

Internal Control Items with a Direct Impact on Financial Reporting - CAFR Preparation

Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
1	The Comptroller should review and assess the journal entry preparation and approval process. The duties of preparing and approving of journal entries must be appropriately segregated. The Comptroller should assign ultimate responsibility for journal entry review and approval to an individual within the Comptroller's Office. The Auditor General should analyze the journal entry approval process as part of that office's review of City operations.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	Yes	Substantially complete. The Comptroller reviewed and assessed the journal entry preparation and approval process for AMRIS (Accounting Management Resource Information System). AMRIS is the City's antiquated accounting/general ledger system. As part of this assessment, internal control documentation was prepared that includes a process narrative, process flow and internal control matrix. Additionally, the Interim Internal Auditor analyzed the journal entry process documentation and provided feedback that was incorporated in the documentation.	Oct-07	NA	Yes - Randomly selected and tested 50 journal entries to verify that the duties of preparing and approving journal entries was appropriately segregated. Journal entry approval process was documented and provided to the Interim Internal Auditor on 4/27/07. Interim Internal Auditor provided feedback on 5/1/07 and feedback was incorporated into process. This item has been accepted by Internal Audit as remediated.

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2	<p>There was incorrect classification and presentation of various funds within the CAFR. This included incorrectly reporting San Diego Data Processing Corporation as an enterprise fund, San Diego Medical Services Enterprises as a discretely presented component unit rather than a joint venture, the City's 401K Plan as an agency fund, and City resources set aside for repayment of tax anticipation notes as an agency fund. Additionally, the City incorrectly omitted an investment trust fund representing cash owned and interest earned by legally separate entities within the City Treasurer's investment pool and incorrectly reported the Centre City Development Corporation's defined contribution plan assets as a fiduciary fund even though such assets were not held by the City in a trustee or agency capacity.</p>	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	<p>Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.</p>

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3	Errors at component units (legally separate entities that are included in the City's CAFR) were repeated in the City's CAFR. For example, errors in the receivable for purchased service credits and the liability for DROP obligations (San Diego City Employees' Retirement System) and in recording an incentive payment received on a food and beverage contract (San Diego Convention Center Corporation) occurred within those entities and were not detected prior to being included in the City's CAFR.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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4	<p>The City must consider the substance of transactions when identifying the appropriate accounting treatment. For ex., paying retiree health benefits from pension plan assets withdrew money from the pension plan. These amounts were not reflected as expenses in the City's CAFR.</p> <p>The City has a mechanism to set aside a portion of pension plan assets as "surplus earnings," also known as excess investment earnings. The "surplus earnings" were used to fund a variety of additional benefits for employees, such as retiree health benefits, or to "fund" employee offset payments. However, the City did not consider these activities when calculating pension expense in its financial statements. Correcting for additional benefits and other pension accounting issues resulted in increasing the June 30, 2002 net pension obligation in the City's government-wide financial statements by \$90.4 million. Additionally, certain benefits, i.e. Corbett, were not included in the actuarial accrued liability disclosure as they were inappropriately defined as being "contingent."</p>	<p>Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report</p> <p>2003 KPMG Report</p>	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	<p>Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.</p>

