediately deactivated upon an employee's termination of employment with the City. When notified about employee terminations, Purchasing promptly deactivates purchasing cards. However, Human Resources does not notify Purchasing about all employee terminations in a timely manner. Any delay in the notification of terminations would allow terminated employees to continue using their p-card.	Coordinate communications on voluntary terminations between Human Resources and Purchasing to ensure that terminations are documented and communicated in a timely manner. Consider an exit checklist or e-mail that is routed to all applicable parties.	Moderate	Low
4. Contract documents are stored centrally and are easily accessible for all involved parties.	Contracts are not always included in the financial system. While individuals are expected to compare invoices to contract documents prior to approving them for payment, this is less likely to happen consistently when the information is not always readily available within the financial system.	Explore additional functionality to maintain contract documents within the City's financial system. Consider making contract attachment a requirement.	Low	Low
5. Effective controls are in place over employee reimbursements.	Based on current practices at the City, petty cash is used for employee reimbursements up to $100. While this avoids the costs associated with producing low dollar checks, this may not be most effective purchasing vehicle. For example, greater controls are in place when employees utilize a well-implemented p-card program. In addition, it does not appear that the City's process for "auditing" petty cash transactions is well-documented, clear, or robust.	Review current practices related to employee reimbursements and give consideration as to whether employee reimbursement should follow the Accounts Payable process. Implement a petty cash audit program that includes a documented process for performing these audits.	Low	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
6. New vendors are well-vetted.	The Buyer has significant influence in selecting new vendors, but oversight of the new vendor process is minimal. There is not a formal, consistent process for reviewing the addition of new vendors. While the Senior Management Analyst reviews new vendors when adding their online profiles, a systematic review process is not in place. Given the highly centralized nature of purchasing within the City and the influence of the Buyer, lack of ongoing monitoring could result in abuse or misappropriation of funds particularly given that the Buyer has not been required to disclose economic interests.	Establish a vendor review process, including review of all vendors on a periodic basis (i.e., every 6 to 12 months), as well as the review of all new vendors or changes in vendor information every week or month.	Low	Low
7. The internal process for reviewing p-card purchases is well-documented.	The monthly p- card review and reconciliation process is not documented. While the process described during the interview was rigorous, the actual substance of the review is unclear given that the process is not documented.	Establish a written process for p-card review, including the criteria that reviewers should be using when performing these reviews (e.g., unallowed items according to City p-card manual, reasonableness of pricing, legitimate business need, appropriateness of p-card as purchasing vehicle, etc.).	Low	Low
8. Conflicts of interest during the procurement process are formally documented and reviewed.	The City does not have a formalized process for economic interest/conflict of interest disclosures and recusal requirements. Currently, economic interest/conflict of interest requirements are informally expressed during the procurement process. Informal processes could result in an economic interest/conflict of interest being inadequately considered.	Implement a formalized process for documentation and recusal of employees with an economic interest/conflict of interest during the procurement process.	Low	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
C. Warehousing				
1. Fixed assets are tagged.	The City does not tag fixed assets. Lack of fixed asset tags makes it difficult to identify the asset and reconcile physical assets to assets recorded in the accounting system. This increases that risk that fixed assets are lost, misplaced, or misappropriated and not detected.	Implement a process to tag fixed assets. The tags should be used to periodically reconcile fixed assets to accounting records.	Moderate	Moderate
2. Receipting of inventory and approval of inventory invoices are properly segregated.	Warehouse personnel have the ability to purchase inventory, receipt inventory, and approve the invoices, which creates inadequate segregation of duties and increases the risk of fraud or error.	Implement procedures to properly segregate duties related to purchasing, receipting, and approving invoices. If current staffing levels make proper segregation of duties at warehouse locations not possible, then mitigating controls, such as monthly review of inventory transactions, should be implemented and documented.	Moderate	Low
3. Physical inventory counts are performed by an employee who is independent of maintaining the day-to-day inventory.	The annual physical inventory counts at the City's warehouse are primarily performed by Warehouse Supervisor and/or warehouse employees. The annual physical inventory is a control that should be performed in conjunction with employees who are independent from the custody of day-to-day inventory, so any discrepancies can be appropriately identified. In addition, periodic cycle counts do not have documented results.	Implement an annual physical inventory count process that involves employees outside of warehousing to properly segregate duties related to inventory management. Retain evidence of cycle counts. Update policies and procedures to document the annual physical inventory process and the cycle count process.	Low	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
4. Written inventory policies and procedures guide the inventory management process.	The City does not have finalized policies and procedures related to physical inventory counts and the inventory management process. Inventory management policies are in draft format. Without finalized policies and procedures that have been disseminated to applicable personnel, there is increased risk that the annual and periodic inventory counts will not be performed and that inventory management processes will not be followed.	Finalize the proposed inventory management policies and procedures. Policies and procedures should cover new inventory; transferred, surplus and disposed inventory; managing inventory levels; physical counts; and reconciliations. Train personnel on the written policies and procedures.	Low	Low
D. Grants Management				
1. To ensure effective controls, funding requests and funding drawdown duties are segregated.	The City does not currently have adequate segregation of duties for the administration of certain grants. For example, for one grant the Finance Department prepares billings and performs the drawdown of grant funds. Similarly, within Transportation, the person responsible for preparing billings for grants also performs drawdowns. Currently, Finance reviews Transportation's billings after the drawdown is performed. The effectiveness of this review is limited, because it is performed after the fact. Without adequate segregation of duties and timely reviews, grant funds could be misappropriated and go undetected.	Examine the segregation of duties for all grants City-wide to ensure that key responsibilities are assigned to different individuals or mitigating controls are implemented. In particular, the functions of billings and drawdowns should be performed by separate individuals and periodic monitoring should be performed. Update the City-wide grants administration policy to specifically address which duties must be segregated, such as reporting and drawdowns. Transportation should submit grant billings to Finance for review prior to performing its drawdown.	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
2. Comprehensive grants management policies and processes are well-documented.	The City's Grants Administration Policy is not comprehensive. Although the current City-wide policy addresses many elements of grants administration, certain aspects of effective grant administration are not included. For example, the City-wide policy does not require all reports to be reviewed and approved by a secondary individual prior to submitting them to granting agencies. In addition, monitoring activities are not completely described with required frequencies or clear responsibilities. For example, the Finance Department considers City departments responsible for knowing whether funds can be rolled over from one grant year to the next, and Finance relies on departments to comply with these grant restrictions. Based on several survey responses, it appears that some department personnel receiving grant funding believe that Finance performs certain oversight responsibilities, such as ensuring allowability of expenditures. However, this is not a function that is performed consistently by the Finance Department. Given the City's decentralized approach to grants management and reliance on departmental personnel to ensure compliance, clear definition of responsibilities is imperative.	Revise the Grants Management Policy to provide more comprehensive guidance, including: • Definitions of roles and responsibilities for the administration, management, and oversight over grants among Finance personnel and departmental personnel, including frequency of activities. • Update guidance about the performance of specific activities, including ensuring allowability, monitoring spending and drawdowns, subrecipient monitoring, and financial and program reporting, including responsible party and frequency of performance. • Distribute the updated policy to grants personnel throughout the City and provide training.	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
3. Grants management policies are up-to-date.	The City's policy has not been updated since 2006. Thus, the policy does not reflect the changes in Uniform Grant Guidance, which became effective in December 2014. In the absence of comprehensive City-wide grants management policies, some departments, such as Transportation, have developed and documented their own policies and procedures, while others, such as Public Works, have not. The City has not performed a review of these departmental policies to ensure that practices and policies are consistent with City-wide policy and that they have been appropriately adjusted to align with the new Uniform Grant Guidance. Without careful review and implementation of changes in requirements, the City could risk losing its current grant funding due to non-compliance.	Review and perform a comprehensive update to the City's policies for grant administration, including the incorporation of Uniform Grant Guidance requirements. Review departmental policies and procedures for grants administration to ensure compliance with Uniform Grant Guidance and City-wide policies.	Moderate	Moderate
