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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**

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*Independent Auditor's Report*

To the Honorable City Council  
City of Perris  
Perris, 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 Perris, California (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2023.

**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) 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.



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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2022-001 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2022-002 to be significant deficiencies.

### **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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as items 2022-003 and 2022-004.

### **City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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  
June 30, 2023

**City of Perris  
Schedule of Findings and Responses  
For the Year Ended June 30, 2022**

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**2022-001 – Bank Reconciliations**

***Material Weakness***

Criteria

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

Condition

During our audit of the City, bank reconciliations for a majority of the year had not been prepared in a timely manner.

Cause

Due to the City having multiple cash receipting software, there was a delay in receiving information needed to complete the reconciliations.

Effect

Unauthorized transactions could go through the bank accounts without detection for an extended period of time.

Recommendation

We recommend that the City ensure that all bank reconciliations are prepared, reviewed and approved in a timely manner and documentation of when the preparation and review are completed should be maintained.

Management's Response

The City's implementation of a mandated upgrade to the City-wide Financial System (MUNIS) and the addition of a new MUNIS billing module resulted in the temporary reallocation of experienced staff from the bank reconciliation function to tackle the numerous tasks required in the system upgrade / implementation. The City has hired temporary personnel to assist in the bank reconciliation activities to catch up on the reconciliation. The City requires about four months to catch up on the reconciliation and to become current thereafter.

**City of Perris  
Schedule of Findings and Responses  
For the Year Ended June 30, 2022**

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**2020-002 – Segregation of Duties  
*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 and billings process. The accounts payable staff has the ability to add/remove vendors along with performing additional functions in the accounts payable process, and the billings staff can edit billing rates along with performing all other functions of the billings process.

Cause

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

Effect

Unauthorized changes in vendors or billing rates could be made without detection of the Finance Department and have the potential of the creation of fictitious vendors or charging lower or higher billing rates to customers.

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 and to remove access for changing billing rates from the billing staff and assign to a more appropriate individual.

Management's Response

In May 2023, the City completed the implementation of a new MUNIS billing system with capability to enforce segregation of duties regarding the several tasks under the utility billing functions. The Finance Department commenced performance of the improved internal controls under the new MUNIS billing system in June 2023.

Working with the software vendor, the City has turned on workflow settings to ensure that the addition or removal of vendors in the system are routed for further approval. The MUNIS software maintains a record of the changes and the necessary electronic approval of the changes.

**City of Perris  
Schedule of Findings and Responses  
For the Year Ended June 30, 2022**

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**2022-003 – Investment Policy Noncompliance  
*Noncompliance***

Criteria

According to the City's investment policy, the City Treasurer is required to submit quarterly reports to City Council within 30 days after the end of the quarter.

Condition

During our audit of the City, we identified that the selected quarterly reports were not presented to the Council.

Cause

Due to changes in the Finance Department, reporting was not completed within the required time frame.

Effect

The City is not in compliance with its policy.

Recommendation

We recommend that the City put procedures in place to ensure that investment reporting is completed in a timely manner.

Management's Response

The City has commenced submission of the quarterly Investment Report to the City Council in compliance with the Investment Policy.

**City of Perris  
Schedule of Findings and Responses  
For the Year Ended June 30, 2022**

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**2022-004 – Debt Reporting  
*Noncompliance***

Criteria

In order to maintain compliance with bond requirements, annual filings must be made in a timely manner to Electronic Municipal Market Access (EMMA).

Condition

During the audit, we noted reporting of continuing disclosure on Bonds had not been submitted to Electronic Municipal Market Access (EMMA) agency in a timely manner.

Cause

Due to the delay of financial reporting and issuance of the June 30, 2021 financial statements, the City fell out of compliance with the requirements noted above.

Effect

The City is not in compliance with bond reporting requirements.

Recommendation

We recommend the City prioritize timely financial reporting in the future to allow for timely reporting to EMMA.

Management's Response

The delay in completion of the audit caused the untimely submission of the EMMA reports. We will ensure that the City's audit is completed on time to enable timely submission of the EMMA reports.