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**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**

Independent Auditor's Report

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To the Honorable City Council
City of Ojai

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ojai, California (the entity) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements, and have issued our report thereon dated May 16, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the entity's internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2024-001, 2024-002, 2024-003, and 2024-004 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the entity'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 financial statements. 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*.

We noted certain matters that we have reported to management of the City in a separate letter dated May 16, 2025.

Entity's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the entity's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The entity's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
May 16, 2025

City of Ojai

**Schedule of Findings and Responses
For the Year Ended June 30, 2024**

Finding 2024-001 – Bank Reconciliations
Significant Deficiency

Criteria

Bank reconciliations should be prepared, reviewed and approved in a timely manner.

Condition

During our audit of the City, we noted bank reconciliations for most of the year did not have documentation about the timely preparation and review.

Cause

Due to staff turnover in finance, and new process implemented, there was no documentation maintained regarding the preparation and review of bank reconciliations.

Effect

Unauthorized transactions could go through the bank accounts without detection for an extended period of time if accounts are not reconciled regularly and timely.

Recommendation

We recommend that the City ensure that all bank reconciliations include documentation of when the preparation and review are completed.

Management Response

The City of Ojai has had staff turnover within the key finance positions. As of March, 2025, staff has began documenting the preparation and review dates on bank reconciliations.

City of Ojai

Schedule of Findings and Responses For the Year Ended June 30, 2024

Finding 2024-002 – IT environment *Significant Deficiency*

Criteria

Having appropriate segregation of duties within the IT environment is important to ensure that physical security and access to programs and data are appropriately controlled to prevent modification, damage or loss of data.

Condition

During our audit of the City, we noted a lack of segregation of duties within the disbursements process. The accounts payable staff has the ability to add/remove vendors in the accounts payable module.

Cause

The City does not have appropriate segregation of duties within the disbursements processing function.

Effect

Unauthorized changes in vendors could be made without the detection of the Finance Department and have the potential of the creation of fictitious vendors.

Recommendation

As stated above, an adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. We believe it is important for management and the City Council to be aware that whenever there is a lack of segregation of duties, the system is far more susceptible to errors or other irregularities, either intentional or unintentional, not being discovered. It is recommended that the City restrict the ability to add/remove vendors to another more appropriate individual.

Management Response

The City of Ojai has had staff turnover within the key finance positions. As of May, 2025, when staff became aware of this issue, the segregation of duties will be established.

City of Ojai

Schedule of Findings and Responses For the Year Ended June 30, 2024

Finding 2024-003 – Credit Cards *Significant Deficiency*

Criteria

Having appropriate segregation of duties within the credit card process ensures that all transactions are allowable.

Condition

During our audit of the City, we noted a lack of segregation of duties within the approval of credit card purchases, where the credit card holder reviewed and approved their own transactions. In addition, we noted some instances of noncompliance with the purchasing policy with receipts for credit card transactions not being submitted.

Cause

The City does not have appropriate segregation of duties within the credit card review and approval process.

Effect

Unauthorized and/or unallowed purchases with the City credit cards could be made without the investigation of the Finance Department.

Recommendation

As stated above, adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. We believe it is important for management and the City Council to be aware that whenever there is a lack of segregation of duties, the system is far more susceptible to errors or other irregularities, either intentional or unintentional, not being discovered. It is recommended that the City ensure that a secondary individual always be assigned to review and approve credit card purchases. In addition, it is recommended that the City ensures that it obtains receipts for each credit card transaction.

Management Response

The City of Ojai has had staff turnover within the key finance positions. As of May, 2025, staff has segregated credit card review and approvals.

City of Ojai

Schedule of Findings and Responses For the Year Ended June 30, 2024

2024-004 – Year End Accounting and Reconciliation Processes *Significant Deficiency*

Criteria:

Government Auditing Standards require that financial information be accurate and reliable to support decision-making and external reporting. Effective monitoring procedures and closing processes are essential to ensure the accuracy of financial statements. For the year ended June 30, 2024, errors were identified in certain balance sheet accounts, resulting from ineffective monitoring and closing procedures. These errors resulted in misstatements to the entity's financial statement that required adjustments, indicating that management's review and monitoring of financial information were not effectively performed.

Condition:

A significant number of journal entries were posted during and after the audit process, including adjustments identified during the audit. These postings highlight gaps in the entity's accounting and reporting processes.

Cause:

The issues arose partly due to a failure to properly prepare and reconcile schedules to the general ledger and an incomplete closure of the books before the audit began.

Effect:

These deficiencies in the entity's accounting and reporting processes led to delays in completing its financial statements and the audit.

Recommendation:

To address these issues and improve the financial closing and reporting process, we recommend that the entity establish a detailed and formalized financial closing procedure. This procedure should ensure that all accounts are fully reconciled, including supporting schedules, and that these schedules are fully reconciled to the general ledger before the audit begins. Additionally, we recommend implementing a robust monitoring and review process to detect and correct errors promptly, as well as providing training for staff involved in financial reporting to strengthen their understanding of the requirements and establish clear deadlines to ensure the timely and accurate completion of the reconciliation and closing processes. These steps will help mitigate the risk of errors and delays in financial reporting, enhance the reliability of the entity's financial information, and ensure a smoother audit process.

Management Response

The City of Ojai has had staff turnover within the key finance positions. As of May 2025, staff will begin to implement a better reconciliation and closing process.