4. Training programs, both formal and informal, provide enough knowledge and skills necessary to manage and administer grants compliance.	Grants have complex and continuously changing compliance requirements that are imposed by various federal, state, and pass-through agencies. The City has not provided grant training to all personnel involved in grants administration. Instead, most departments rely on the granting agencies for adequate training. Departments have not received information from the City about recent federal grant requirement changes. Moreover, some Finance Department personnel directly involved in grants-related activities reported that they have not received training about grants or the updated requirements. If employees involved in grants administration and monitoring have not received adequate information about grant requirements, the City faces the risks of noncompliance, which could ultimately jeopardize funding.	Identify all personnel involved with grants administration in the City and provide specific internal and/or external training to all employees responsible for monitoring grants. The training should be relevant to the type of grants being managed, including compliance requirements. Dedicate a training budget that is adequate to cover relevant costs. Track training records for employees involved in grants management to ensure ongoing training is received.	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
5. To facilitate effective oversight over all grants City-wide, the City elicits communication about grants from departments.	Although the City-wide grants policy incorporates many communication elements, the current process may not be adequate or effective to communicate appropriate grant information to all relevant parties. For example, the Finance department reported that grant information is not stored centrally. Staff often have to search City Council materials to find grant information, and they might not receive finalized grant agreements. Similarly, while the City's grants policy includes a standardized grant set-up form that lists pertinent information, such as the individuals and departments responsible in grant administration, this form may not be routed to all relevant individuals. Moreover, even though the policy specifies that departments must notify the Finance Department immediately about upcoming audits, the Accounting Manager reported that some departments have notified Finance after the audit was performed. Weaknesses in communication or compliance with existing grant policies hinders the City's ability to effectively manage grant funds and attract them in the future.	Review current practices, including routing of the grant set-up form, communication about grant applications, and storage of final grant agreements. Establish or remind all involved parties about a centralized location for all grant agreements and documentation. In conjunction with policy updates and increased training, educate all grants personnel about the City's requirements for immediate notification of audits. Consider expanding City-wide policy to include a requirement for departments to forward all communications with granting agencies to the Finance Department or other appropriate centralized contact.	Low	Moderate
6. The City utilizes information systems to support effective ongoing grants management.	The City does not employ grants management tools to facilitate ongoing grants administration. Although the City currently has a grants management tool, the service has only been used for researching new funding opportunities, rather than for its full grants management capabilities, largely because it is not configured to communicate with the City's financial system. Similarly, the City has not implemented the grants management module of its financial management system. In the absence of a fully functioning system, departments and Finance have developed their own specific, often manual methods	Explore implementing the grants management module of City's financial system or increasing the functionality of eCivis, the City's current grants management tool.	Low	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	for monitoring grants and compliance with grant requirements. Any difficulties in ensuring compliance or inefficiencies in centralized monitoring, increase the chances of non-compliance going undetected.			
7. Internal monitoring processes are well-documented.	While the Accounting Division has increased its monitoring efforts in recent years, the processes have not been documented in policies, procedures, or desk manuals. The Accounting Division Manager reported that they have increased monitoring efforts of the general ledger to identify unbilled grant funding. Also, prior to the single audit, grant expenditures are reviewed for any unusual vendors. Without documentation of these monitoring activities, there is an increased risk that these activities will not be performed consistently or continue into the future.	Continue efforts to increase ongoing monitoring of City-wide grants management, and formalize processes through documented policies and procedures.	Low	Moderate
E. Cash Handling and Revenue Collection				
1. The City has up-to-date cash handling policies and procedures that guide cash handling throughout the City.	The City lacks City-wide policies and procedures to guide how cash should be handled across all departments. Although the Revenue Division has policies and procedures to guide its own practices, they are not comprehensive or up-to-date, and they have not been disseminated for use across the City. In the absence of City-wide guidance, some departments have developed their own policies and procedures to guide cash handling, while other departments have not. Numerous survey respondents noted the lack of City-wide cash handling policies and procedures, as well as the lack of policies and procedures within departments and divisions. Without adequate City-wide	As part of a comprehensive cash handling improvement initiative, develop a City-wide Cash Handling Policy and train departments on the updated Policy. Include the following elements in the policy: • Definition of cash. • Payment acceptance requirements. • Appropriate methods for handling cash and securely storing cash prior to deposit.	High	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	guidance, practices and policies are inconsistent across departments and weaknesses in controls exist.	• Required frequency for remitting cash to the Revenue division for deposit. • Segregation of duties. After City-wide policies and procedures are developed, departments should document any department-specific or location-specific cash handling practices. These practices should be reviewed and approved by the Finance division to ensure that adequate internal controls exist.		
2. Cash controls at remote collection sites are periodically monitored and tested	Cash controls at the City's remote revenue collection sites are not consistently monitored and tested by the Revenue Division. Of the remote cash collection sites observed, there were varied cash handling practices being followed. Internal controls were lacking, including such gaps as inadequate segregation of duties, missing reconciliation processes, and lax monitoring. Specific weaknesses in cash handling practices, such as infrequent deposits, missing restrictive check endorsements, and shared cash drawers, were also observed. Weaknesses in the administration of petty cash funds and change funds were also noted. Although petty cash is used with relative frequency for employee reimbursements under $100 and some locations administer relatively large petty cash funds, spot audits of petty cash funds are not performed. Similarly, the City does not maintain a list of the change funds amounts and ensure	As part of the City's revenue improvement initiative in recommendation for *Cash Handling: Control Issue #1*, implement a process to periodically monitor and test controls at remote cash collection sites, such as on-site audits (observations) of cash handling procedures, surprise counts of tills, petty cash, and change funds, as well as the inspection of the contents of safes. When inadequate controls are identified through these tests, initiate appropriate follow-up and resolution. Consider revising the employee reimbursement policy to increase the reimbursements by check and thereby decrease the demand for petty cash. Develop and maintain an ongoing list of petty cash and change fund amounts and their custodians.	High	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	ongoing control by custodians of these funds. While the Finance department has informed departments that it may perform random spot checks, it has not done so. According to the Association of Certified Fraud Examiners (ACFE), surprise audits reduce fraud cost and duration, as well as deter potential fraudsters due to the actual or perceived expectation of oversight.[3]			
3. Duties are adequately segregated to ensure proper internal controls.	Duties are not appropriately segregated to ensure effective controls over cash handling and revenue. For example, within the Revenue Division, one staff member serves as the primary cashier for payments at the counter, processes revenue from other City departments, and prepares deposits. Similarly, two employees in the Revenue Division are involved in preparing bills, as well as processing payments for these bills. Some other departments in the City, including Transportation, Parks, and Police, lack adequate segregation of duties between their staff members who perform key functions relating to billing or invoicing, mail processing, deposit preparation, and receipting and process payments. Improper segregation of duties over cash handling and revenue related activities creates the potential for loss and misuse of City assets, as well as significantly increases risks for fraud and/or errors to go undetected.	Segregate key cash handling duties between different individuals. Duties that should be segregated include, but are not limited to: • Invoicing or billing for services and collection of cash. • Collection and reconciliation of cash. • Collection and depositing of cash. • Reconciliation of deposits to financial system records. • Opening mail and creating a mail log. • Reconciling the deposits to the mail log. In cases where resources are not available to fully segregate duties, implement mitigating controls and document the processes. Individuals	High	High

