

**City of
Albany**
Alameda County
Transportation
Commission -
Measure BB Funds
Albany, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2017

City of Albany
Alameda County Transportation Commission – Measure BB Funds
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For the year ended June 30, 2017

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City of Albany
Alameda County Transportation Commission - Measure BB Funds
Balance Sheet
June 30, 2017

	Special Revenue Funds			Total
	Alameda CTC Paratransit	Alameda CTC Streets and Roads	Alameda CTC Bike and Pedestrian	
ASSETS				
Cash	\$ 35,829	\$ 595,516	\$ 91,708	\$ 723,053
Accounts receivables	5,310	59,486	7,262	72,058
Total assets	\$ 41,139	\$ 655,002	\$ 98,970	\$ 795,111
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 256	\$ -	\$ -	\$ 256
Accrued salaries and fringe benefits	204	-	-	204
Total liabilities	460	-	-	460
Fund Balances:				
Restricted for:				
Highways and streets		655,002	98,970	753,972
Transit programs	40,679			40,679
Total fund balances	40,679	655,002	98,970	794,651
Total liabilities and fund balances	\$ 41,139	\$ 655,002	\$ 98,970	\$ 795,111

See accompanying Notes to Financial Statements.

City of Albany
Alameda County Transportation Commission - Measure BB Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2017

	Special Revenue Funds			Total
	Alameda CTC Paratransit	Alameda CTC Streets and Roads	Alameda CTC Bike and Pedestrian	
REVENUES:				
Measure BB funds	\$ 34,322	\$ 384,534	\$ 46,941	\$ 465,797
Total Revenues	34,322	384,534	46,941	465,797
EXPENDITURES:				
Paratransit	5,302	-	-	\$ 5,302
Streets and roads	-	16,721	-	16,721
Bike and pedestrian	-	-	-	-
Total Expenditures	5,302	16,721	-	22,023
NET CHANGE IN FUND BALANCES	29,020	367,813	46,941	443,774
FUND BALANCES:				
Beginning of year	11,660	287,189	52,029	350,878
End of year	\$ 40,679	\$ 655,002	\$ 98,970	\$ 794,651

See accompanying Notes to Financial Statements.



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Alameda County Transportation Commission – Measure BB Funds (Measure BB Funds) of the City of Albany, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the City is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Because of the matters described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

- (1) The City did not perform timely reconciliations of cash, investments, and other balance sheet accounts, for which some could not be completed. We do not believe we can satisfy ourselves with the allocation, existence, or completeness of these account balances, as internal controls over these account balances were not performed.
- (2) The City posted many adjustments in an attempt to address issues encountered after implementing a new ERP system. These entries affect material revenue, expenditure, and balance sheet accounts. Due to limited documentation or ability to obtain explanations from the City with regard to these matters, we do not believe we can obtain sufficient audit evidence with regard to such adjustments.
- (3) We were unable to verify the appropriate allocation of cash and investments to individual funds.

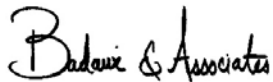
To the Honorable Mayor and Members of City Council
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Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure BB Funds and do not purport to, and do not, present fairly the financial position of the City of Albany, California as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2019 on our consideration of the City's internal control over financial reporting in relation to Measure BB Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance in relation to Measure BB Funds.



Badawi and Associates
Certified Public Accountants
Oakland, California
April 4, 2019

City of Albany

Alameda County Transportation Commission – Measure BB Funds

Notes to Financial Statements

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Alameda County Transportation Commission – Measure BB Funds (“Measure BB Funds”) of the City of Albany, California (the “City”), are included as separate special revenue funds in the basic financial statements of the City. Measure BB Funds are used to account for the City’s share of revenues earned and expenditures incurred under the City’s paratransit, local streets and roads, and bicycle and pedestrian programs. The accompanying financial statements are for Measure BB Funds only and are not intended to fairly present the financial position or results of operations of the City.

B. Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current periods. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred.

C. Description of Funds

The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts. Special Revenue funds are funds which are used to account for revenues derived from specific sources, and for which expenditures are restricted to specific purposes. The City uses Special Revenue Funds to account for the Measure BB Funds revenue and expenditures.

D. Fund Balance

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then use unrestricted resources as needed.

City of Albany

Alameda County Transportation Commission – Measure BB Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Fund Balance, Continued

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

E. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
- Overall
- Custodial Credit Risk
- Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

F. Revenues and Receivables

During the course of normal operations, the fund carries various receivable balances for taxes and interest. Revenues are recorded when received in cash, except revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the fund, are Measure BB transportation commission funds.

