

**City of La Cañada Flintridge**  
Department of Finance  
**AMENDMENT**

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Finance Department  
Internal Controls and Process Review

Date Released:  
Monday, February 4, 2019

Proposals Due in Our Office (no postmarks):  
~~5:00 P.M. on Friday, February 8, 2019~~  
**Extended to 5:00 P.M. on Wednesday, February 13, 2019**

City of La Cañada Flintridge  
1327 Foothill Boulevard  
La Cañada Flintridge, CA 91011

## RESPONSE TO QUESTIONS POSED BY POTENTIAL PROPOSERS

**1. Have you received any Reportable Conditions on your Report on Internal Controls from the past audit? If so, can we have a copy of the report?**

No reportable conditions were found in the 2017 audit. The most recent report is attached to this Amendment.

**2. Do you have formal written policies and procedures?**

Written policies and procedures exist but may be in need of updating. New policies for escheatment and accounts payable processing were approved in 2018. A review of Finance Department policies and procedures, with recommended priorities for updating, is anticipated as an outcome of this review process.

**3. Have you performed a risk assessment on the control procedures?**

There has been no prior assessment other than the annual audit internal controls review.

**4. What is your desired time frame to complete the internal controls process review?**

As noted in the Request For Proposal, we anticipate a fairly rapid review process lasting no more than two months with a draft review report received by May 31, 2019. The purpose of this timeline is to allow the City to incorporate funding for any recommendations (if needed) in the upcoming 2019-20 budget process, which runs April – June.

**5. Has the City had a similar review performed in the past? If so:**

- a. Who conducted the most recent review?
- b. For which department was the review conducted?
- c. How long ago was the review performed?
- d. May we receive a copy of the report?
- e. What were the fees and hours expended for the most recent internal controls and process review?

No similar review has been performed in the past.

**6. Under what professional standards is this review to be conducted?**

As noted page 2, Item 2.0 of the RFP, internal controls should be as defined by GASB, GFOA, and AICPA.

**7. Are there special circumstances or events that generate the need for this review at this time?**

This review was requested by the City Council in response to recent examples of fraud, waste, and abuse in other Southern California governmental agencies. As noted on page 2, Item 2.0 of the RFP, this project is a preventative measure and no actual wrongdoing by staff is assumed nor suspected. The City Council seeks to have a preventative review undertaken to provide reassurance to our residents that the City's finances are being appropriately handled, to minimize the risk of fraud or malfeasance, and to identify improvements that would make our Finance Department even better.

**8. To help us prepare a proposal and design a project approach that best meets the City's needs, what is the City's cost estimate for this review?**

The City has budgeted \$20,000 for this review. We anticipate that field work interviewing staff, documenting current processes and software security, and reviewing policies and procedures can be undertaken in 3-5 days onsite for one reviewer, followed by offsite clarification (questions and answers), and preparation of deliverables.

**9. Are there key events driving the completion date of May 30, 2019, e.g., end of fiscal year, city council meeting, etc.?**

As noted in Number 4 above, the purpose of this timeline is to allow the City to incorporate funding for any recommendations (if needed) in the upcoming 2019-20 budget process, which runs April – June.

**10. With a tentative contract approval date of March 19, 2019, when will your selection process be completed and successful bidder notified?**

The goal is to interview finalists in late February so that a presumed winning bidder can be notified in early March and contract terms negotiated. The final step is City Council consideration of the contract on March 19<sup>th</sup> after which, if approved, work can proceed immediately.

**11. Since questions are due January 31<sup>st</sup>, responses are to be posted by February 4<sup>th</sup>, and proposals are due soon after (February 8<sup>th</sup>), will an extension of the proposal due date be considered so that reasonable time can be given to review the questions and responses and appropriately apply that information to our proposal?**

The deadline for submission of proposals has been extended to Wednesday, February 13, 2019 at 5:00 p.m. (See cover of this Amendment.)

**12. Since the Price Proposal is to be submitted in a separately sealed envelope (one copy) from the Technical Proposal (three copies and one electronic), shall we email the Price Proposal in a separate file or in a separate email from our Technical Proposal, or only send the hard copy of the Price Proposal and not provide an electronic copy?**

Emailing both documents as attachments in separately named electronic files is sufficient.

**13. Has the Blackbaud Financial Edge system reached a stable (not subject to implementation changes) operational stage regarding transaction initiation, approvals, workflows, user roles, and security?**

This is difficult to define. The Finance Department has been operational with Financial Edge since December 2017. Occasional adjustments to settings has occurred as unique circumstances arise in the course of normal operations but in general, yes, the system is considered stable and beyond the implementation phase.

