



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP  
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

## Management Letter

April 23, 2018

City of Lincoln  
600 6<sup>th</sup> Street  
Lincoln, California 95648

In planning and performing our audit of the financial statements of City of Lincoln (the City) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered City of Lincoln's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate letter dated April 23, 2018, contains our communication of significant deficiencies and material weaknesses in the City's internal control. This letter does not affect our report dated April 23, 2018, on the financial statements of the City of Lincoln.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Sincerely,

A handwritten signature in blue ink that reads "Mann Urrutia Nelson CPAs".

Mann, Urrutia, Nelson CPAs & Associates LLP

**City of Lincoln**  
**Control Deficiencies and Internal Control Recommendations**  
**June 30, 2017**

**Payroll**

As part of the process of inputting new employee information and/or changes to current employee information into Springbrook, a proof list is generated by the Payroll Technician to verify input and changes were made accurately. However, we noted no indication of this review of the proof list. We recommend that the Payroll Technician, or assigned personnel, initial and date the proof list as evidence of their review.

**Cash Disbursements**

When processing accounts payable checks, the AP Specialist prints out a proof list to be approved by the Director of Support Services, Finance Manager, or Budget Analyst. Once approved, the AP Specialist will then print the checks and a final warrant register (AP posting list). Since the AP Specialist has access to edit the checks to be printed, we recommend that the final AP posting list be compared to the approved proof list and the positive pay report by someone independent of the AP Specialist. We recommend this review be documented by evidence of date and initials on the final AP posting list.

We selected 15 invoices for testing that required formal bidding procedures to be applied in the selection of the vendor. For 1 out of those 15 purchases, we noted there was not adequate support documenting the bidders' submitted prices which are usually found on a staff report. We recommend the City ensure they are following the current procurement policy and maintain adequate supporting documentation for all proposals and bids.

**Cash Receipts**

Out of a sample of 40 cash receipts, approximately 15 of those items tested were receipts that are received by central cash department (finance department). Of those 15, we noted 8 cash receipts did not have any indication of review or approval. The receipts generated agreed to a general ledger distribution report and bank statement, however without indication of review or approval we are unable to determine if proper segregation of duties were in place and whether there was adequate review of the receipt. The remaining 7 items did have support which indicated some sort of review, however that manner was inconsistent. We recommend that the Finance Department implement procedures that are already in place for cash received in other departments of the City and attach a daily deposit transmittal sheet to receipts received. The daily deposit transmittal sheet includes verification of the preparer and reviewer of the deposit.

Out of a sample of 40 cash receipts, we noted 1 receipt in which the daily deposit transmittal sheet did not include the administrative analyst's signature or the supervisor's signature as evidence of review. We recommend the Finance Department verify that transmittal sheets are properly signed off before as reviewed before processing the receipt.

**Deferred Revenue**

Upon our review of deferred revenue accounts, we noted one deferred revenue account related to a long-term receivable that was not updated for a current year payment received. The City properly adjusted the receivable account; however the corresponding deferred account was not adjusted to reflect the transaction. As the City has numerous deferred revenue accounts containing funds from prior years that are waiting to be recognized, we recommend that all deferred revenue accounts be reviewed and reconciled on an annual basis to ensure that accounts represent valid amounts and all current year activity has been taken into consideration.

**Cash and Investment Balances**

In our review of the City's cash and investment reconciliations and statements, we noted the City's LAIF account and two U.S. Bank fiscal agent accounts were recorded at cost as opposed to fair market value. We recommend the City ensure that all cash and investment accounts are being recorded at fair market value at year-end.

**City of Lincoln**  
**Control Deficiencies and Internal Control Recommendations (continued)**  
**June 30, 2017**

**Expense Classification**

During our review of expense account fluctuations, we noted that airport fuel expenditures in the amount of \$26,000 were incorrectly recorded as lease expenditures. An adjustment was proposed to correct the proper coding of the expenditure. We recommend the City should review its accounts for significant fluctuations from the prior year and current year budget to identify and correct any incorrect classifications.

**Other Post-Employment Benefits Census Data**

During our testing of census data provided to the City's actuary for the calculation of the liability related to other post-employment benefits, we identified one instance in which the hire date for a single employee did not agree to personnel records. The difference was only one-month, however, it appears there are no formal procedures in place to review the accuracy of census data provided to actuaries. We recommend the City implement processes and controls to ensure that complete and accurate information is reported to the plan actuary. In evaluating the census data file, the employer may compare the information to underlying payroll records and the prior year census data file.