City of Albany

Alameda County Transportation Commission – Measure BB Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The Measure B Funds' cash and investments are pooled with the City's cash and investments in order to generate optimum interest income.

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

A. Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptance	180 days	40%	10%
Commercial Paper	270 days	15%	10%
Medium - Term Notes	One year	15%	5%
Money Market Mutual Funds	None	None	None
Repurchase Agreements	7 days	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Investment Trust of California (CalTrust)	None	25%	None
Negotiable Certificates of Deposits	One year	15%	None

City of Albany
Alameda County Transportation Commission – Measure BB Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2017

2. CASH AND INVESTMENTS - Continued

B. Risk Disclosures

Interest Risk – Interest rate risk is the fluctuation in fair value of investment due to changes in interest rates. The City’s exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the City’s investment not to exceed five years.

Credit Risk – Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City’s exposure to credit risks.

Custodial Credit Risk – The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City’s investments were subject to custodial credit risk.

C. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City’s investments with LAIF at June 30, 2017, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30 2017, the City invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at amortized cost, which approximates the fair value. The fair value factor of LAIF is 0.998940671.

City of Albany

Alameda County Transportation Commission – Measure BB Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2017

2. RECEIVABLES

Paratransit - At June 30, 2017, receivables consist of the Alameda County Transportation Commission pass-through receivables of \$5,310.

Streets and Roads - At June 30, 2017, receivables consist of the Alameda County Transportation Commission pass-through receivables of \$59,486.

Bicycle and Pedestrian - At June 30, 2017, receivables consist of the Alameda County Transportation Commission pass-through receivables of \$7,262.

3. MEASURE BB FUNDS

Under Measure BB, approved by the voters of Alameda County in 2014, Alameda County Transportation Commission Measure BB, the City receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. This measure was adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid for by property taxes but, rather, would be used for additional streets and programs. The City of Albany utilizes Measure BB funds to maintain existing streets and to conduct special projects designed to improve traffic flows, pedestrian safety and on-street parking. Major projects such as street repaving, traffic studies and median design are contracted to outside firms that specialize in the work to be performed. Recurring maintenance work such as pothole patching, street sign replacement and median island maintenance is performed by City maintenance workers, under the supervision of the City's Public Works Manager.



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

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California

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 Alameda County Transportation Commission - Measure BB Funds (Measure BB Funds) of the City of Albany, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 4, 2019. Our report disclaims an opinion on such financial statements because of the following:

- (1) The City did not perform timely reconciliations of cash, investments, and other balance sheet accounts, for which some could not be completed. We do not believe we can satisfy ourselves with the allocation, existence, or completeness of these account balances, as internal controls over these account balances were not performed.
- (2) The City posted many adjustments in an attempt to address issues encountered after implementing a new ERP system. These entries affect material revenue, expenditure, and balance sheet accounts. Due to limited documentation or ability to obtain explanations from the City with regard to these matters, we do not believe we can obtain sufficient audit evidence with regard to such adjustments.
- (3) We were unable to verify the appropriate allocation of cash and investments to individual funds.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the City, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses from 2017-001 to 2017-004 to be material weaknesses.

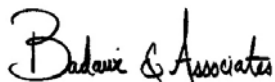
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as 2017-005 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Measure BB Funds' 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

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.



Badawi & Associates
Certified Public Accountants
Oakland, California
April 4, 2019

City of Albany
Alameda County Transportation Commission – Measure BB Funds
Schedule of Findings and Responses
For the year ended June 30, 2017

2017-001 Financial Closing and Reporting (Material Weakness)

Criteria:

The City is responsible for fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. In addition, an effective internal control system over financial closing and reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition:

During the engagement to perform the audit, we noted that numerous closing entries needed at the end of the year were not recorded and closing entries recorded in the prior period were not reversed.

We also noted that the City did not perform reconciliations over accounts receivable, accounts payable, accrued wages and salaries, capital assets, and long-term debt. Subsidiary ledger reports for accounts receivable and accounts payable that were provided for the engagement did not agree to the City's trial balance.

Cause:

The City experienced turnover in positions with significant roles in the City's financial reporting and closing process. The City was not able to close the accounting books as there was not sufficient cross training in place to ensure continuity of the financial reporting process. There was no routine analysis of transaction recording to timely detect and correct recorded transactions or to identify unrecorded transactions.

