

December 28, 2018

Ms. Heather Ippoliti, Assistant City Manager
City of Healdsburg
401 Grove Street
Healdsburg, CA 95448

Dear Ms. Ippoliti:

In planning and performing our audit of the financial statements of the City for the year ended June 30, 2018, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

In accordance with *Government Auditing Standards*, we have issued our report dated December 28, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. As stated in that report, we did not identify any deficiencies in internal control that we considered to be material weaknesses.

However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration below. We will review the status of these comments during our next audit engagement.

This letter by its very nature is critical and does not highlight the many positive features of the City's internal control. These comments and recommendations are intended to improve the internal control or result in other operating efficiencies and are summarized as follows:

Finding No. 1 – Community Service Facility Rentals Fees

During our review of the City's process for reserving and collecting rental fees to rent various facilities managed by the Community Services Center, we found that the same individual responsible for collecting payments also maintains the facility rental calendar.

Potential Effect:

Because there does not appear to be an independent reconciliation of the revenues collected to the facilities rented, facilities could be rented without a corresponding cash receipt recorded in the City's accounting records.

Recommendation:

Therefore, we recommend the City determine what controls could be implemented to ensure that all facilities rented have a corresponding cash receipt.

Management's Response:

The City agrees with the Auditor's recommendation. A facility may be rented without payment. The City will implement monthly audit procedures, as recommended.

Finding No. 2 – Meal Purchases with City Credit Card

During our review of credit card activity, we found that various City employees travel for conferences, training, etc. Employees use the City's credit card to purchase hotel rooms and meals while traveling on City business. The City has developed various policies for traveling and use City credit cards, however, it does not appear that a reconciliation of meals purchased with the applicable per diem rates is being performed to ensure all meal purchases are within current per diem rates as required by the City's travel policies. As a result, it appears there is no independent verification to determine if the traveling employees are complying with the City's travel policies.

Potential Effect:

If there is no reconciliation of amounts charged on City credit cards by employees while traveling on City business to adopted City policies, there is a potential for charges to exceed City policies and go unnoticed.

Recommendation:

Therefore, we recommend the City implement procedures to reconcile the per diem rate with the actual charges for employee meals while traveling on City business. The City should also consider whether more detailed and updated policies should be implemented.

Management's Response:

The City agrees with the Auditor's recommendation. The City will draft and implement a more detailed policy including procedures to reconcile the per diem rate with the actual charges for employee meals while traveling on City business.

Summation

We would like to take this opportunity to express our appreciation for the assistance extended us during the course of our audit. If we can be of further assistance, or if you have any questions regarding our recommendations, please call our office. This letter is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Van Lant & Fankhanel, LLP