

**CITY OF HEALDSBURG**

**SINGLE AUDIT REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

# CITY OF HEALDSBURG

Single Audit Report

For the Fiscal Year Ended June 30, 2013

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

Honorable Mayor and Members of City Council  
City of Healdsburg  
Healdsburg, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Healdsburg (City), California, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 3, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, (Findings 2013-01 and 2013-02).

## **Compliance and Other Matters**

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

## **City of Healdsburg's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them. We noted certain other matters that we reported to management of the City, in a separate letter dated March 3, 2014.

## **Purpose of This Report**

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

This report is intended solely for the information and use of management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
March 3, 2014



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and Members of City Council  
City of Healdsburg  
Healdsburg, CA

**Report on Compliance for Each Major Federal Program**

We have audited the City of Healdsburg's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Healdsburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2013.

## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Healdsburg as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133(OMB Circular A-133) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
March 3, 2014

**CITY OF HEALDSBURG**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Fiscal Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Expenditures
<b>U.S. Department of Homeland Security:</b>			
<i>Direct Program:</i>			
Assistance to Firefighters Grant	97.044	EMW-2011-FH-00965	\$ 34,800
Assistance to Firefighters Grant	97.044	EMW-2008-FF-00613	<u>133,987</u>
<b>Total U.S. Department of Homeland Security</b>			<u>168,787</u>
<b>U.S. Department of Transportation:</b>			
<i>Passed-through the State of California:</i>			
ARRA - Highway Planning and Construction	20.205	BRLS-5027(010)	937,313 *
ARRA - Highway Planning and Construction	20.205	BRLS-5027(013)	15,030 *
<i>Direct Program:</i>			
Airport Improvement Program	20.106	N/A	<u>45,000</u>
<b>Total U.S. Department of Transportation</b>			<u>997,343</u>
<b>U.S. Department of Education:</b>			
<i>Passed-through the Boys and Girls Club of Central Sonoma County:</i>			
Twenty-First Century Community Learning Centers	84.287	N/A	<u>47,073</u>
<b>Total U.S. Department of Education</b>			<u>47,073</u>
<b>U.S. Department of Housing and Urban Development:</b>			
<i>Passed-through the County of Sonoma, California:</i>			
Community Development Block Grant	14.218	N/A	<u>11,782</u>
<b>Total U.S. Department of Housing and Urban Development:</b>			<u>11,782</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,224,985</u></u>

\*Denotes Major Program

N/A - Not Available

See notes to the schedule of expenditures of federal awards.

**CITY OF HEALDSBURG**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2013**

**1. REPORTING ENTITY**

The financial reporting entity consists of the primary government, City of Healdsburg (City).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Funds received under the various grant programs have been recorded within general fund, special revenue funds, capital projects, and enterprise funds of the City. The City utilizes the modified accrual method of accounting for the general, special revenue, and capital project funds and full accrual for enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through from the State of California, the Boys and Girls Club of Sonoma, and the County of Sonoma, California.

The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**3. PROGRAM DESCRIPTIONS**

**U.S. Department of Homeland Security**

**Assistance to Firefighters Grant**

The primary goal of the Assistance to Firefighters Grant (AFG) is to meet the firefighting and emergency response needs of fire departments and nonaffiliated emergency medical service organizations. Since 2001, AFG has helped firefighters and other first responders to obtain critically needed equipment, protective gear, emergency vehicles, training and other resources needed to protect the public and emergency personnel from fire and related hazards.

**U.S. Department of Transportation**

**Highway Planning and Construction**

The objective of the Federal-aid Highway program is to assist State transportation agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the National Highway System (NHS), including the Eisenhower Interstate system; and for transportation improvements to most other public roads; to provide aid for the repair of Federal-aid highways following disasters; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes.

**Airport Improvement Program**

The Airport Improvement Program (AIP) provides grants to public agencies – and, in some cases, to private owners and entities – for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems (NPIAS).