The City implemented a new financial software, however formally written accounting policies and procedures related to the system were not developed.

There were either limitations in reporting capabilities of the new financial system or there is an incomplete understanding of the new system's reporting capabilities.

Context and Effect:

The City was not able to complete the closing process and also was not able to analyze accounts sufficiently to determine the composition and nature of account balances in the general ledger.

City of Albany
Alameda County Transportation Commission – Measure BB Funds
Schedule of Findings and Responses
For the year ended June 30, 2017

Recommendation:

We recommend that the City update its risk assessment process and business continuity planning to identify potential unusual circumstances that would result in significant delays in financial closing and reporting, and develop policies and procedures to prevent or mitigate the effects of these circumstances when they occur. The City should provide cross training of finance staff to ensure continuity during the financial reporting process and audit in case the City experience turnover in key finance positions.

The City should furthermore develop formal written policies over significant accounts that include the timely reconciling of accounts to activity reported in related subsidiary ledgers.

Management Response:

The Finance Department has undergone significant staffing and structural changes since the 2016-17 fiscal year. In addition to hiring a new Director and Senior Accountant, all Accounting Technicians now report to the Senior Accountant. A new standard procedure has been implemented requiring that the Senior Accountant is responsible for double checking all entries, as well as performing daily cash reconciliation and monthly bank reconciliations. For fiscal year 2018-19, the Financial Department is up to date on main bank account reconciliations. This is a significant improvement in accountability as compared to the lack of reconciliation that occurred in the 2016-17 fiscal year.

Policies and procedures for specific tasks are in the process of being drafted. While there are ongoing issues with the ERP implementation, we have taken great strides in the past 6 months to address these issues. For example, we have adjusted a setting within the payroll module requiring the Payroll Technician to manually enter checks instead of the system automatically entering the cash disbursement. In addition, we have scheduled additional implementation and training sessions with the software company to ensure the ERP system is being utilized effectively and efficiently. An Organizational and Operational study of the Finance Department was completed in 2018 and the City is working to implement some of the suggestions to ensure appropriate oversight going forward.

City of Albany
Alameda County Transportation Commission – Measure BB Funds
Schedule of Findings and Responses
For the year ended June 30, 2017

2017-002 Cash and Investments (Material Weakness)

Criteria:

The City is responsible for fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. In addition, an effective internal control system over cash and investments includes frequent and timely reconciling of account balances to information provided by the bank and custodians.

Condition:

During the engagement to perform the audit, we noted that bank reconciliations were not performed until the start of the engagement. Also, we noted that the City's reconciliation process only involved reconciling control accounts that are included in the City's pooled cash fund, however related cash accounts represented in each fund (those reported in the financial statements) were not reconciled back to the control accounts.

As a result, we noted that the total cash and investments represented in individual funds did not agree to the sum of City's pooled and non-pooled cash and investments by \$1.9 million.

Cause:

During the fiscal year under audit, the City experienced turnover in positions with significant roles in the City's financial reporting and closing process. The City was not able to perform the bank reconciliations timely as there was not sufficient cross training in place to ensure continuity of the process. The City also incorrectly setup the new financial system incorrectly for cash reconciliations which resulted in manual journal entries being prepared to correct the problem.

Context and Effect:

The City was not able to complete the closing process and also was not able to analyze accounts sufficiently to determine the composition and nature of account balances in the general ledger.

Recommendation:

We recommend the City develop formal written policies over cash and investments that include the timely reconciling of accounts and include cash and investment accounts reported in each fund.

City of Albany
Alameda County Transportation Commission – Measure BB Funds
Schedule of Findings and Responses
For the year ended June 30, 2017

Management Response:

Management is aware of the reconciliation issue between the pooled cash fund and other individual funds. During the audit, staff traced numerous transactions through from beginning to end and became comfortable that all transactions were recorded in the pooled cash fund; however, transactions were not necessarily allocated to the correct specific fund (general fund, special revenue fund, etc.). Staff is in the process of reviewing individual deposits and allocating the cash to the correct fund, however this will take some time as an error in the ERP system implementation must be fixed. Staff's main priority has been ensuring future revenues are recorded correctly to make sure the problem does not continue.