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5	The City incorrectly included investments as part of cash and cash equivalents within the Statement of Cash Flows.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.
6	The accrual for compensated absences was not properly calculated at year-end and certain components (add-on pay and employer taxes) were incorrectly excluded from the calculation.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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7	Petco Park leasehold improvements made by the San Diego Padres were incorrectly recorded by the City as contribution revenue. Additionally, the City's liability for the future conveyance of ballpark land parcels to the Padres was not recorded.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.
8	Interfund transactions, e.g. purchases and sales of land, were not properly identified and recorded at the correct historical cost. Additionally, interfund transfers were incorrectly recorded as working capital advances.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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9	Errors in recording various parcels of land resulted in an increase of capital assets in the City's financial statements.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.
10	During the implementation of GASB No. 34 in fiscal year 2002, the City was required to capitalize infrastructure assets for the first time. However, the City added certain assets during this process to its financial statements that were already recorded in its capital improvement program.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.
11	Various errors in book values or estimated useful lives of assets resulted in an increase in net capital assets reported in the City's financial statements.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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12	Errors were made in recording various land held for resale parcel transactions and the City incorrectly reported land held for resale at cost instead of estimated net realizable value.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.
13	Developer contributed assets were not being recorded as City assets, or were not being reported in the year in which the transactions occurred, resulting in an understatement of capital assets in the City's financial statements.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.
14	Assets which has been placed in service were not transferred from construction-in-progress to depreciable assets which resulted in a misclassification of reported capital assets and an underreporting of depreciation expense.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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15	Various projects where certain planning, pre-design, and preliminary costs had been incurred but the projects were later canceled or abandoned were not removed from the City's reported capital asset balances.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.
16	Errors in recording retentions payable and trust accounts related to capital activity occurred.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.
17	There was a failure to capitalize interest as part of certain asset acquisition costs.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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18	A review of transactions between the City and San Diego Association of Governments (SANDAG) identified loans which were not recorded as long term liabilities. This was the result of recording receipts as revenue rather than loan proceeds. The resulting adjustment was an increase in SANDAG loans payable and a decrease to Governmental net assets of \$18,805. Inadequate management supervision and over-reliance of information provided to the Auditor's office.	A&C Internal Control Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Debt team 2. Increased training for debt staff 3. Additional levels of review before forwarding to the CAFR team <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.
19	Various debt transactions were not properly recorded. For example, loan proceeds were recorded as revenue rather than as debt, e.g. SANDAG loan, certain debt and the related investments held with an escrow agent were not properly removed when such debt was defeased, bond issuance costs were incorrectly expensed instead of being deferred in accordance with GASB No. 34, accrued interest payable was incorrectly calculated at year-end, and an arbitrage liability was not recorded.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Dedicated Debt team 2. Increased training for debt staff 3. Additional levels of review before forwarding to the CAFR team <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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20	The City did not properly recognize certain revenues when recognition criteria were met. Additionally, the City's calculation of deferred revenue in the fund statements incorrectly included notes receivable due from developers, one-time revenue received from the State, and working capital advances receivable.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Implementation of increased review of required reconciliations 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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21	Revenue received from the Metropolitan Wastewater Utility Participating Agencies was not reconciled to supporting information which resulted in a \$9.5 million overstatement of deferred revenue as of June 30, 2002. Additionally, Metropolitan Wastewater grants receivable were not reconciled to supporting information. Thus, errors occurring when subsequent grant receipts were reported as additional revenues were not detected.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Implementation of increased review of required reconciliations 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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22	Leasehold improvements on City owned property were incorrectly recorded as contribution revenue, e.g. Zoological society of San Diego.	2003 KPMG Report	Yes [3]	<p>Corrected in the fiscal year 2003 CAFR.</p> <ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Implementation of increased review of required reconciliations 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	Dec-07	NA	Yes - Verified that the error was corrected via the Restatements in the fiscal year 2003 CAFR. This item has been accepted by Internal Audit as remediated; however, we recommend that prior to the formal documentation of policies and procedures by Comptroller staff, this error be reviewed to ensure adequate procedures are in place to reduce the risk of the same error occurring in the future.

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23	<p>The interest allocation process should receive sufficient management review.</p> <p>The City does not review the preliminary interest allocation prior to execution.</p> <p>The interest allocation process did not go through management review and, consequently, errors were found in the allocation.</p>	<p>Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report</p> <p>A&C Internal Control Report</p> <p>2003 KPMG Report</p>	Yes	<p>Per the 10/30/06 Mayoral Kroll Status report: Complete (internal control operating effectiveness to be tested by March 31, 2007). A formal documented process has been completed. Documentation includes an internal control matrix, process flow, process narrative and identification of significant control activities. Additionally, remediation documentation contains a background discussion, actions taken for remediation, design effectiveness assessment, operating effectiveness assessment and process improvement recommendations.</p>	Oct-06	NA	No
24	<p>The City must develop an improved cash reconciliation process, which is more automated, documented, and complete. The revised process must support accuracy, timely completion, and improved ease of review.</p>	<p>Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report</p>	Yes	<p>Per the 10/30/06 Mayoral Kroll Status Report: Complete (internal control operating effectiveness to be tested by March 31, 2007). A formal documented process has been completed. Documentation includes an internal control matrix, process flow, process narrative and identification of significant control activities.</p> <p>Additionally, remediation documentation contains a background discussion, actions taken for remediation, design effectiveness assessment, operating effectiveness assessment and process improvement recommendations.</p>	Oct-06	NA	No