[3] *ACFE Report to the Nations on Occupational Fraud and Abuse 2014 Global Fraud Study*

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		who are not involved with cash collection should be identified to be responsible for monitoring and ensuring accuracy of cash counts.		
4. Periodic cash handling training is performed.	Many employees who are involved in handling cash, preparing deposits, entering deposit information, and supervising employees that perform these duties have not received cash handling training or periodic training updates. Without adequate training, employees are less likely to understand the internal controls that need to be in place to prevent misappropriation of cash.	As part of the City's revenue improvement initiative in recommendation for *Cash Handling: Control Issue #1*, determine which positions (employees) should receive cash handling training based on their job duties or supervisory responsibilities, and provide training. Incorporate City-wide cash handling training into the onboarding process of relevant new employees and provide annual training to current employees.	High	High
5. Cash tills are reconciled at the end of each shift by appropriate personnel.	Not all cash tills are reconciled at the end of each shift. For example, cash tills at the Senior Center, Transportation, and Environmental Programs and Operations are not reconciled each shift. Without reconciliations at the end of each shift, it would be very difficult to determine who was responsible for an error, particularly at locations where cash tills are also shared.	Establish and implement procedures for cashiers to count their own tills at the end of each shift. A supervisor should then verify this count in the presence of each cashier. The cash count should be documented with both the cashier and the supervisor signing off on the amount deposited for that till.	High	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
6. Overages/shortages by cashiers are reported, monitored, and investigated in a timely manner.	The City's existing cash handling policy does not comprehensively address how to report overages or shortages. Moreover, there is not a documented process or policy requiring the ongoing monitoring and timely investigation of these discrepancies.	As part of the City's revenue improvement initiative in recommendation for *Cash Handling: Control Issue #1*, implement procedures for reporting overages/shortages as well as ongoing monitored and timely investigations of discrepancies. The Finance Department should consider implementing overage and shortage account codes to facilitate reporting and monitoring of these discrepancies.	High	High
7. System controls are assigned appropriately to ensure proper internal controls over the application of fees and rates.	The ability to override fees does not require secondary approval or limit the function to users with elevated access. For example, at the Plunge Pool, all staff can input rate overrides. Similarly, at the Veterans Center, some fees have not been loaded into ActiveNet system. In the absence of preloaded fees, staff use fee overrides to manually input fees for new rental facilities. Without system controls over rate adjustments and overrides, or consistent monitoring of these activities, the City risks decreased revenue or even misappropriated funds.	The Finance Department, in collaboration with IT, should consider evaluating the system controls over all rate-setting activities in the City's various systems to ensure that adequate controls exist. In collaboration with IT, Parks and Recreation should update all fees to include a complete fee schedule and reduce the need for overrides. Additionally, the two departments should explore the ability to limit overrides and fee adjustments to certain users only or require an approval code. If these system improvements cannot be implemented, Parks should develop other mitigating controls, including: • Required secondary sign-off on all overrides or adjustments	High	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		• Ongoing monitoring of all overrides and adjustments		
8. Receipts are provided for all cash transactions.	Not all locations that receive revenue consistently provide receipts. For example, Parks and Recreation, Public Works, and Community Development do not provide receipts for all transactions at all locations. Without consistently providing receipts, there is an increased risk of unrecorded, skimmed revenue.	As part of the City's revenue improvement initiative in recommendation for *Cash Handling: Control Issue #1,* require issuance of receipts for all cash transactions.	High	High
9. Voids, adjustments, and deleted transactions require appropriate approval and are regularly monitored.	There are weaknesses in the controls over voids, adjustments, and deleted transactions. For example, within the Revenue Division, a cashier who takes payments can also delete transactions. While approval is supposed to be requested prior to deletion, the financial system does not require an approval code or elevated user access. In the absence of these controls, Revenue has not adopted mitigating controls to ensure that voids, adjustments, and deletions are monitored on a regular basis and any irregularities are investigated. Within the Police Department where similar system access controls are missing, managers periodically review void reports, but this process is not well-documented or consistent. Because system controls do not exist to prevent unauthorized adjustments, voids, or deletions, monitoring is imperative for the detection of these activities.	In collaboration with IT, departments should review access rights in all relevant systems used in the City for the ability to make adjustments, voids, and deletions and implement changes to system access levels. Alternatively, implement mitigating controls to monitor these transactions and detect and investigate unauthorized activities (e.g., review monthly reports of all adjustments, voids, and deleted transactions). If IT system access cannot be limited to require elevated access rights, implement procedures that require approval of adjustments, voids, and deleted transactions by a direct supervisor. Retain support for the void in accordance with document retention policies. Police should document its review of void reports.	High	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
10. Reconciliation is performed between the receipting system and other records of goods provided or services rendered to ensure the complete and accurate collection of all revenue due to the City.	The City cannot accurately ensure that goods sold and services rendered were charged correctly and payment was collected. For example, Transportation has faced numerous challenges in trying to perform reconciliations of the point of sale (CPOS) system used for loading transit cards with value to the City's financial system. Without consistent reconciliations between these systems, misuse of the transit CPOS system and lost revenue could exist without detection. It is unclear whether other departments that use standalone receipting systems currently perform comprehensive reconciliations of goods sold and services rendered. Without such reconciliations, the City cannot gain assurance that all of the revenue collected is appropriate for the goods provided or services rendered.	The City should develop a policy requiring all departments to maintain records of all goods provided, fees charged, and services rendered. The Finance department, as well as IT, should collaborate with departments to develop methods for efficiently and effectively recording this type of information and performing reconciliations. Transportation should continue its recent efforts to perform reconciliations between the CPOS and financial systems. Transportation should work with Finance to develop and implement an effective process going forward. The timely investigation of any variances should be incorporated into this process.	High	High
11. Each cashier has their own cash till.	Cash tills are shared by multiple individuals at some of the cash collection sites. Specifically, more than half of the respondents to this survey question reported that multiple individuals share tills at their location. These departments include Police, Parks and Recreation, and Transportation. Similarly, Revenue staff share cash tills particularly when covering employee breaks throughout the day. One survey respondent expressed concern over this issue by stating, "If there is a mistake, then there is no true way to find out who made it." When cash tills are shared, employee accountability decreases and the risk of misappropriation of cash increases.	Analyze if the risks associated with sharing cash tills in certain locations outweighs the cost of implementing procedures where each cashier has a separate cash till. This analysis should be reviewed and approved by departmental management and Finance. At sites where dedicated cash drawers are not feasible, implement other mitigating controls. For example, consider the following: • Decreasing the number of	High	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		individuals sharing tills. • Frequent cash pulls. • Increased monitoring of shortages and overages, including tracking involved staff members. • Reconciling records of services or goods delivered to cash receipts.		
12. Safety/protection measures are adequate to ensure persons handling cash at locations are physically protected.	Not all departments that collect cash provide staff with maximum security. The Revenue Division lacks cameras and sufficient coverage by protective glass. Similarly, deficiencies in other cash collection sites were noted, such as missing panic buttons, insufficient door heights, and a lack of protective glass. The City may not be adequately ensuring the safety of its employees in the event of an emergency.	Explore opportunities to improve the physical security measures in place at all cash collection locations throughout the City.	Moderate	High
13. The number of days that cash receipts are not in the custody of the City's bank is minimized.	Cash from various City locations is not timely deposited. While many of the sites that collect cash throughout the City deposit it daily, there are delays in making deposits at other sites. For example, Transportation deposits revenue from its transit card sales once or twice a month. Similarly, the cash stored by Police in Property and Evidence is deposited every two to four weeks. The longer money remains outside of the custody of the bank, the greater the risk that loss or theft can occur.	As part of the City's revenue improvement initiative in recommendation for *Cash Handling: Control Issue #1*, specify the required frequency for making deposits. Any exceptions from the City's policy should be formally requested and approved by the Finance Department with the implementation of additional mitigating controls. Finance should implement monitoring of departments' deposit frequency and institute consequences for noncompliance.	Moderate	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
14. Cash is stored securely when not in the custody of the City's bank.	The City does may not provide sufficient security for all undeposited cash. Some departments store cash insecurely overnight, such as within locked desk drawers rather than a safe or vault. While there is a fireproof vault in Revenue, it is underutilized. Rather than using it every day, it is only used when $5,000 or more in bill currency is stored overnight. Otherwise, an unlocked metal cabinet in the same room, which is normally kept locked, is used to store undeposited revenue prior to deposit. Additionally, during the day, Revenue stores deposits in an unlocked drawer before the courier comes for pick-up. Given the highly centralized nature of cash handling in the City, these weaknesses pose a risk for a significant loss of cash.	As part of the City's revenue improvement initiative in recommendation for *Cash Handling: Control Issue #1*, define the requirements for overnight storage of cash. Also, install safes at locations as needed.	Moderate	High
15. Access to areas with cash is sufficiently restricted.	The rooms where cash is counted do not provide maximum security or adequately restrict access to ensure that funds are sufficiently safeguarded. For example, the money collected from the City's bus fareboxes was estimated at more than $3 million in FY 2014-15, and the money is counted in Transportation's Count Room. While Count Room employs some security measures, some weaknesses exist. Similarly, the Police department's Count Room, where revenue from parking meters is counted, lacks cameras and does not adequately restrict access to only those involved in counting activities. Instead, the room also serves as storage for other items such as bicycles for patrol. Additionally, neither of these count rooms has current written policies and procedures to document their unique operations	Analyze and address the weaknesses in physical security at Transportation's Count Room. Relocate all items in Police's Count Room that are not related to the parking meter currency count and install cameras to monitor activities and access. In collaboration with the Finance Department, develop written policies and procedures for Transportation and Police count rooms. Implement a periodic monitoring program for compliance with these policies and procedures.	Moderate	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	and encourage ongoing compliance. Weaknesses in security measures and access restrictions leave cash handled and stored at these locations at greater risk of loss or theft.			
