

**CITY OF ALAMEDA  
MEMORANDUM ON INTERNAL CONTROL  
FOR THE YEAR ENDED JUNE 30, 2025**

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**CITY OF ALAMEDA  
MEMORANDUM ON INTERNAL CONTROL**

**For the Year Ended June 30, 2025**

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## MEMORANDUM ON INTERNAL CONTROL

To the City Council of  
the City of Alameda, California

In planning and performing our audit of the basic financial statements of the City of Alameda, California (City), as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, 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.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Other Matters. The City'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.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive, script font.

Pleasant Hill, California  
December 31, 2025

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**CITY OF ALAMEDA  
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**SCHEDULE OF OTHER MATTERS**

**2025-01      Timely Posting of Journal Entries**

As noted in previous years' Memorandums on Internal Controls (comments 2024-01, 2019-05 and 2018-05), journal entries are an important transaction cycle that affects all aspects of accounting and financial reporting. Prudent internal control concepts dictate that journal entries should be posted within a timely manner that is within 30 to 45 days after the period date for which the journal entry is intended to record.

We selected forty journal entries to test for segregation of duties, authorization, proper support, reasonableness, and timeliness. We noted five journal entries that were not posted timely (within 45 days of the transaction).

We understand the Finance Department experienced staff turnover and shortages, and therefore, staff needed to shift resources to prioritize the year-end audit and other deadlines. Also, in one case, Finance did not receive information from another department in order to post the entry timely.

Delays in posting journal entries can cause interim reporting to be insufficient, and if there continues to be a backlog, year-end financial reporting can also be impacted.

In order to strengthen controls and ensure adequate and efficient reporting, the journal entry process should be prioritized. All transactions should be reviewed, reconciled and posted within 30-45 days of the event or transaction.

***Management's Response:***

We agree with this statement. The Department of Finance acknowledges the delays in the timely posting of certain journal entries, primarily due to staffing constraints and delays in receiving necessary information from other departments or external parties. Management has taken steps to address these challenges, including reallocating resources, enhancing cross-departmental communication, and reinforcing expectations for timely submission and posting of entries within the 30–45 day timeframe.

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**SCHEDULE OF OTHER MATTERS**

**2025-02      Timely Submission of Quarterly Investment Reports**

California Government Code dictates that if a quarterly Treasurer's Report is to be submitted to City Council, it should be submitted within 45 days of the end of the quarter. The City's Investment Policy denotes that the quarterly information will be submitted no later than 60 days following the end of each quarter.

During our review of the June 2025 Investment Report, we noted that the report was submitted to the City Council on September 16, 2025, which is more than 60 days following the end of the quarter. As a result, the City is not in compliance with its policy.

We understand the Finance Department experienced staff turnover and had to shift priorities, but is currently working on completing investment reconciliations and reporting in a timely manner.

In order to be in compliance with the California Government Code and the City's Investment Policy, Finance staff should ensure the quarterly investment reports are submitted more timely.

***Management's Response:***

We agree with this finding. The City is committed to ensuring the timely preparation and review of quarterly investment reports within 45 days after the end of each quarter.

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**SCHEDULE OF OTHER MATTERS**

**NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE**

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

**EFFECTIVE FISCAL YEAR 2025/26:**

***GASB 103 – Financial Reporting Model Improvements***

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.

*Management’s Discussion and Analysis*

This Statement continues the requirement that the basic financial statements be preceded by management’s discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that “boilerplate” discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

*Unusual or Infrequent Items*

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

*Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position*

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

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**SCHEDULE OF OTHER MATTERS**

***GASB 103 – Financial Reporting Model Improvements (Continued)***

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

*Major Component Unit Information*

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

*Budgetary Comparison Information*

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

*Effective Date and Transition*

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

*How the Changes in This Statement Will Improve Financial Reporting*

The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A.

The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources.

The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability.

The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.

The requirement for presentation of major component unit information will improve comparability.

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**SCHEDULE OF OTHER MATTERS**

**GASB 103 – Financial Reporting Model Improvements (Continued)**

The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability.

*How the Board Considered Costs and Benefits in the Development of This Statement*

One of the principles guiding the Board’s setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board believes that the expected benefits that will result from the implementation of this Statement—more comparable, consistent, relevant, reliable, and understandable information—are significant and justify the perceived costs of implementation and ongoing compliance.

Certain decisions made by the Board to not require additional information that some stakeholders requested are intended to mitigate the costs associated with implementing this Statement. For example, this Statement does not require presentation of a schedule of government-wide expenses by natural classification, nor does it include additional requirements for either the presentation or disclosure of debt service fund information or the presentation of a government-wide or governmental fund statement of cash flows. Furthermore, changes to the recognition of elements in and presentation of governmental fund financial statements were not included in this Statement because the desired benefit of conceptual consistency could not be achieved without a reduction in the value of the information provided in the statements.