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25	<p>The City should develop and implement a timely and less cumbersome bank reconciliation process to clearly reconcile bank and the general ledger balances. The improved process should facilitate timely completion, ease of review, correction of errors, and enhance communication between the Comptroller's and Treasurer's staff.</p> <p>The City experiences difficulty in determining the general ledger cash balance even with a reconciliation performed.</p> <p>The monthly Cash Reconciliations carry outstanding items for several months. Bank reconciliations are not performed timely.</p> <p>Although the City performed a three way reconciliation between the bank, the general ledger, and the Treasurer, the general ledger balance was difficult to determine.</p> <p>Only 33% of the accounts tested were completed in a timely manner as defined to be 45 days by the City Treasurer's performance measures.</p> <p>Reconciling items remained outstanding for several months due to lack of communication between the A&C's and the Treasurer's Offices, and because reconciliations were not prepared in a timely manner.</p>	<p>Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report</p> <p>A&C Internal Control Report</p> <p>2003 KPMG Report</p>	Yes	<p>Per the 10/30/06 Mayoral Kroll Status Report: Complete (internal control operating effectiveness to be tested by March 31, 2007). A formal documented process has been completed. Documentation includes an internal control matrix, process flow, process narrative and identification of significant control activities.</p> <p>Additionally, remediation documentation contains a background discussion, actions taken for remediation, design effectiveness assessment, operating effectiveness assessment and process improvement recommendations.</p>	Oct-06	NA	No

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26	The City purchased a new metering system in the current year that was unable to track the solids within the sewer flow accurately resulting in the City basing their allocation of current year costs to Participating Agencies on prior year readings.	A&C Internal Control Report	Yes	<p>Per MWWD staff, this finding was a result of inadequate testing and validation prior to the installation of a new system. MWWD contracted with Geotivity for installation and maintenance of flow meters. However, Geotivity's meters did not present reliable flow volume data which resulted in FY04 cost allocation (to Participating agencies) being based on FY03 flow volume data.</p> <p>To rectify the situation, MWWD issued an RFP for Flow Monitoring and ADS Environmental Services was selected. ADS' meters have been presenting reliable data and current cost allocations are based on current year flow volumes.</p> <p>In addition, as part of MWWD's IT Governance Process, an IT Security Policy was put into effect requiring standards for implementing new technology systems. Included in this policy is the requirement of full testing of a new system prior to implementation.</p>	Oct-07	NA	No