16. Strong controls exist over payment remittances.	Based on current practices, missing payments submitted by mail may go undetected. Most payment remittances are handled centrally and duties are segregated appropriately. However, weaknesses in controls exist around mail payment processing. In particular, payments received by mail are not logged upon opening and mail payments are not prepared in separate batches. Additionally, department staff reported checks being frequently delayed or lost in inter-office mail. The Revenue Division reported challenges in identifying the intended recipient or purpose for checks it receives. Finally, absence of strong daily reconciliation procedures increase the chances that checks could be swapped for cash. Failures to maintain adequate internal controls around mail payments create a greater risk for loss, theft, or fraud.	Explore opportunities to improve controls around the payments received by mail. • Consider use of a post office lockbox in conjunction with a bank collection system, or direct customers to mail payments to a designated deposit box at the post office and establish a contract with a bank to pick up collections and process payments. • Once establishing lockboxes or other improvements for payment remittance, instruct departments to route all incoming payments to these improved centralized payment remittance channels. Improve processes for handling unidentified payments by implementing the following procedures: • Streamline the communication method for notifying Revenue of expected incoming checks or wires. • Checks without sufficient customer information should be deposited and credited to a suspense account while research is being	Moderate	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		conducted using scanned images. Consider additional process improvements over mail payments, including maintaining a mail log, ongoing monitoring, separate batches, and an unidentified check process.		
17. All checks are endorsed immediately upon receipt.	Not all checks received by the City are restrictively endorsed upon receipt despite this requirement in certain policy documents, such as the Accounting Manual used by the Revenue Division. While the Revenue Division endorses the checks it receives in person immediately upon receipt, we observed a number of checks received by mail that were unendorsed. Similarly, the Recreation Center, Animal Services, and Public Works do not endorse checks immediately upon receipt. Failure to restrict checks for deposit only increases the risk of loss or fraudulent use.	As part of the City's revenue improvement initiative in recommendation for *Cash Handling: Control Issue #1*, update City's cash handling policy to require immediate restrictive endorsement of checks. Distribute endorsement stamps to all locations where checks are received. Include monitoring of endorsement practices as part of an ongoing monitoring program.	Moderate	High
18. Cash drawers are only unlocked during transaction to accept payment or make change.	Some locations do not maintain locked cash drawers, tills, or boxes during operating hours. For example, there are some cash drawers that are not kept locked within a Division of Public Works and some within Parks and Recreation locations. Leaving drawers unlocked creates an opportunity for unauthorized access.	Ensure all departments have the resources needed to store cash securely, such as access to locking drawers. As part of City-wide cash handling policies and procedure updates, implement a requirement to store cash in locked tills. Monitor compliance as part of an ongoing monitoring program.	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
19. Access to areas with cash or vaults is reviewed and updated on an ongoing basis.	Access to vaults and safes is not tracked and combinations are not changed periodically or when key personnel changes occur. The City lacks policies and procedures regarding safes and vaults, such as the how to ensure appropriate access restrictions and the frequency for changing combinations. Without such controls in place, the security of these physical locations provides may be compromised.	Maintain an up-to-date list of all safe and vault locations and the individuals with access. Develop and implement a City-wide policy and process for changing safe codes on a periodic basis and when personnel changes.	Low	Moderate
20. The City has a robust cashiering system that interfaces with its financial system.	Some of the receipting systems used by departments, such as Parks and Police, do not interface with the City's receipting system. Instead, departments print out revenue collection information and a clerk in the Revenue Division enters this information into the City's receipting system. This manual data entry creates an increased chance of human error.	In collaboration with IT, the Finance Department should explore opportunities for departmental receipting systems to interface with the City's receipting system. Alternately, the City should consider implementing other mitigating controls such as periodic data verification.	Low	Moderate
21. Items with cash value are stored securely and inventory is monitored.	Some items with cash value are not properly safeguarded from misappropriation or theft, reconciled frequently against transaction records, or inventoried periodically. For example, transit cards, which have a nominal pre-loaded value, are not secured in the Transportation Department and are accessible by a significant number of employees. Similarly, within the Revenue Division, transit cards are kept in a locked drawer, but they are not inventoried. Survey respondents reported other types of items of value that are not stored securely. Without stronger controls, these assets may be misappropriated without detection, resulting in a loss of revenue for the City.	Require all items of value to be stored securely, inventoried, and reconciled periodically.	Low	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
22. Strong controls exist related to the acceptance of checks.	The City lacks comprehensive policies to guide the acceptance of checks. For example, the existing guidance for the Revenue Division does not address post-dated or stale-dated checks. Similarly, the policy does not instruct employees to confirm that the written and numerical dollar amount match or restrict the acceptable payable name. Without greater controls around check acceptance, the City faces an increased risk of accepting fraudulent checks or those with insufficient funds.	As part of the City's revenue improvement initiative in recommendation for *Cash Handling: Control Issue #1*, expand and disseminate check acceptance policies City-wide.	Low	Low
23. Adequate policies and processes exist to ensure secure and appropriate handling of all credit card transactions.	The City's written policies and established processes are not comprehensive enough to ensure the appropriate handling and treatment of credit cards. For example, the policy does not specify whether photo identification is required for credit card transactions or if employees may accept credit card payments over the phone. Moreover, the City does not have an explicit written policy stating how the security of credit card information shall be safeguarded. Without more robust policies in place, the City risks accepting fraudulent credit card payments, as well as breaches of personal information.	Develop policies and procedures and then conduct training to address the following: • Requirement for cardholder identification. • Appropriate handling of credit card information to ensure security across all possible scenarios. This should include assisting customers with credit card payments over the phone. For example, for any payments taken over the phone, the policy could state that employees must enter credit card information directly into the terminal or the online web payment system.	Low	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
24. Bills are consistently inspected for signs of counterfeit.	There are not consistent policies regarding the inspection of bills for counterfeit. For example, at the Plunge Pool, bills of $20 or greater are examined using a counterfeit detection pen. On the other hand, Police has counterfeit detection pens, but does not have a specified denomination that they check. Without standardized policies in place, the City faces an increased chance of accepting counterfeit currency.	As part of the City's revenue improvement initiative in the recommendation for *Cash Handling: Control Issue #1*, require all bills of a certain denomination or higher to be examined for signs of counterfeit using a counterfeit detection pen or UV detection device. The Finance Department should monitor bank reports of deposited counterfeit currency. The City's policy should be revised if there are reports of counterfeit with smaller denomination bills. Patterns of counterfeit acceptance in certain departments should be addressed through additional training and policy reminders.	Low	Low
F. Revenue, Billing, and Accounts Receivable				
1. City-wide policies that guide revenue, billing, and collection of accounts receivable are well-documented and current.	The City lacks policies relating to revenue and billing. For example, there are no City-wide policies guiding entry of receivables, invoice adjustments, aging receivables, write-offs, refunds, and monitoring of revenue and billing. In the absence of this standardized direction, departments are left to perform these revenue and billing activities in inconsistent manners.	The Finance Department should develop and implement a comprehensive City-wide revenue, billing, and collections policy. This policy should provide managers guidance to develop and implement departmental and divisional policies for billing procedures that ensure consistency and may ultimately lead to better revenue capture. Departments with unique billing practices should develop written policies and procedures for the Finance department to review and approve.	High	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
2. All of the City's accounts receivables (or cost reimbursements) are recorded in the City's financial system.	The City's financial system does not contain a complete record of the City's receivables. While many departments submit their billing information to the Revenue Division for billing through the City's Accounts Receivable system, some departments do not record billing or invoices in the City's system. For example, Parks and Recreation and Transportation both create invoices and cost reimbursements outside of the financial reporting system. Without a full inventory of City accounts receivable, the City may not be achieving complete revenue capture and collection of outstanding receivables and faces an increased risk of fraud.	See recommendation for *Revenue: Control Issue #1.* The Finance Department, in collaboration with other departments, should review billing practices City-wide and streamline activities and implement better controls over billing. This effort should include: • Compiling a full inventory of City-wide accounts receivable processes and current accounts receivable. • Meeting with individual departmental management to assess each department's unique accounts receivable needs and discuss billing and collections best practices • Discussing the capabilities and advantages of using the Accounts Receivable module and explore the opportunities for departments to use the system to create invoices and record accounts receivable. • Establishing alternative mitigating controls, such as more frequent monitoring, for billing that cannot be effectively recorded in the City's Accounts Receivable system.	High	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
3. Revenue accounts are periodically monitored and timely investigations for unusual variations are performed.	While some monitoring of revenue accounts and analysis of unusual fluctuations occurs, such as within the Revenue Division, these processes are not formalized within policies or standard operating procedures and there is no documentation of these monitoring activities. Also, evidence of these reviews, such as printed reports with reviewer signature and date, is not retained. The extent to which revenue accounts are analyzed within departments varies, and there is confusion regarding who is responsible for monitoring accounts. Some departments reported monitoring revenue accounts regularly themselves, while others reported that this responsibility resides with Finance. These responsibilities are even less clear when third-party vendors are involved in revenue collection. Departments do not consistently monitor revenue trends monthly, quarterly, or annually. Departmental managers are only required to review trends within revenue accounts for budget projections as the new fiscal year approaches. Ongoing monitoring provides insight and can show significant deviations that warrant investigation. This analysis is a strong detective control. According to the ACFE, the presence of proactive data monitoring and analysis correlated with fraud that was 60% less costly and 50% shorter in duration.[4]	The Revenue Division should implement procedures for consistently monitoring and investigating unusual fluctuations in revenue accounts. For example, daily, monthly, and quarterly revenue collected by location can be compared over time (month-over-month, year-over-year) to determine if fluctuations are significant. If there are significant fluctuations (generally, greater than +/- 5%), then management should determine if those fluctuations are reasonable (for example, due to inclement weather for an outdoor recreation service, in line with a change in policy or fees, or on trend with City-wide economic trends for tourism) or unreasonable and in need of additional investigation. The procedures should clarify responsibilities and frequency. Relevant revenue reports need to be accessible to personnel charged with monitoring accounts, and documentation of this monitoring activity should be retained. Departments, with the help of the Revenue Division, should formally assign roles and responsibilities for revenue monitoring and should document any specifics regarding revenue monitoring in each department,	High	High