**CITY OF HEALDSBURG**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2013**

**3. PROGRAM DESCRIPTIONS (Continued)**

**U.S. Department of Education**

**Twenty-First Century Community Learning Centers**

The program supports the creation of community learning centers that provide academic enrichment opportunities during non-school hours for children, particular students who attend high-poverty and low-performing schools. The program helps students meet state and local student standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that complement their regular academic programs; and offers literacy and other educational services to the families of participating children.

**U.S. Department of Housing and Urban Development**

**Community Development Block Grant (CDBG)**

The Community Development Block Grant (CDBG) Program was authorized under Title I of the Housing and Community Development Act of 1974. The primary objective of the CDBG Program is for the development of viable urban communities, including adequate housing, a suitable living environment, and expansion of economic opportunities, principally for persons of low to moderate income. Under this program, the Department of Housing and Urban Development (HUD) distributes funds based upon approved applications to eligible local governmental units for the purpose of community improvement and betterment. The City uses CDBG funds to finance a comprehensive home improvement program that assists low and moderate-income residents through low interest subsidies and deferred loans.

**CITY OF HEALDSBURG  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2013**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued	<b><u>Unmodified</u></b>
Internal control over financial reporting:	
Material weakness (es) identified?	_____ Yes <u>  X  </u> No
Significant deficiency (ies) identified not considered to be material weaknesses?	<u>  X  </u> Yes _____ None Reported
Noncompliance material to financial statements noted?	_____ Yes <u>  X  </u> No

Federal Awards

Internal control over major programs:	
Material weakness (es) identified?	_____ Yes <u>  X  </u> No
Significant deficiency (ies) identified not considered to be material weaknesses?	_____ Yes <u>  X  </u> None Reported

Type of auditor's report issued on compliance for major programs:	<b><u>Unmodified</u></b>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510 (a)	_____ Yes <u>  X  </u> No
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Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
<u>20.205</u>	<u>Highway Planning and Construction</u>

Dollar threshold used to distinguish between Type A And Type B programs:	<b><u>\$300,000</u></b>
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Auditee qualified as low-risk auditee:	_____ Yes <u>  X  </u> No
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**CITY OF HEALDSBURG**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2013**

**SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT**

**Significant Deficiencies**

2013-01 Finding – Lack of segregation of duties at the Senior Center:

During our review of internal control over cash receipts at the Senior Center, we noted the person who collects money also reconciles the cash receipts at the end of the day. In addition, no other person reviews or approves the reconciliations.

Effect:

A lack of segregation of duties and controls over cash receipts increases the risk that errors and irregularities may occur and go undetected, which could lead to a misappropriation of funds.

Recommendation:

We recommend that the City of Healdsburg (City) ensures that there is a sufficient segregation of duties over cash receipts at the Senior Center.

Management’s response:

The Senior Center front counter is staffed by senior volunteers. Finance staff has counseled them on the appropriate steps to follow. The City is unable to staff the Senior Center with regular staff and segregate duties any more than is currently done.

2013-02 Finding – Lack of control over capital assets:

During the review of internal controls over capital assets, the following were noted:

1. Assets purchased with federal funds may not be identified.
2. There is no listing by department of potential impaired assets.
3. Physical inventory should be performed and reconciled with the capital asset listing annually.

Effect:

Without an annual review, the City’s capital assets schedule may not be updated for obsolete, impaired, and disposed capital assets, which could result in a misstatement of the value of capital assets. Consistent use of the capitalization policies is needed to have an accurate classification of the City’s capital assets.

Recommendation:

We recommend the City implement procedures to review capital assets at least annually and update the capital assets schedule, accordingly.

Management’s response:

The City will implement a policy to ensure that capital assets are reviewed on an annual basis and the schedule adjusted accordingly. Staff will identify all capital assets which are no longer in service and record disposition of them in Fiscal Year 2013-2014.

**CITY OF HEALDSBURG**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2013**

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

None noted.