**14. Will the Blackbaud Financial Edge system configuration documentation user roles, workflows, and security be made available to the successful proposer?**

The City will provide screenshots of all current security settings, user permissions, and approval workflows to the successful proposer during the review and/or provide external access to the system for review of such settings.

**15. May we review the City's and the City's Finance Department's policies and procedures over procure-to-pay cycle (purchasing, receiving, accounts payable, disbursements), revenue cycle (billing/invoicing, accounts receivable, cash collection), and financial reporting to prepare our response?**

As noted in Number 2 above, the winning proposer will be able to review all existing Finance Department policies and procedures and, in fact, is expected to recommend priority items most in need of update or change.

**16. Does the scope of the cash handling include cash or cash equivalents handling only in the Finance Department?**

Cash (currency) handling occurs only at the Administration/Finance counter and is performed by Finance Department staff and two front desk employees in the Administration Department. All City Departments may receive check payments via mail, which are then submitted to the Finance Department for deposit. In 2018 the City began acceptance of credit card payments in person and online through a new land development software system, Energov (Tyler Technologies) and a third-party processor. The City is anticipating other small changes to its cash handling processes as it is moving to a new city hall facility on February 20th and welcomes a review and discussion of our practices as part of this review.

**17. Has the City conducted an analysis of its accounting information system designed internal controls vs. its "final" operational state internal controls?**

No such analysis has occurred other than review at initial setup of the new software in December 2017.

**18. Has the City had any material weaknesses noted by the auditor, or has any fraud or misconduct been found or suspected?**

No.

**19. What is the budgeted amount for this project?**

The City has budgeted \$20,000 for the project.

**20. Section 4.0 Required Deliverables states that a report outlining the current procedures is required. How would you envision this being accomplished (i.e., flowcharts, narratives)?**

Any method is acceptable so long as it is clear and understandable to staff, the City Council, and the public.

**21. Does the City have current controls documented for the in-scope processes? If not, as part of the deliverable would you like the internal controls for each in-scope area defined?**

No documentation currently exists. Recommendations for improvement should be provided in the context of recommended internal controls, with an explanation as to why the control exists.

**22. What is the availability of the 3.85 FTE in finance and .85 accounting clerk during the two month period?**

Finance Department staff will be available to the winning proposer as needed to accomplish the review. Scheduling will be coordinated with the Director of Finance around staff production deadlines. Note: correction to the question, there is a total of 3.85 Finance Department staff: 3.0 full-time and .85 part-time.

**23. Has a project like this been conducted in the past? If so, would the results be made available?**

No similar project has occurred in the past.

**24. Are you open to working with a vendor out of state?**

Out of state vendors are welcome providing they can be on site for field work to meet with staff and review Finance Department operations.

**CITY OF LA CAÑADA FLINTRIDGE,  
CALIFORNIA**

**MANAGEMENT REPORT  
AND  
AUDITOR'S COMMUNICATION LETTER**

**JUNE 30, 2017**

**CITY OF LA CAÑADA FLINTRIDGE**  
**June 30, 2017**

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# MOSS, LEVY & HARTZHEIM LLP

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February 26, 2018

Honorable Mayor and Members of the City Council  
City of La Cañada Flintridge, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of La Cañada Flintridge (City) for the fiscal year ended June 30, 2017. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 7, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2017. We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimates included the funding progress of CalPERS, the estimated historical cost and useful lives of capital assets, the net pension liability of the pension plan, and the assumptions used for estimating the other postemployment benefits liability. These estimates are based on CalPERS' actuarial estimates, historical data and industry guidelines for capital assets, and consultant's estimates for postemployment benefits payable. We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or by the aggregate to the financial statements taken as a whole.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 26, 2018.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to the Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of Funding Progress – Other Postemployment Benefits, and Budgetary Comparison Schedule – General Fund (RSI). Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements and schedules, and major capital projects and debt service fund budgetary comparison schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared

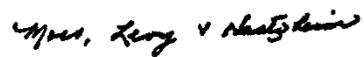
and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,



Moss, Levy & Hartzheim, LLP  
Culver City, CA



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MOSS, LEVY & HARTZHEIM LLP

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

Honorable Mayor and Members of City Council  
City of La Cañada Flintridge, 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 governmental activities, each major fund, and the aggregate remaining fund information of the City of La Cañada Flintridge, California (City), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 26, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Moss, Levy & Hartzheim, LLP  
Culver City, California  
February 26, 2018

**CURRENT YEAR RECOMMENDATIONS**

**Material Weaknesses – None Noted**

**Significant Deficiencies – None Noted**

**Other Matters Related to Internal Controls – None Noted**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**Material Weaknesses – None Noted**

**Significant Deficiencies – None Noted**

**Other Matters Related to Internal Controls – None Noted**