As previously indicated, policies and procedures for specific tasks are in the process of being drafted. While there are ongoing issues with the ERP implementation, we have taken great strides in the past 6 months to address these issues. In addition, we have scheduled additional implementation and training sessions with the software company to ensure the ERP system is being utilized effectively and efficiently. An Organizational and Operational study of the Finance Department was completed in 2018 and the City is working to implement some of the suggestions to ensure appropriate oversight going forward.

City of Albany
Alameda County Transportation Commission – Measure BB Funds
Schedule of Findings and Responses
For the year ended June 30, 2017

2017-003 Capital Assets (Material Weakness)

Criteria:

A good internal control reporting system over capital assets requires the maintenance of detail records of all its capital assets to be able to support amounts reported on the financial statements and to ensure safeguarding of assets.

Condition:

During the engagement to perform the audit, we noted that the City's capital asset schedules were not prepared timely and could be missing capital asset activity such as capital projects' activity, and disposal/sale of capital assets.

The City had also not performed a physical inventory of assets to determine whether they were still in the City's possession at the end of the fiscal year.

Cause:

Due to turnover and limited written policies and procedures, procedures over capital assets, accounting procedures regularly expected for reconciling capital asset activity were not performed or not performed timely.

Context and Effect:

Capital assets reported at the end of the fiscal year may be inaccurate or incomplete.

Recommendation:

We recommend that the City perform a physical inventory of all capital assets, prepare updated written policies and procedures over capital assets, and review capital expenditures and sale/disposal authorizations to determine accurate capital asset records.

Management Response:

As of November, Finance staff has updated the capital asset listing with the help of other departments. Finance staff is working in conjunction with Public Works staff and is in the process of scheduling implementation and training sessions with the software company to allow for optimal use of the ERP system's fixed asset module which will allow the Finance Department to track asset procurement and disposal in real time. In addition, a new procedure has been developed and monitoring fixed assets has been added as a job task to the Financial Analyst job description to ensure ownership of the process.

City of Albany
Alameda County Transportation Commission – Measure BB Funds
Schedule of Findings and Responses
For the year ended June 30, 2017

2017-004 Journal Entries (Material Weakness)

Criteria:

Journal entries should be independently prepared, reviewed, and posted to the general ledger. In addition, journal entries should be adequately documented to support its accuracy and purpose.

Condition:

During the engagement to perform the audit, we noted that the City was unable to provide us with documentation or documentation was insufficient for journal entries selected for review.

Cause:

The City does not have formal written procedures for journal entries.

Context and Effect:

Journal entries recorded in the City's accounting system may be inaccurate or unsupported.

Recommendation:

We recommend that the City implement formal written procedures and policies over journal entries to ensure only accurately prepared and supported journal entries are recorded to the general ledger.

Management Response:

During the audit, in an attempt to resolve reconciliation issues, current and temporary staff reversed many of the journal entries that had been made with no supporting documentation. As of August, the Finance Department has implemented a procedure within the accounting system requiring all entries made by Accounting Technicians to be reviewed by a supervisor prior to posting. Generally, this is done by the Senior Accountant who ensures all appropriate documentation has been provided. Policies and procedures for other tasks are in the process of being drafted.

City of Albany
Alameda County Transportation Commission – Measure BB Funds
Schedule of Findings and Responses
For the year ended June 30, 2017

2017-005 Payroll Master File (Significant Deficiency)

Criteria:

An effective internal control over payroll includes a segregation of duties or implementation of other mitigating controls over personnel who process payroll and personnel responsible for making changes to the payroll master file.

Condition:

During the engagement to perform the audit, we noted that the payroll technician is able to modify the payroll master file and process payroll. Previously a list of edits to the master file was reviewed as part of the payroll process, however the process was eliminated as part of implementation of the new financial system.

Cause:

The City's internal controls over payroll did not include an assessment for changes to the payroll master file.

Context and Effect:

Changes made to the payroll master file may be made inaccurately or may be unsupported.

Recommendation:

We recommend that the City segregate the duties and responsibilities over management of the payroll master file or update its policies and procedures to review changes made to the payroll master file.

Management Response:

As previously indicated, policies and procedures for specific tasks are in the process of being drafted. While there are ongoing issues with the ERP implementation, we have taken great strides in the past 6 months to address these issues. In addition, we have scheduled additional implementation and training sessions with the software company to ensure the ERP system is being utilized effectively and efficiently. Finance staff are working directly with Human Resources staff to create more distinct separation of duties. In addition, the Finance Director reviews each payroll prior to issuance. That review now includes a review of the payroll master file.