**CITY OF HEALDSBURG**  
**STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2013**

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**Significant Deficiencies**

2012-01 Finding – Deficiencies in internal control over cash receipts at the Swim Center and Foss Creek:

During our review of cash receipts internal control at the Swim Center and Foss Creek, we noted the following deficiencies:

- a) Various Shift Summary Sheets were either not reconciled on a daily basis or signed by the Manager for one out of eight cash receipts reviewed.
- b) For drop-in customers, participants could simply sign in and pay the instructor. In addition, no receipts were given to drop-in participants.
- c) There was a lack of segregation of duties over cash receipts at the Swim Center and Foss Creek. The person who collects money also reconciles the cash receipts at the end of the day. In addition, no other person reviews or approves the reconciliation.
- d) The cash box at the swimming pool area was kept in an unlocked drawer and all lifeguards or part-time staff had access to the cash box during operating hours.

Effect:

A lack of segregation of duties and controls over cash receipts increases the risk that errors and irregularities may occur and go undetected, which could lead to a misappropriation of funds.

Recommendation:

We recommend that the City implement policies that will strengthen the City's internal controls at the Swim Center and Foss Creek, such as establishing a tracking system on the number of customers entering, implementing reconciliation of cash being turned in with the amount of cash receipts collected, segregating the duties of cash receipts process, and keeping cash receipts properly secured.

Status:

Implemented.

2012-02 Finding – Deficiencies in internal control over cash receipts at the Senior Center:

During our review of internal control over cash receipts at the Senior Center, we noted the following:

- a) There was a \$1 fee charged per participant for Bridge that was not on the fee schedule.
- b) One out of 6 cash receipts reviewed did not have the registration form for review.
- c) There was a lack of segregation of duties over the cash receipts at the Senior Center. The person who collects money also reconciles the cash receipts at the end of the day. In addition, no other person reviews or approves the reconciliations.

Effect:

A lack of segregation of duties and controls over cash receipts increases the risk that errors and irregularities may occur and go undetected, which could lead to a misappropriation of funds.

Recommendation:

We recommend that the City ensure that all cash receipts are properly charged based upon the approved fee schedule and booked into the correct account. The City also needs to ensure that there is a sufficient segregation of duties over cash receipts at the Senior Center.

Status:

Partially implemented. See Finding 2013-01.

**CITY OF HEALDSBURG**  
**STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2013**

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Significant Deficiencies (Continued)**

2012-03 Finding – Non-compliance with use of impact fee:

During our review of revenues and expenditures, we noted there appears to be non-compliance with the use of impact fees. Transfers of funds are made to the General Fund with no support as to what the use is.

Effect:

The City is not in compliance with the intended purpose of impact fees.

Recommendation:

We recommend the City ensure expenditures of impact fee revenue is compliant.

Status:

Implemented.

2012-04 Finding – Lack of control over capital assets:

During the review of internal controls over capital assets, the following were noted:

1. Assets purchased with federal funds may not be identified;
2. There is no listing by department of potential impaired assets.
3. Physical inventory should be performed and reconciled with the capital asset listing annually.

Effect:

Without an annual review, the City's capital assets schedule may not be updated for obsolete, impaired, and disposed capital assets, which could result in a misstatement of the value of capital assets. Consistent use of the capitalization policies is needed to have an accurate classification of the City's capital assets.

Recommendation:

We recommend the City implement procedures to review capital assets at least annually and update the capital assets schedule, accordingly.

Status:

Not implemented. See Finding 2013-02.

2012-05 Finding – Lack of supporting documentation:

**Program:** US Department of Transportation - Highway Safety Improvement Program-ARRA – CFDA 20.205

Effect:

The City is not in compliance with the retention of documents requirement under the Brooks Act and the requirements of *OMB Circular A-133 Compliance Supplement* in regards to procurement and record retention.

Questioned Cost:

Unknown

Recommendation:

We recommend the City retain all procurement related documents for the required time period in accordance with Federal requirements.

