

**City of Lemon Grove**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2022**

---

**2022-001 Year-End Close and Audit Preparedness (Material Weakness)**

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

**Condition:**

During the performance of the audit, we noted that the City was not fully prepared for the audit and the accounting records presented to us did not include a significant number of transactions that were missed by the City and should have been recorded throughout the year and as part of the year-end closing process. We have also noted many errors in transactions recorded by the City for which the City had to record audit adjusting entries to correct the errors. The most significant of those transactions are listed below:

- Double booking of repayment of Successor Agency loan and incorrect recording of the payment as a transfer in
- Incorrect recording and revenue recognition of the American Rescue Plan Act funds
- Missed recording of activities in the retirement trust fund (PARS)
- No recording of interest payable in the Successor Agency
- No recording of amortization of bond premium in the Successor Agency
- Incorrect recording of claims liability
- Incorrect recording of interest receivable on loans receivable
- No capital assets activities recorded in the Sanitation Fund including depreciation.
- Several assets that should have been capitalized were missed.
- No pension, OPEB or compensated absences activities were recorded in the Sanitation Fund

**Cause:** The City's closing process was not comprehensive enough to identify timely all the journal entries and adjustments needed to ensure the accuracy of the various account balances. Also, some information and documents provided to the auditor were either inaccurate or incomplete.

**Effect:** The City's accounting records needed significant adjustments after the closing of the books and during the audit. Also, the inaccurate and incomplete information provided to the auditor caused delays in the audit and added more complexity to the audit.

**Recommendation:** We recommend that the City update its closing process to ensure all transactions and adjustments are accounted for timely before the audit starts, and have the information and documents reviewed before submitting to the auditors.