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Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
27	An analysis of Transnet capital projects fund revealed grant receipts which had not been deferred in FY2002. The resulting adjustment was a decrease to Governmental net assets of \$1,540. Lack of detective controls, such as analytical reviews or periodic reviews of G/L accounts, to detect misclassifications. Inadequate management supervision.	A&C Internal Control Report	Yes	2 Significant control activities identified in documenting process flow: The Accountant reconciles Scheduled Project Payment Summary Report from SANDAG to the general ledger revenue accounts on an annual basis and Accountant reconciles Scheduled Project Payment Summary Report from SANDAG to the general ledger revenue accounts and appropriation ledger for deferred revenue recognition.	Oct-07	NA	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
28	<p>The City should increase the length of the 13th period and establish a procedure to review all disbursements made subsequent to year end in excess of a pre-determined threshold. This will assist in properly capturing significant accruals within the correct fiscal year.</p> <p>Year end accruals are understated for accounts payable as a result of the books being closed early.</p> <p>We noted that to record the accounts payable accruals as of year end, the City kept a parallel period open from July 1, 2003 to August 15, 2003. During the parallel period, for all disbursements greater than \$100,000 that related to fiscal year 2003, the City accrued the expenditure at year end. All disbursements made subsequent to August 15, 2003 were recorded in FY2004, regardless of which year the services were received. Additionally, errors were noted related to utility bills which were being recorded on the cash basis.</p>	<p>Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report</p> <p>A&C Internal Control Report</p> <p>2003 KPMG Report</p>	Yes	Substantially complete. To remediate this item, management did not find it necessary to increase the length of the 13th period. The "13th period" covers the last four weeks of the fiscal year and is typically kept open to capture year-end transactions that are to be accrued to that fiscal year but are not reported until sometime after June 30th. Typically the 13th period is kept open until August 15. Management believes this Kroll item has been successfully remediated by developing a new procedure to review all disbursements made subsequent to year end in excess of a predetermined threshold over a reasonable time period.	Oct-07	NA	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
29	<p>The Redevelopment Authority should develop necessary processes to obtain relevant information from the management companies. It must obtain data related to the purchase or sale of property and the borrowing or repayment of debt in a timely manner to accurately report assets and liabilities.</p> <p>Current Assets control weaknesses; Inadequate level of staff reviewing Distribution Developer Agreements (DDA) resulting in events requiring accounting treatment were overlooked, over reliance on Agency administrators to keep accurate records, inadequate lines of communication, therefore, when events occur in one section or department, they do not flow to the A&C's office in a timely manner, and no analytical procedures performed to expose inappropriate account balances.</p> <p>Although the management companies (SEDC and CCDC) usually properly record land-held-for-resale transactions as they occur in their internal records, they did not communicate information relating to sales of land or transfers of land to capital assets to the RDA in a timely fashion.</p>	<p>Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report</p> <p>A&C Internal Control Report</p> <p>2004 MGO Report</p>	Yes	<p>Substantially complete. The Redevelopment Agency project areas are administered by the Redevelopment Division of the City, Centre City Development Corporation and the Southeastern Economic Development Corporation. The financial reporting activities of these groups are consolidated and reported within the City of San Diego's Comprehensive Annual Financial Report (CAFR) as the Redevelopment Agency.</p> <p>Internal control documentation was developed to ensure that all relevant accounting information for the Redevelopment Agency is received by the Auditor & Comptroller's Office. This includes obtaining timely financial information related to the purchase or sale of property and the borrowing or repayment of debt.</p>	Oct-07	NA	No

Internal Control Items with a Direct Impact on Financial Reporting - CAFR Preparation

Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
30	Development of an asset inventory to create current inventories of essential infrastructure assets (e.g., Chiller Plants, Boilers, Pumps, High Voltage Switch Gear).	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	Yes	An asset inventory has been completed for all asset classes. Currently, the level of granularity differs between asset classes, and work will continue to define and establish standard levels for all asset classes.	Nov-07	NA	No
31	High turnover of fund accountants and desk responsibilities leads to misapplication of accounting.	A&C Internal Control Report	Yes	In conjunction with the Business Office, identified strategies and goals to hire and retain qualified accountants.	Dec-07	NA	No
32	The City should report as part of its annual CAFR staff's best estimate of material payments it will be required to make for each of the next five years and in aggregate thereafter, as a result of contractual commitments or other commitments the City reasonably intends to fulfill. This includes expected pension payments, retiree health premium payments, capital expenditures resulting from contractual commitments; material contractual commitments in excess of one year; deferred maintenance to extent qualified; and debt and lease obligations.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	Under Review	None Actions remaining: Review of GAAP requirements, Development of policies and documentation of departmental procedures.	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
33	Inadequate review, as such one accountant has sole control over interpreting complex financial agreements and over setting up funds to account for these agreements. An analysis of transactions of the PETCO Park Ballpark project identified an overstatement of project contributions. This was the result of erroneously recording the Padres' investment assets towards the project as City assets. The resulting adjustment was a decrease to Governmental net assets of \$48,648.	A&C Internal Control Report	In Process	<ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No
34	Current Liabilities control weaknesses, specifically: Appropriate supervisory review of retirement calculation does not exist and heavy reliance on external consultants (NPO).	A&C Internal Control Report	In Process	<ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
35	Several journal entries lacked adequate approval.	A&C Internal Control Report	In Process	1. Change to journal entry process implemented 2. Process flow, process narrative, and identification of significant control activities documented 3. Procedures have been drafted Actions remaining: Approval of draft procedures.	NA	To be determined	No
36	The CAFR preparation process ensures the City is responsible for preparing all financial statements and footnotes in accordance with generally accepted accounting policies.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	In Process	1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No