Status:

Implemented.

**CITY OF HEALDSBURG**  
**STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2013**

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Significant Deficiencies (Continued)**

2012-06 Finding – Lack of documentation for sole source justification:

**Program:** US Department of Transportation - Highway Safety Improvement Program-ARRA – CFDA 20.205

Effect:

The City is not in compliance with the retention of documents requirement under the Brooks Act and the requirements of *OMB Circular A-133 Compliance Supplement* in regards to procurement and record retention.

Questioned Cost:

Unknown

Recommendation:

We recommend the City retain documentation supporting the conduct of proper procurement procedures for sole sourcing.

Status:

Implemented.

**Other Matters**

2012-07 Finding – Deficiency in internal control over payroll:

During our review of internal control over payroll, we noted that one out of 25 employees tested did not have a W-4 form on file.

Effect:

Without proper and sufficient payroll documentation, we cannot verify if the employees were paid correctly and it may increase the possibility of fictitious employees.

Recommendation:

We recommend the City implement procedures to ensure that all appropriate payroll documentation is obtained and retained.

Status:

Implemented.

2012-08 Finding – Deficiency in internal control over cash receipts in the Finance Department:

During our review of internal control over cash receipts in the Finance Department, we noted that two out of 10 cash receipts reviewed did not have adequate supporting documentation.

Date	Receipt	Amount
8/1/11	135746	\$149,452.79
10/31/11	135973	\$12,365.35

Effect:

Without sufficient supporting documentation, it is difficult to ascertain that all cash receipts are deposited in a timely manner and could lead to a misappropriation of funds.

**CITY OF HEALDSBURG**  
**STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2013**

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Other Matters (Continued)**

2012-08 Finding – Deficiency in internal control over cash receipts in the Finance Department (Continued):

Recommendation:

We recommend that the City ensure that detailed and related supporting documentation be obtained and/or retained for all cash receipts.

Status:

Implemented.

2012-09 Finding – Deficiencies in internal control over cash receipts at the Community Development Center:

During our review of internal control over cash receipts at the Community Development Center, we noted three out of six cash receipts had incorrect fee charges when calculated based upon the Council approved fee schedule.

Effect:

By not correctly calculating fees, these customers may be under or over charged. In addition, a misappropriation of funds could occur.

Recommendation:

We recommend the City establish procedures over the cash receipts system in the Community Development Center and ensure that all service fees charged are calculated correctly according to the Council approved fee schedule.

Status:

Implemented.

2012-10 Finding – Deficiencies in cash receipts internal control at the Police Department:

During the review of internal control at the Police Department, we noted the following deficiencies:

- a) Cash receipts are not reconciled on a daily basis.
- b) Two out of six cash receipts reviewed did not have sufficient supporting documentation.

Date	Receipt	Amount
9/1/11	70009	\$29
2/24/12	70035	\$24

Effect:

Without restricted access to the cash drawer, a misappropriation of cash is more likely to occur. In addition, lack of supporting documentation and daily reconciliation increase the risk of misappropriation of funds that may occur and go undetected.

Recommendation:

We recommend that the City ensure that all cash drawers are locked and access limited to an employee with cash handling responsibilities only. Cash receipts need to be reconciled daily to avoid the increased risk of a misappropriation of funds. Additionally, detailed and related supporting documentation need to be obtained and/or retained for all cash receipts.

Status:

Implemented.



**CITY OF HEALDSBURG**  
**STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2013**

**SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Other Matters (Continued)**

2012-11 Finding – Sick and vacation policy is inconsistent with the MOU:

During our review of City policies, we noted that the employee handbook does not agree with the MOU with regard to time for sick and vacation accrual.

Effect:

The City may not be complying with the terms of the MOU. Policies conflict with the agreement.

Recommendation:

We recommend the City ensure that the policies are consistent with the MOU and that the Council approves such changes.

Status:

Implemented.