[4] *ACFE Report to the Nations on Occupational Fraud and Abuse 2014 Global Fraud Study*

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		particularly those with receivables recorded outside of the City's Accounts Receivable system. Quarterly meetings should be established with the Revenue Division, Assistant CFO, and CFO to review revenue reports, discuss variations, and report the results of investigations.		
4. Appropriate segregation of duties exists between the billing and cash handling functions.	The Revenue Division does not currently have sufficient segregation of duties. The employees responsible for invoicing are also are responsible for receipting payments. Additionally, payments are typically routed to the same individuals who perform the billing. Moreover, any complaints or concerns customers have about their account billing would likely be routed to the Revenue Division and the individuals responsible for billing. This further presents a weakness in controls, because any reports of suspected fraud could be routed to someone involved in the fraud itself.	Segregate duties between billing and cash receipting by restricting employees responsible for billing from receipting payments. If this is not possible due to staffing constraints, then employees should only receipt payments on accounts for which they cannot modify bills.	High	High
5. Aging accounts receivables are regularly monitored and write-offs are consistently performed.	The City does not have a formal process for regularly reviewing aging accounts receivables and performing write-offs. While departments are implicitly expected to monitor and address outstanding receivables in a timely manner, this responsibility has not been documented within formal policy or procedures and some staff reported that this was the Finance Department's responsibility. Although the Revenue Division states that it does review certain aging accounts receivables, this review is not well-documented and	Implement and document a process to analyze receivables at least quarterly. Develop policies and procedures, including clearly defined roles and responsibilities of the Finance Department and the various departments, requiring the performance of the following activities with a given frequency: • Monitor receivables	High	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	may not be performed on a consistent basis. The City does not have a policy that sets forth standardized criteria for considering write-offs or a formal process for the regular performance of write-offs. Infrequent monitoring of aging receivables and failure to perform write-offs can compromise the accuracy of financial statements and also create opportunities for fraudulent activity related to revenue to go undetected.	• Review accounts receivable aging reports • Refer accounts to outside collections' agency • Accounts that are not expected to be collected should be written off or reserved against so that receivables balances are correctly stated at the proper valuation • Perform trend analysis to oversee departmental monitoring activities Implement and document a process for performing write-offs at least annually. Develop criteria for considering write-offs, including the exhaustion of all collection efforts and the thorough review of delinquent accounts prior to approving and writing off accounts with supporting documentation.		
6. Changes to fee schedules set in the billing systems are limited to authorized personnel, and changes made to the fee schedules are tested and reviewed.	The process for updating fee schedules in billing systems used by the City varies. For example, the IT Department inputs the fee schedule provided by the Finance Department into Accela, the program used by the City for permits. Parks, Recreation, and Community Services staff input the fee schedule for ActiveNet. Fee schedule updates in the system may be the responsibility of only one employee. While this employee is expected to double-check that the changes they make are accurate, secondary reviews are not required for all fee changes for all systems. Therefore, if a fee schedule is updated inaccurately, this would result in customers being	Implement City-wide policies and procedures for changing fee schedules. This guidance should include restricting access to the fee schedules to authorized and necessary personnel, requiring documented approval of all fee changes, and documented secondary review of data entry. Implement a monitoring program to monitor changes and access to fee schedules periodically in order to detect unauthorized or inaccurate changes to a fee schedule that could affect a significant number of	Moderate	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	charged incorrectly. Moreover, even though rates are hard-coded into most systems, the ability to perform overrides is not controlled. For example, even though fees are hard-coded into the ActiveNet system, overrides can be made by staff. Without controls over override capabilities, the City continues to risk charging customers incorrectly.	customer bills.		
7. The use of third-party service providers to collect revenue on the City's behalf is monitored.	The City may not be adequately monitoring its third-party service providers to ensure that revenue collection is being performed appropriately and that all revenue is captured. Third-party service providers are currently used for collecting revenue related to ambulance services, rental property, parking citations, police alarm permits, pet licensing, and parking. The revenue for ambulance services alone was estimated at $1.5 million for fiscal year 2014-15. However, the Revenue Division does not maintain a comprehensive list of all of the providers who collect revenue on the City's behalf, and there are no formalized processes for monitoring this revenue collection or policies clearly assigning oversight responsibilities. Without robust performance oversight, the City risks not detecting inappropriate billing practices or incomplete revenue capture.	As part of the City's revenue improvement initiative in recommendation for *Revenue: Control Issue #1*, the Finance department, in collaboration with departments, should develop and implement processes for monitoring revenue collecting vendors. These processes should formalize roles and responsibilities, required frequency for monitoring revenues, and timely investigation of anomalies. Reconciliations should be developed and performed on an ongoing basis to compare activity records to revenues recorded. When contracts are renewed or rebid for these services, consider incorporating an audit requirement into the contract language. The Finance Department should develop and maintain an up-to-date list of all third-party service providers for revenue related activities.	Moderate	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
8. The City's collection efforts are standardized and consistent.	The City lacks City-wide policies defining consistent collection practices, consideration of financial hardship, and treatment of delinquent accounts. Currently the Revenue Division performs its own collections activities through calls and letters. However, these activities do not follow an established schedule or formal process. While the City may be able to avoid the fees charged by outside collections agencies, the City may not be following best practices or all legal requirements involved in collections. Also, the City does not have a standard process or policy regarding financial hardship. There is not a standard procedure in place for considering financial hardship and granting customers the option of paying in installments. Similarly, the City does not have a policy guiding how delinquency on one City account should influence a customer's ability to obtain services in another department. For example, there is not a City-wide policy stating that if a customer's Solid Waste & Recycling account is delinquent, then no permits or other services will be provided until the customer's delinquent account is current. Without standardized processes and well-documented policies, the City faces a variety of risks, including the inconsistent treatment of customers, violating consumer credit laws, and reducing the chances of collection by delayed action.	Analyze current collections practices to determine the following: • Review the legalities of collections actions performed by the Revenue Division to ensure compliance with basic fair debt collection laws and regulations. • Cost-benefit of performing various types of collections activities in-house as well as relative success rates. • Installation payments. Develop and implement processes, policies, and procedures regarding collections, financial hardship, installment payments, and delinquent accounts. Explore opportunities to utilize an outside collections agency and other collection methods such as Franchise Tax Board Intercepts.	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
9. System access is appropriately assigned for revenue functions.	Access to the invoicing module of the City's financial system is limited to the Finance Department. While it may be appropriate to limit the ability to generate invoices to the City's Revenue Division, departments could benefit from read-only access in order to monitor billing performed on their behalf to ensure accuracy, answer billing questions, and monitor receivables. Additionally, some current user assignments negate effective system controls. For example, in the Revenue Division six individuals have user access for both cashiering and billing functions. Similarly, an Accountant II in the Revenue Division has been assigned the same access as the Accounting Manager.	As part of the City's revenue improvement initiative in recommendation for *Revenue: Control Issue #1*, the Finance Department should work with departments to identify and grant read-only access to the invoicing module to employees involved in revenue related activities. Explore opportunities to expand departments' ability to perform their own invoicing using the City's Accounts Receivable module. See recommendation for *Revenue: Control Issue #2.* Review and evaluate all assignments to the City's financial system to ensure that system access provides adequate segregation of duties.	Moderate	Moderate
10. All parties involved in the invoice preparation process ensure the accuracy and legitimacy of fees and charges.	While assigning the Revenue Division to input invoices into the City's Accounts Receivables module for other departments provides strong system controls, other controls are missing. For example, the Revenue Division does not require supporting documentation from departments for the invoices it prepares. In instances where backup information is provided, the Revenue Division does not review the documentation to verify the appropriateness of the billing requested.	The Revenue Division, in collaboration with the departments for whom it prepares invoices, should require supporting documentation and develop mechanisms for evaluating the reasonableness of invoices. For example, in some cases, historical data or other background information could be compiled to provide the Revenue Division with a normal range of costs for certain services and serve as a reasonableness check. Additionally, departments should require a secondary review of all invoice requests with a signature to document the information that	Low	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		was verified or evaluated before approval.		
G. Monthly Account Reconciliation and Closing				
1. The monthly financial closing and reporting process is well established and documented, including specific roles and responsibilities identified.	The monthly financial closing and reporting process is not well established or documented. There is no set checklist (or other form of documentation) that specifies who performs which reconciliations by which date each month, or who documents a review of the monthly closing process. Similarly, there is no documentation specifying the methodology or format for these activities and reports. It is not clear if all processes are being performed prior to monthly close.	Establish a checklist (or other form of documentation) and schedule to document the monthly closing procedures that need to be completed each month for the books to be accurately and timely closed. Complete the checklist each month to ensure all procedures have been performed. Establish procedures so there is an employee or employees who complete the procedures and a different employee or employees who review that the procedures are completed accurately.	Moderate	Moderate
H. IT General Controls				
1. Data is protected by backing up files.	Although the City performs daily and weekly data backups of its financial systems, it does not store the data backup tapes in a secure off-site location. Instead, the data backup tapes are kept on a table in the server room. Storing backup tapes at the same location as the server room subjects the tapes to many of the same risks (disasters) as the original data and does not fully accomplish the purpose of the backup control process.	Implement a process to store data backups of the City information at an environmentally and physically secure off-site location. This data should be periodically tested to verify that it is capable of restoring the City's financial system.	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
2. The City has technology to detect security problems.	The City has an Intrusion Prevention System (IPS), but it does not have an Intrusion Detection System (IDS). There are a rising number of instances of people trying to harm computer networks and/or gain unauthorized access to information through the use of viruses, malware, and other types of attacks, which increases the need for monitoring and detecting malicious activity.	Implement an IDS to increase the City's ability to detect malicious activity.	Moderate	Moderate
3. Access to all network resources is promptly terminated upon termination of employment.	There is no control in place to ensure that access to technology resources is promptly deactivated. Upon terminating employment with the City, the Human Resources Department notifies the IT Department. IT staff promptly deactivates the user access to all accounts and applications. However, some departments maintain their own technology resources without the involvement of the IT department. As such, these departments are responsible for granting and restricting access themselves. If access is not promptly deactivated upon employee termination, the City is at risk of unauthorized access to systems.	Develop a process to maintain or monitor technologies used by the departments to ensure access to technology resources is appropriately deactivated upon employment termination.	Moderate	Moderate
4. Access reviews are periodically performed to determine that user access is appropriate.	User access reviews are not regularly completed to ensure that user access is appropriate for all key systems. Periodically, the Service Desk Technician reviews network accounts to see if the account has been recently used. Without periodic user access reviews for all systems, there is a risk that inappropriate access, such as terminated employees having access or an employee having too much access, would not be prevented or detected.	Implement quarterly access review for all key systems. The review should be documented and reviewed by the system owner.	Moderate	Moderate