Internal Control Items with a Direct Impact on Financial Reporting - CAFR Preparation

Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
37	The Mayor and CFO should annually include in the City's CAFR a signed management report on the financial statements and disclosures which include a statement of the City's responsibility for establishing and maintaining an effective system of internal control over financial reporting and disclosures; a statement setting forth the City's assessment of the effectiveness of the internal controls; a statement that based on their knowledge, the CAFR does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the CAFR not misleading; and a statement that the financial statement and other information included in the CAFR fairly present in all material respects the net assets and activities of the City for the period presented.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	In Process	Included with the FY03 and FY04 CAFRs. Actions remaining: Pending DPWG discussion.	NA	To be determined	No
38	The chief executive officer and principal accounting officer of each component unit of the City should include annually with its stand alone financial statements a signed management report substantially in the form described for the Mayor and CFO.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	In Process	Included in the FY05 RDA stand-alone statement. Referred to SDCERS for implementation. Actions remaining: SDCERS will implement with the FY06 CAFR, originally anticipated in October 2007.	NA	To be determined	No

Internal Control Items with a Direct Impact on Financial Reporting - CAFR Preparation

Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
39	<p>Subsidiary ledgers and supporting detail for the City's various types of accounts receivable are not reconciled to the general ledger. Therefore, the City should reconcile all accounts receivable subsidiary ledgers and supporting detail listings to the general ledger on a regular basis. Reconciling items should be identified and resolved in a timely manner.</p> <p>Accounts receivable is not reconciled to accounts receivable subsidiary ledgers on an annual basis.</p> <p>Subsidiary ledgers and supporting detail listings for the City's various types of accounts receivables are not reconciled to the general ledger.</p>	<p>Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report</p> <p>A&C Internal Control Report</p> <p>2003 KPMG Report</p>	In Process	<p>1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Improved processes for recognition and recording of financial transactions 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions</p> <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No

Internal Control Items with a Direct Impact on Financial Reporting - CAFR Preparation

Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
40	Estimated year end amounts are not properly analyzed and supported. Therefore, the City should properly calculate and support year end estimates.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	In Process	1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Improved processes for recognition and recording of financial transactions 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
41	Estimated year end accruals are not properly analyzed and supported (AR).	2003 KPMG Report	In Process	1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Improved processes for recognition and recording of financial transactions 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
42	The City does not perform a structured, methodical analysis to evaluate the adequacy of the allowance for uncollectible accounts receivable. Therefore, the City should analyze each account receivable category to ensure that the allowance for uncollectible accounts recorded in the general ledger is appropriate. The analysis should include documentation supporting management's assumptions.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	In Process	1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Improved processes for recognition and recording of financial transactions 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
43	The City did not have an established methodology for determining allowances for a significant portion of its governmental fund accounts receivable balances despite the fact that a sizeable percentage of these were over one year old. An adjustment was however proposed during the audit to reduce receivable balances to their estimated net recoverable value.	2004 MGO Report	In Process	<ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Improved processes for recognition and recording of financial transactions 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
44	There is no formal analysis performed to determine the adequacy of the allowance for uncollectible accounts.	2003 KPMG Report	In Process	1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Improved processes for recognition and recording of financial transactions 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No

Internal Control Items with a Direct Impact on Financial Reporting - CAFR Preparation

Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
45	The City lacks justification of certain estimates. The City should develop a process to re-evaluate its estimates such as allowances and assumptions (e.g. the availability period for revenue recognition) on a timely and periodic basis. This will validate the relevance of such policies with the City's current operations.	A&C Internal Control Report	In Process	<ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Improved processes for recognition and recording of financial transactions 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No
46	Estimated year end water and wastewater accruals for earned but unbilled (EBUB) revenue are not properly calculated. The basis of the EBUB accrual calculation uses current year billed amounts. However, a portion of these billed amounts are subsequently adjusted and credited and rebilled (credit and rebills) after year end. The methodology results in an overstatement of the year end EBUB accrual.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report 2003 KPMG Report	In Process	<p>Corrected in fiscal year 2003, 2004 and 2005 CAFRs.</p> <ol style="list-style-type: none"> 1. Process established to properly calculate estimate for earned but unbilled water and wastewater revenue 2. The City has invested in a new financial accounting system (Enterprise Resource Planning System - ERP); implementation of this system will result in overhauling the vast majority of the City's accounting practices <p>Actions remaining: Document current process and ERP implementation.</p>	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
47	Unbilled revenue only includes a portion of the adjustments for credits and rebills.	A&C Internal Control Report	In Process	<p>Corrected in fiscal year 2003, 2004 and 2005 CAFRs.</p> <p>1. Process established to properly calculate estimate for earned but unbilled water and wastewater revenue</p> <p>2. The City has invested in a new financial accounting system (Enterprise Resource Planning System - ERP); implementation of this system will result in overhauling the vast majority of the City's accounting practices</p> <p>Actions remaining: Document current process and ERP implementation.</p>	NA	To be determined	No
48	A number of deficiencies in the internal controls related to accounting for accounts receivable were identified. The City should develop and implement policies and procedures to reconcile, support, and review period end accounts receivable balances.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	In Process	<p>1. Establishment of a dedicated CAFR team</p> <p>2. Hiring of a Director of Financial Reporting</p> <p>3. Increase in training for members of CAFR team</p> <p>4. Increased review of information contained in CAFR</p> <p>5. Implementation of increased review of required reconciliations</p> <p>6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions</p> <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No

Internal Control Items with a Direct Impact on Financial Reporting - CAFR Preparation

Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
49	City Departments should reconcile all accounts receivable and deferred revenue accounts to supporting information at periods ends. Supervisors should review these reconciliations for completeness and accuracy.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	In Process	<ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Implementation of increased review of required reconciliations 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No
50	No documented procedures exist for the treatment of capital assets.	A&C Internal Control Report	In Process	<ol style="list-style-type: none"> 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
51	Inadequate review and analytical procedures performed. As such, projects remained on the "Grant Project Status Report" for years with no activity.	A&C Internal Control Report	In Process	1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No
52	All city departments are not using FAMIS to record fixed asset acquisitions and disposals, therefore, increasing the possibility of misstatement.	A&C Internal Control Report	In Process	1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No
53	Reconciliation of additions/deletions between FAMIS and G/L is not performed.	A&C Internal Control Report	In Process	Reconciliation completed in fiscal year 2003, 2004 and 2005 CAFRs. 1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No

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Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
54	Annual inventories of fixed assets are not performed.	A&C Internal Control Report	In Process	1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No
55	CIP has no specific accounting code and cannot be tracked in FAMIS; the CIP tracking/rec process is manually intense and prone to errors; depreciation on completed CIP projects was done manually and separate from other capital projects.	A&C Internal Control Report	In Process	1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No
56	Completed projects are not capitalized timely.	A&C Internal Control Report	In Process	1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
57	Capital contributions are not capitalized timely.	A&C Internal Control Report	In Process	1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No
58	Impairment analyses of fixed assets are not performed.	A&C Internal Control Report	In Process	1. Dedicated Capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No
59	The City has taken a number of steps to quantify the impact and correct its financial statements resulting from deficiencies in internal controls related to capital asset accounting. The City should continue to monitor the internal controls over these areas to ensure that potential errors in the future are detected and corrected in a timely manner.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	In Process	1. Dedicated capital Assets team 2. Improvements in processes 3. Increased training for capital asset staff 4. Several levels of review, then forwarded to CAFR team for additional review Actions remaining: Formal documentation of policies and procedures.	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
60	The City and Departments should identify routine accruals, such as utility bills, and ensure they are properly recorded at year end.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	In Process	<ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Improved processes for recognition and recording of financial transactions 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No
61	Bond issuance costs are not properly accounted for. Inadequate review procedures.	A&C Internal Control Report	In Process	<ol style="list-style-type: none"> 1. Dedicated Debt team 2. Increased training for debt staff 3. Additional levels of review before forwarding to the CAFR team <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No