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**SCHEDULE OF OTHER MATTERS**

**EFFECTIVE FISCAL YEAR 2026/27:**

**GASB 104 – Certain Risk Disclosures**

GASB 104, effective for fiscal years beginning after June 15, 2025, establishes new disclosure requirements designed to improve transparency regarding the risks that could impact a government's financial position or service capacity.

Under this standard, governments must provide qualitative and quantitative information about their exposure to **concentrations** and **constraints** that make them vulnerable to severe financial stress.

- **Concentrations** are exposures to a single or limited number of counterparties, activities, or conditions (for example, dependence on one employer, industry, or revenue source).
- **Constraints** are limitations that hinder a government's ability to adjust to potential financial stress (for example, legal or contractual restrictions, or limited revenue-raising capacity).

The disclosure should describe the nature of the concentration or constraint, the possible effect on the government's finances or operations, and any actions taken to mitigate the risk. The statement does not require governments to quantify potential losses—only to disclose conditions that make the government more vulnerable to severe financial stress.

Implementation is required for the June 30, 2026, financial statements for most entities, though early adoption is permitted. Management should begin identifying potential concentrations or constraints and considering whether additional disclosures will be necessary.

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**CURRENT STATUS OF PRIOR YEAR OTHER MATTERS**

**2024-01      Timely Posting of Journal Entries**

As noted in previous years' Memorandums on Internal Controls (comments 2019-05 and 2018-05), journal entries are an important transaction cycle that affects all aspects of accounting and financial reporting. Prudent internal control concepts dictate that journal entries should be posted within a timely manner that is within 30 to 45 days after the period date for which the journal entry is intended to record.

We selected forty journal entries to test for segregation of duties, authorization, proper support, reasonableness and timeliness. We noted eight journal entries that were not posted timely (45 days of the transaction), as follows:

- A journal entry to record parking garage revenues and expenditures for the month of July 2023 was posted at the end of September 2023
- A journal entry to record Tidelands trust activity for the month of August 2023 was posted at the end of October 2023
- A journal entry to record Alameda Point commercial rental activity for the month of August 2023 was posted at the end of October 2023
- A journal entry to reclassify Road Maintenance and Rehabilitation revenue accounts to the correct departments for the month of July 2023 was posted mid-November 2023
- A journal entry to record engineering charges for the month of September 2023 was posted mid-January 2024
- A journal entry to record a wire transfer from debt service accounts for the quarter ended in September 2023 was posted in mid-February 2024
- A journal entry to record the CalPERS replacement benefit contribution for the month of January 2024 was posted at the end of March 2024
- A journal entry to correct the cost allocation charges from July to October 2023 was posted in early April 2024

We understand the Finance Department experienced staff shortages, and therefore, staff needed to shift resources to prioritize the year-end audit and other hard deadlines. Also, in one case, Finance did not receive information from another department in order to timely post the entry.

Delays in posting journal entries can cause interim reporting to be insufficient, and if there continues to be a backlog, year-end financial reporting can also be impacted.

In order to strengthen controls and ensure adequate and efficient reporting, the journal entry process should be prioritized. All transactions should be reviewed, reconciled and posted within 30-45 days of the event or transaction.

***Current Status:***

See 2025-01.

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**CURRENT STATUS OF PRIOR YEAR OTHER MATTERS**

**2024-02      Timely Preparation and Review of Quarterly Investment Reports**

Investment account reconciliations are an important element of the City's internal control structure. In order to be an effective control, reconciliations should be completed as soon as reasonably possible after each quarter-end, usually within 30-45 days of receipt of statements, and subsequently reviewed for accuracy. Errors and unreconciled differences should be researched, understood and corrected immediately, to prevent additional errors and to detect errors and irregularities in a timely manner.

During our review of the September 2023 Investment Report, we noted that the report was prepared on February 12, 2024, and reviewed on February 13, 2024, which is significantly later than 30 days from month-end.

When investment report reconciliations are delayed, errors and/or irregularities may not be detected in a timely manner.

We understand the City is currently attempting to perform investment reconciliations in a timely manner, however due to staff turnover, some tasks had been delayed. We did note the June 2024 investment account reconciliation was prepared and reviewed timely.

In order to ensure financial reporting is timely and adequate, the City should ensure investment reports throughout the fiscal year are completed and reviewed in a timely manner, and that any errors or irregularities are investigated immediately.

***Current Status:***

Partially implemented – investment report reconciliations were prepared and reviewed timely, however, see 2025-02 for comment on timeliness of submission of quarterly investment reports to City Council.