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
5. The disaster recovery plan is in place and has been tested. All users know and understand their duties in case of a disaster.	The City has a disaster recovery plan related to their financial system that was drafted in October 2013, and the system was tested in 2014. The City also has a disaster recovery plan that encompasses the IT environment. Without a comprehensive plan and testing, it is unclear that the City would be able to continue operations in the case of a disaster and that all users know their duties during a disaster	Test the disaster recovery plan as planned in late 2016. Following the test, conduct training or make revisions to the plan as necessary. Review the plan annually and update the plan as needed.	Low	Moderate
6. Automated processes are implemented to reduce the risk of manual errors.	There are additional modules available for the financial system, including bank reconciliation, fixed assets, and grants management. However, the City has not implemented these modules. Instead, the City is relying on less reliable and more manual processes for managing this information.	Research if the additional financial system modules could cost effectively increase internal controls and efficiencies for the City.	Low	Low
I. Overall Control Environment				
1. The City has a whistleblower program and it is well-publicized.	There is no whistleblower hotline for employees, vendors, or others to report allegations of misconduct, fraud, waste, or abuse. While the City does have a policy in place that forbids retaliation against whistleblowers, there is currently no mechanism for whistleblowers to report their concerns. According to the 2014 ACFE Report to the Nations, approximately 42% of all fraud was uncovered through tips.[5]	Implement a whistleblower hotline through a third party and make it available to employees, vendors, customers, and the public. Communicate the availability of the hotline on a regular basis, at least annually. For employees, the City should identify the types of activities that should be reported. Periodically monitor the effectiveness of the hotline, including comparison to benchmarking.	Moderate	Moderate

[5] *ACFE Report to the Nations on Occupational Fraud and Abuse 2014 Global Fraud Study*

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
2. Audit findings issued to the City are handled in a cohesive centralized manner to ensure ongoing monitoring and resolution.	Audit findings issued to the City are not handled in a cohesive, centralized manner to ensure monitoring and accountability. The City does not maintain a centralized, comprehensive record of all audit findings or systematically monitor findings until they are resolved. Audit findings address a variety of issues, including noncompliance, effectiveness, and efficiency. There are often underlying internal control weaknesses, such as a lack of segregation of duties, at the root of audit findings. Without a process in place to ensure the monitoring and resolution of audit findings, weaknesses within the City's control environment may go unaddressed or even get worse.	The City should develop and distribute a policy stating that all audit findings issued to the City, its departments, its divisions, or its programs must be directed to the City Manager's office upon receipt and be presented to the Audit Committee. The City Manager's Office should track all audit findings, recommendations, and status of implementation. To ensure the resolution of a finding, evidence should be provided to an independent and objective entity for validation.	Moderate	Moderate
3. Employees are provided relevant training to understand and adhere to internal controls, as well as how to prevent and detect fraud, waste, and abuse.	The City does not have a training program that addresses internal controls and how to prevent and detect fraud, waste, and abuse. According to the ACFE, the typical organization loses 5% of revenue each year to fraud, with asset misappropriation being the most common form of fraud.[6]	Provide regular training to all employees on internal controls and fraud, waste, and abuse prevention. Training should be provided at all levels of the organization (i.e., Council, management, and staff).	Moderate	Moderate

[6] *ACFE Report to the Nations on Occupational Fraud and Abuse 2014 Global Fraud Study*

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
4. Conflicts of economic interests are fully disclosed by all relevant individuals and reviewed by the City.	The City's conflict of interest code and economic disclosure requirement does not include all key individuals within the City. For example, the City's Buyer is not required to submit annual economic interest disclosure forms. The City does not have an additional code of ethics or disclosure requirement for individuals involved in the purchasing process. Additionally, the City does not perform its own internal review of the disclosure forms to identify potential conflicts of interest. Instead, the City relies on the Fair Political Practices Commission (FPPC) enforcement division for its review.	Update the conflict of interest code and economic disclosure requirement to include all relevant individuals. Implement an internal review process to review and detect potential conflicts of interest.	Low	Moderate
J. Other				
1. Procedures and processes should be formally documented and followed.	The City's processes, policies, and procedures are not consistently documented or up-to-date. Processes and procedures exist for some areas. However, many processes and procedures are outdated. Some departments may have documented procedures; however, they are not centrally located and not always readily available. Moreover, policies may be inconsistent across various policy documents. Providing clear direction through formalized processes and procedures is imperative for training employees and to ensure the duties can still be performed in the event of employee turnover.	Establish a clear policy environment including a hierarchy for policy documents. Document processes and procedures and make timely updates for changes. These procedures should be centrally available and consistently followed.	Low	Low
K. Department or Division Specific				
1. Police: Property and evidence handling practices, as well as	While the Police Department has numerous processes and practices in place to store and manage property and evidence, elements of these	Continue ongoing efforts to upgrade evidence lockers, as well as analyze	Moderate	High

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
monitoring of these practices, provide maximum assurance of proper handling.	processes and practices could be strengthened to incorporate even stronger controls. In particular, weaknesses were noted in practices relating to the destruction of guns, auditing of property and evidence inventory, monitoring of records, and physical security measures. Moreover, the Police Department's policies and procedures regarding evidence and property handling are not comprehensive and do not address these certain key activities and processes. Without written documentation, the Police Department faces greater risk of noncompliance, particularly when duties are rotated or new staff is hired.	and address other security weaknesses. Continue efforts to improve property and evidence storage and management, including destruction of outdated property and evidence and a full inventory of all property and evidence. Implement an audit program to monitor property and evidence and associated records. Expand written policies and procedures to ensure that property and evidence practices are well-documented. Analyze and employ alternate method or vendor for destruction of weapons to provide greater assurance of complete and proper destruction. Seek additional training to implement additional audit functionality of the property and evidence management system.		
2. Police: The process for considering disputed parking citations is well-documented and provides adequate controls to ensure fair and equitable treatment.	The City's current process for monitoring and reviewing parking citations is not comprehensive enough to ensure that citations are reviewed consistently and appropriately. According to the State's Vehicle Code, a person may request an initial review by the issuing agency, in this case the Police Department, of a parking violation and the issuing agency shall cancel the parking violation if the agency is satisfied that: 1) the violation did not occur, 2) the registered owner was not responsible for the violation, or 3) extenuating circumstances make dismissal of the citation appropriate in the	To prevent the appearance of impropriety and maximize the collection of revenue due to the City, the Police Department should develop a robust process for performing initial reviews. This process should be well-documented and include the following: • Clear definitions of roles and responsibilities • Documentation requirements by issuing agency for reason of	Moderate	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	interest of justice. The City does not have a comprehensive policy to help create consistency in the administrative review process and evaluation of citations. The absence of adequate controls around this citation dismissal process, including sufficient documentation and approvals, could negatively impact the City's finances and its public image.	decision, whether upheld or dismissed, with guidelines about the language to include on the citation review form. • Tracking requirements for the agency including the number of reviews requested, outcome, and reason cited. This information could also serve as a management tool for training parking assistants. The Police Department may also want to consider the following: • Adopting a policy statement regarding the treatment of disputed citations issued to City employees, City officials, or associated individuals, such as friends or family. This statement could reiterate the law regarding personal relationships not being grounds for cancellations and/or warn employees that noncompliance will be subject to disciplinary review and action. • Adding a secondary reviewer on all initial reviews relating to City employees, City officials, and associated individuals.		
3. Fire: Personal information is adequately	The Fire Department is not employing maximum safeguards to protect patient health information. As the City's ambulance provider, the Fire Department	Since commencing our fieldwork, the Fire Department has started to implement certain control	Low	Moderate

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MOSS-ADAMS LLP

Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
safeguarded to protect patient privacy.	maintains medical records that contain HIPAA protected information. The Fire Department is not complying with best practices in its records storage methods. Additionally, not all of the personnel who access these records have had formal HIPAA training. Weaknesses in storage practices and insufficient training increase the City's chances of exposing HIPAA-protected information.	improvements. To increase the safeguards employed around medical records, the Fire Department should continue efforts to: • Obtain and assign a dedicated printer for use in preparing medical records. • Conduct formal HIPAA training for all personnel with access to medical records within the Fire and Finance departments. • Procure locks for all containers where medical records are stored and require records to be locked at all times. • Develop and adhere to a records retention schedule and destroy outdated records as appropriate.		
4. **Housing**: The backgrounds of individuals involved in programs are reviewed and vetted.	The City does not currently perform background checks on the landlords involved in its affordable housing program. Given the local rental market, the City has faced challenges in attracting landlords to the program. In the event an issue related to a landlord's background arises, the City risks significant public criticism.	In collaboration with City Attorney's Office and City Manager's Office, consider implementing background checks on all landlords involved in the affordable housing program.	Low	Moderate
5. **Parks**: All revenue is collected prior to granting access to facilities.	The Plunge Pool has faced challenges in billing its recurring renters and restricting access to these users prior to payment. The Plunge Pool has made recent efforts to improve billing, such as preparing bills in a more timely manner and increasing payment collection. However, the Plunge Pool still	Continue ongoing efforts to improve billing and revenue collection related to recurring renters. Ensure that practices are well-documented and up-to-date in written policies and procedures. Explore opportunities to more effectively	Low	Low

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Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	struggles with consistently verifying payment has been received from renters prior to entering the facility. Any opportunities to gain access without payment present risks of lost revenue for the City.	monitor payment and restrict access to facilities. Investigate technology solutions, such as implementation of swipe cards or pass codes along with turnstiles to control entry.		