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62	An analysis and reconciliation of deferred revenue accounts identified transactions that were shown as deferred revenues in prior fiscal years but subsequently met the criteria for recognition as revenues. The resulting adjustment was a decrease in deferred revenue and an increase in Governmental net assets of \$40,534 and an increase in Business-Type net assets of \$4,048. Management override capabilities, which led to a lack of professional skepticism, and no documented procedures for analyzing the deferred revenue account.	A&C Internal Control Report	In Process	<ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Increased review of information contained in CAFR 5. Implementation of increased review of required reconciliations 6. Hiring of project manager to facilitate development of policies and documentation of departmental procedures demonstrating internal control over financial assets, financial reporting, and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No
63	There was a lack of a formal process for management review and evaluation of the completeness and accuracy of financial statement note disclosures.	2003 KPMG Report	In Process	<ol style="list-style-type: none"> 1. Establishment of a dedicated CAFR team 2. Hiring of a Director of Financial Reporting 3. Increase in training for members of CAFR team 4. Establishment of the Disclosure Practices Working Group (DPWG) 5. Establishment of the Audit Committee 6. Increased review of information contained in CAFR 7. Improved processes for recognition and recording of financial transactions <p>Actions remaining: Formal documentation of policies and procedures.</p>	NA	To be determined	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
64	A general over reliance on information provided to the Auditor and Comptroller's office had a pervasive effect on the timeliness and accuracy of financial reporting.	A&C Internal Control Report	In Process	Within the Control Environment, IT and CAFR Preparation remediation efforts this item will be addressed accordingly.	NA	To be determined	No
65	The City does not communicate well with relevant sources when accounting for land held for resale.	A&C Internal Control Report	In Process	Documentation of process flow, process narrative and identification of significant control activities related to: a. asset acquisition b. asset disposition c. quarterly and annual processes d. accounting treatment memos e. accounting for notes and loans f. net realizable value analysis. Actions remaining: Development of policies and documentation of departmental procedures and implementation of documented processes.	NA	Apr-08	No
66	The City should develop a procedure, such as using a specific object or index code and preparing a report based on the code, to use the accounting system to directly identify information related to CIP in an automated manner.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	No	The City has invested in a new financial accounting system (Enterprise Resource Planning System - ERP); implementation of this system will result in overhauling the vast majority of the City's accounting practices. Actions remaining: ERP implementation.	NA	Oct-08	No

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Exhibit A

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
67	<p>City schedules requested by the external auditors should be prepared and internally reviewed before the auditors begin work. As part of a sound financial reporting system, the City should prepare supporting schedules and detail for all major accounts and transactions during the monthly closing process.</p> <p>Requested audit schedules were not prepared timely.</p>	<p>Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report</p> <p>A&C Internal Control Report</p>	No	<p>None</p> <p>Actions remaining: Development of policies and documentation of departmental procedures.</p>	NA	Commencing with the FY08 CAFR	No

Footnotes:

[1] Per information provided to Internal Audit by Management Staff and information provided via the Mayoral Kroll Status updates.

[2] "Date Reported" refers to the date the finding was reported as remediated via: 1) Memos from Management, 2) Mayoral Kroll Status Reports, 3) Status Reports to Internal Audit from Process Owners, 4) Independent Auditor's Reports and 5) Report from John Dyer, Mayoral Consultant, to Internal Audit.

[3] Error resulted in a restatement in the CAFR. To address underlying internal control weakness, see recommendation number 1 on page 9 of the 2008 Annual Report on Internal Controls.