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IV. MANAGEMENT RESPONSE

Culver City Finance staff collected management responses from departments in April and May 2019. These responses are provided in the table below. For cash handling management responses, please see the November 2017 Cash Handling Internal Controls Review report.

Control Objective	
Payroll & Human Resources	
1. Human resources and payroll functions are properly segregated.	Human Resources and Finance have begun developing a written procedure to segregate these duties. HR will do the data entry and Finance will approve the wage rate changes. A Manager in the Finance Department will also perform a secondary approval for updating hourly wage rates of employees.
2. Hours are accumulated and accurately processed.	We are implementing Executime (electronic timekeeping) to all City Departments. Once implemented, this should reduce the manual process and reduce the risk of inaccurate reporting of hours.
3. Confidential records are stored in areas that are locked or under continuous surveillance.	Public Works will replace/repair file locks.
4. Voided checks are maintained and properly defaced.	New procedures have been implemented so that Payroll defaces voided checks, and gives them to the Accounting Division for inclusion with the monthly bank recs.
5. Effective management oversight exists over payroll processing.	We are currently implementing the steps to have Management review/approve the payroll registers.
6. Hours worked, including overtime, are accumulated and reported accurately for all employees.	The City began contracting with Health E(fx) in 2017 to assist with monitoring and tracking variable hour non-benefitted employees to ensure that they do not work beyond 1,560 hours annually. The City will request that the contractor issue periodic reports that can be distributed to departments.
7. Hours are accumulated and accurately processed.	As indicated in Management Response #2, Finance will be moving to an electronic timekeeping system by the end of the calendar year, this will allow for a more extensive review of time cards. Currently, Payroll staff does review submitted time summary reports for each department, each pay period.
Purchasing & Accounts Payable	
1. New vendors are entered into the system by someone outside of Accounts Payable.	The security levels have been changed for all AP Staff. Currently, only the Budget & Financial Operations Manager and the Purchasing Department have the ability to create vendors. The Budget and Financial Operations Manager's new vendor set up is restricted to City retirees so they can receive monthly health reimbursement. Purchasing will also be implementing a monthly procedure to monitor and review any new vendor set ups.

2. Checks are handled securely.	A/P will require that Vendor checks are mailed, if an exception is required, Department Heads have to make the request, the Budget & Financial Operations Manager will approve the request, employees from departments will sign for the checks, and the information of who picks up the checks will be maintained in Finance.
3. Purchasing cards are promptly deactivated upon termination of employment.	Human Resources has incorporated p-cards in its Final Paycheck Memorandum notification process through which departments must specify that all City assets have been returned by the exiting employee. Purchasing thereafter follows up to reconcile the account and validate no personal charges have occurred. For additional monitoring, Purchasing periodically issues its list of active p-cards to HR to ensure only active employees are listed as well as quarterly to departments P-Card Coordinators to verify active accounts.
4. New vendors are well-vetted.	The City's financial ERP generates emails that are automatically sent to the Purchasing Manager for new vendors and vendor changes. Additionally, a system generated report is being incorporated into a Purchasing Division month-end checklist for additional monitoring of new vendors and changes to vendor information. A semi-annual vendor review process is also being incorporated into vendor management procedures.
5. Contract documents are stored centrally and are easily accessible for all involved parties.	The City Attorney's Office and City Clerk's Office maintain copies of all contracts. The City Attorney's Office also barcodes, scans and attaches contracts in the City's financial system once fully executed. To continue coordination of this process, Purchasing will incorporate review into its monthly checklist to ensure all new contracts are routinely attached.
6. Effective controls are in place over employee reimbursements.	Finance has proposed addition two positions in the FY 2019/2020 Budget, Sr. Admin Analyst and Sr. Accountant. Both positions will be responsible for maintaining a petty cash audit program. Employee Reimbursements are also being reviewed for integration into a more robust Employee Expense program using the City's ERP.
7. The internal process for reviewing p-card purchases is well- documented.	A P-Card Workflow Procedure has been drafted. A detailed written process which will detail the criteria that reviewers should be using when performing these reviews is underway. In conjunction, the P-Card Policy is also being revised and will be reviewed by both a Council Ad-hoc Subcommittee and approved by the City Council.
8. Conflicts of interest during the procurement process are formally documented and reviewed.	The RFP Process has been updated to incorporate confidentiality and conflict of interest disclosure forms for evaluation committee members. All related party transactions are additionally reviewed and confirmed annually by the City's auditors.
Warehousing	
1. Fixed assets are tagged.	Central Stores staff have received training in on the City's financial ERP system and Fleet Focus on fixed asset integration modules. All purchases that fall under the City's capital asset policy are thoroughly reviewed by Accounting and recorded in the fixed asset module of the City's financial ERP system. All Central Stores inventory items are barcoded and scanned. Additionally, IT has an extensive inventory process for workstations, laptops and tablets. For assets outside of the capital policy, additional discussion will be held to determine best practices.

2. Receipting of inventory and approval of inventory invoices are properly segregated.	Purchasing functions and roles have been documented with the City's Auditor, with staff separate from Central Stores charged with reviewing and processing invoices. The Purchasing Manager reviews inventory invoices, which are transmitted to Accounts Payable who further ensures invoices and payments match prior to the Budget and Financial Operations Manager approval.
3. Physical inventory counts are performed by an employee who is independent of maintaining the day-to-day inventory.	Procedures are being documented and put into place for annual physical inventory will be conducted every periodically by an outside company. Cycle count testing will be coordinated with Accounting Division to incorporate sufficient controls.
4. Written inventory policies and procedures guide the inventory management process.	Inventory Management Policies and Procedures have been drafted and are being revised for adoption and implementation.
Grants Management	
1. To ensure effective controls, funding requests and funding drawdown duties are segregated.	The City is in the process of updating the Grant Administration Policy using "Sample" Grant Policies from other Cities as a guide. Finance will provide the draft policy to the Ad Hoc City Council Policies Subcommittee for their review and recommendation to City Council. The updated Grants Management Policy will provide more comprehensive guidance, including: Definitions of roles and responsibilities for the administration, management, and oversight over grants among Finance personnel and departmental personnel, including frequency of activities. Finance will also schedule annual training for departments and create a quarterly Grant Newsletter that informs departments of: • Various internal control suggestions • Grant accounting issues that have come up in Finance or other departments • Shared ideas for grants management • Updates of changes to current policies and procedures • Any Auditor concerns
2. Comprehensive grants management policies and processes are well-documented.	See Management Response #1
3. Grants management policies are up-to-date.	This task will be completed by the Sr. Accountant working in the Accounting Division.
4. Training programs, both formal and informal, provide enough knowledge and skills necessary to manage and administer grants compliance.	See Management Response #1

5. To facilitate effective oversight over all grants City-wide, the City elicits communication about grants from departments.	See Management Response #1
6. The City utilizes information systems to support effective ongoing grants management.	The City has a Grant and Project Accounting Module as a part of the City's General Ledger Software. Finance currently has a temporary employee that specializes in software implementations and he will be working with Tyler Technologies and City Departments to develop and project timeline and to implement this module in FY 2020. This module has the capability of tracking grant activity, scanning in related grant documents and generating annual reports for all grant types.
7. Internal monitoring processes are well-documented	During the FY 2019/2020 Budget process the Finance Department recommended a Sr. Accountant Position that would assume the responsibility of City-wide grants management and implementing formal policies and procedures.
Revenue, Billing, & Accounts Receivable	
1. City-wide policies that guide revenue, billing, and collection of accounts receivable are well-documented and current.	Finance will be working with Moss Adams to create Policies and Procedures to meet this requirement. Finance will also conduct citywide training so all departments are clear on the new policies and procedures.
2. All of the City's accounts receivables (or cost reimbursements) are recorded in the City's financial system.	See Management Response #1
3. Revenue accounts are periodically monitored and timely investigations for unusual variations are performed.	The CFO, Budget & Financials Operations Manager and the new proposed Sr. Management Analyst will all have the responsibility of reviewing fluctuations of revenues quarterly to determine if budget adjustments are needed, procedures need to be changed or if there are errors in the recorded revenues.
4. Appropriate segregation of duties exists between the billing and cash handling functions.	This is difficult to implement at the current staff levels. Finance is working with HR to fill two current vacancies so the segregation of duties can be improved by the end of the calendar year.
5. Aging accounts receivables are regularly monitored and write-offs are consistently performed.	The Accounting Division of Finance and the proposed Sr Accountant will be assigned this task.
6. Changes to fee schedules set in the billing systems are limited to authorized personnel, and changes made to the fee schedules are tested and reviewed.	See Management Response #1

7. The use of third-party service providers to collect revenue on the City's behalf is monitored.	See Management Response #1
8. The City's collection efforts are standardized and consistent.	This collection procedures within the department will be outsourced to a collection agency after an RFP is completed.
9. System access is appropriately assigned for revenue functions.	See Management Response #1
10. All parties involved in the invoice preparation process ensure the accuracy and legitimacy of fees and charges.	Revenue Division currently prepares invoices on the basis of information provided by the department and the backup is reviewed for reasonableness. The invoice is generally sent to the department prior to being mailed out to the customer. Unless it is a recurring invoice, invoices are not mailed out without Department approval.
Monthly Account Reconciliation and Closing	
1. The monthly financial closing and reporting process is well established and documented, including specific roles and responsibilities identified.	Accounting has developed the first draft of monthly schedules to ensure the books are closed timely and accurately. Staff also follows the Month-End Closing Procedures by Tyler.
IT General Controls	
1. Data is protected by backing up files.	This issues have been resolved. The IT Department has transitioned the backup of all critical systems (including Financial systems) to a Cloud Storage Solution using Evault by Iron Mountain. Full and incremental backups are sent to a cloud storage daily. Additionally, there is a parallel backup that is stored onsite only to facilitate recovery of files. However, in the event of a disaster, files would be accessible from the Cloud Storage. It should also be noted that specifically with regard to the Finance System, the City also pays for another Disaster Recovery service through the software vendor (Tyler Technologies). There vendor captures nightly backups. They provide a service to stand-up an instance of the Financial environment in the Cloud in the event of a disaster. Both of these backup solutions are routinely tested.
2. The City has technology to detect security problems.	Resolution is in process. The IT Department is in the process of updating the network infrastructure. Once complete, the City will have IPS and IDS. The City is implementing Cisco 9500 Series Switching which is the foundation of a Software Defined Access Network. This will be implemented in conjunction with DNA (Digital Network Architecture) which will provide the platform for enhanced security including intrusion prevention and detection and immediate remediation.
3. Access to all network resources is promptly terminated upon termination of employment.	This will be addressed within the next 6-12 months. The goal will be to inventory all systems where departments administer security/control and determine if this can be transitioned to IT or develop a workflow process whereby security access is immediately removed upon termination of an employee.

4. Access reviews are periodically performed to determine that user access is appropriate.	This will be addressed within the next 6-12 months. The goal will be to work with departments who are the data owners of the identified key systems. A process will be developed to review on a quarterly basis all users access accounts to verify appropriate security access.
5. The disaster recovery plan is in place and has been tested. All users know and understand their duties in case of a disaster.	This issue will be addressed beginning in July. The IT Department plans to work with a consultant to assist with developing a technology business continuity plan that will include updated disaster recovery and test plans.
6. Automated processes	The Finance Department has a temporary IT person, who also has a background in Accounting/Finance that has been assigned to implement and train on all the paid modules that are not currently in use.
Overall Control Environment	
1. The City has a whistleblower program and it is well-publicized.	Culver City established a Whistle Blower Policy #4011 in 2003 for employees to report unlawful conduct or conduct in violation of any City policy, directive, ordinance or charter provision. This Policy provides employees with three possible actions that an employee can take if they find something that needs to be reported. It also provides very detailed complaint procedures that should be followed. Culver City employees can file their complaints to the City Manager or City Council for further investigation. City employees also have the option to call the California State Attorney General Whistleblower Hotline and file a complaint. This information has been provided to new and current employees through the Human Resources Department.
	Based on recommendations of Moss Adams, the City is also interested in holding a contract with an external hotline answering company to receive complaints from employees and residents of the Culver City. External hotline answering companies can receive complaints over the phone, web or by mail. The Finance Department has reached out to two companies suggested by Moss Adams. Their pricing and services will be reviewed by the City Manager and the CFO to make the final selection.
	The City is committed to fully implement a Fraud, Waste and Abuse Program per the recommendations of Moss Adams. The City will also provide initial and ongoing training to all City employees and update the Whistleblower Policy #4011 and Code of Ethics Policy #4006 to reflect current regulations.
2. Audit findings issued to the City are handled in a cohesive centralized manner to ensure ongoing monitoring and resolution.	This procedure will be implemented per Moss Adam's recommendation.
3. Employees are provided relevant training to understand and adhere to internal controls, as well as how to prevent and detect fraud, waste, and abuse.	Finance proposed a new Sr. Management Analyst position to be created in FY 2019/2020 for the sole purpose of hiring someone to manage the internal controls program Citywide. This position will provide training, conduct audits and implement new policies and procedures as needed.

4. Conflicts of economic interests are fully disclosed by all relevant individuals and reviewed by the City.	Finance is working with Moss Adams to update this code.
Other	
1. Procedures and processes should be formally documented and followed.	Finance proposed a new Sr. Management Analyst position to be created in FY 2019/2020 for the sole purpose of hiring someone to manage the internal controls program Citywide. This position will provide training, conduct audits and implement new policies and procedures as needed.
Department or Division Specific	
1. Police: Property and evidence handling practices, as well as monitoring of these practices, provide maximum assurance of proper handling.	The Property & Evidence section has taken steps to improve the control of money and guns; however, the Department is always evaluating their processes and procedures to come up with more efficient and effect ways to maintain the security of the items stored in the property and evidence room.
2. Police: The process for considering disputed parking citations is well- documented and provides adequate controls to ensure fair and equitable treatment.	CCPD Policy Sections 505.7- Notice of Parking Violation Appeal Procedure describes the appeals process, which is in accordance with sections 40215 and 40230 of the California Vehicle Code. Appeal decisions are well documents electronically on our third party vendor's software. Turbo Data (third party vendor) collects all monies from parking citations and maintains all pertinent documentation.
3. Fire: Personal information is adequately protect patient privacy.	The Fire Department has installed a printer/fax/scan machine in a locked office for the use of medical records only. All existing old paper medical records have been scanned and are securely stored on CD-R disks for retention; all paper records have exceeded the retention date and will be destroyed according to the City's Records Destruction Policy & Procedures. Until said records are destroyed they are stored in a secure environment. The department maintains all current patient health information in a secure database as an electronic Patient Care Report (ePCR) with the software vendor, Digital EMS.
4. Housing: The backgrounds of individuals involved in programs are reviewed and vetted.	This is a new issue regarding background checks for Section 8 participating property owners. This matter was not brought to Housing's attention during the audit review. It is extremely difficult to attract and retain property owners to participate in the Section 8 program. The institution of this type of vetting of property owners would make it also impossible to attract and retain property owners to rent to Section 8 Program participants. The current rental market in Culver City is already extremely competitive with a less than 2% vacancy rate and some of the highest rents in Los Angeles County. This would create yet another barrier to Section 8 voucher holders' utilization of rental assistance in the open market. In addition, this is not a requirement of HUD.

4. Housing: The backgrounds of individuals involved in programs are reviewed and vetted.	This is a new issue regarding background checks for Section 8 participating property owners. This matter was not brought to Housing's attention during the audit review. It is extremely difficult to attract and retain property owners to participate in the Section 8 program. The institution of this type of vetting of property owners would make it also impossible to attract and retain property owners to rent to Section 8 Program participants. The current rental market in Culver City is already extremely competitive with a less than 2% vacancy rate and some of the highest rents in Los Angeles County. This would create yet another barrier to Section 8 voucher holders' utilization of rental assistance in the open market. In addition, this is not a requirement of HUD.
	Housing staff conducted an informal survey of other housing authorities to determine if they conduct background checks for participating Section 8 property owners. They surveyed 5 housing authorities. This results are as follow: Housing Authority City of Los Angeles (HACLA):No Inglewood: No Oceanside: No Pasadena: No Santa Monica: No Housing Staff also reached out to the HUD Los Angeles Field Office to see if they are aware of other agencies that require property owner background checks. They could not identify any other housing authorities but will investigate. HUD also expressed concern that this type of requirement would create another barrier on Section 8 voucher holders securing units in the open market.
5. Parks: All revenue is collected prior to granting access to facilities.	VMC - Admin Clerks check to determine that renters are up to date; Coordinator reviews cases where there are late payments; Renters are notified of restrictions to facilities until they pay. Registration - Agree with Recommendation of exploring opportunities to further improve and restrict access to facilities. Aquatics - revised terms & conditions will provide better leverage to discipline & enact consequences on groups who fail to pay in a timely manner; Turn styles will enable better access control so that anyone who enters the facility will have had to create a membership & will have to be scanned in through ActiveNet upon each entry