Exhibit 8

CITY OF ALAMEDA
MEMORANDUM ON INTERNAL CONTROL

FOR THE YEAR ENDED JUNE 30, 2024

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CITY OF ALAMEDA
MEMORANDUM ON INTERNAL CONTROL

For the Year Ended June 30, 2024

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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, 2024, 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.

Maze & Associates

Pleasant Hill, California
December 30, 2024

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CITY OF ALAMEDA
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF 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.

Management's Response:

We agree with this finding. The Department of Finance has worked closely with internal staff, departments, and third-party vendors to ensure routine monthly journal entries are processed and posted in a timely manner. Additionally, we are considering using our payroll system, Time & Attendance, to charge engineering time directly to a project, as opposed to the current manual procedure which could take a few months to reconcile before it is ready to be entered and posted.

CITY OF ALAMEDA
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF 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.

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. To meet this goal, this task has been assigned to a Senior Accountant, who is fully aware of the deadline. Additionally, a control sheet has been created to track tasks and due dates, which allows for regular status checks and ensures workloads are manageable to prevent delays.

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 2024/25:

GASB 101 – *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Recognition And Measurement

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

SCHEDULE OF OTHER MATTERS

GASB 101 – *Compensated Absences (Continued)*

Notes To Financial Statements

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

How the Changes in this Statement Will Improve Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

GASB 102 – *Certain Risk Disclosures*

State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

SCHEDULE OF OTHER MATTERS

GASB 102 – *Certain Risk Disclosures (Continued)*

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint.
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

SCHEDULE OF OTHER MATTERS

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.

GASB 103 – *<u>Financial Reporting Model Improvements (Continued)</u>*

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.

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.

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.

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.

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2026/27:

GASB 104 – *Disclosure of Certain Capital Assets*

State and local governments are required to provide detailed information about capital assets in notes to financial statements. GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with GASB Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will im-prove consistency and comparability between governments.

CURRENT STATUS OF PRIOR YEAR SIGNIFICANT DEFICIENCIES

2023-01 Recording Accounts Payable at Year End

During the year-end closing process, disbursements subsequent to year end should be analyzed to determine whether they should be accrued as accounts payable as of June 30. As part of that process, the City separates its accounts payable batches during July and August between those that are applicable to the prior fiscal year and those related to the current fiscal year. Disbursements subsequent to August are individually analyzed by City staff to determine if they should be accrued via journal entry.

When we were provided the general ledger for audit, we noted that the balance of accounts payable had significantly declined from the prior year and many funds showed a zero balance. We inquired of City staff and they initially indicated the decline was due to the change in accounting policy that increased the dollar threshold for which invoices would be accrued after year end. However, during our testing of subsequent disbursements for proper treatment as either fiscal year 2023 or fiscal year 2024 transactions, of the nine transactions tested, we noted five that exceeded the City's accrual threshold and related to fiscal year 2023 activity, but were not accrued.

City staff then determined that the accounts payable batch posting process had recorded the transactions that related to June 30, 2023 and prior as a reduction of cash, rather than as accounts payable. The accounts payable batches that should have been recorded as accounts payable totaled to $6.9 million and a correcting entry was recorded to increase the cash balance and accounts payable balance in various general ledger funds.

When year-end closing entries are not analyzed to ensure they are recorded in the correct general ledger accounts, it could lead to errors and misstatement of the financial statements.

The City should develop procedures to ensure that the year-end accounts payable batch posting process is recorded in the correct general ledger accounts and not recorded as a reduction of cash. In addition, the City should develop a process for analyzing the year-end variances in balance sheet and income statement accounts to ensure the variance reflects the activity that occurred and is not a result of a missed journal entry or a misposting of transactions.

Current Status:

This finding has been resolved. Procedures were implemented during FY 2023-24 to ensure the year-end accounts payable posting process is accurately recorded in the general ledger. Additionally, the procedure has been added to our year-end control sheet.

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CURRENT STATUS OF PRIOR YEAR OTHER MATTERS

2023-02 Payroll Calculation Errors

Employee pay should be based on the rates in the current memoranda of understanding and/or personnel action form (PAF).

We selected forty employees for testing of the gross pay calculations to supporting documentation and noted one error in the calculation of an employee's stipend pay for shift relief that resulted in an underpayment of $58.21. After we alerted City staff to the issue, they researched and noted three other employees with a similar issue/error and determined the full amount of the errors for all affected pay periods and made retroactive payments to the four affected employees totaling $2,006 in November 2023.

We understand the error was due to payroll staff not adjusting the stipend pay for the new pay rates that were effective on January 1, 2023.

Errors in calculating employee special pays could result in an under- or overpayment of employee pay.

The City should develop procedures to ensure that when pay rate changes are implemented, all related manual payroll calculations are reviewed to ensure they are correct.

Current Status:

This finding has been resolved. The City developed procedures for manually updating pay and deduction codes and added this task to our bi-weekly payroll checklist.

CURRENT STATUS OF PRIOR YEAR OTHER MATTERS

2023-03 Timely Processing of Terminated Employees

The City should process terminated employees in a timely manner. This includes terminating the employee from both the payroll and general ledger systems upon issuance of their last check, or shortly thereafter.

We selected nineteen terminated employees for testing of proper and timely cutoff in the City's computer system and termination and noted six were not terminated from the payroll system from three months to over a year after their last check date, as follows:

Termination Date	Last Check Date
1/10/2023	9/30/22
3/30/2023	6/28/19
3/30/2023	8/20/21
3/30/2023	2/4/22
4/25/2023	5/27/22
4/25/2023	9/16/22

Employees that are not terminated from the payroll and accounting systems in a timely manner continue to have an "active" status which could lead to unauthorized payroll payments or unintended access to the City's accounting system.

We understand the employees were part-time seasonal employees and the department did not determine they would be separated from employment until fiscal year 2023.

The City should develop procedures to remove temporary or seasonal employees from the payroll system after their employment ends with the City. If the employees are expected to return, the City should determine if the employee could be deactivated, but not fully removed and only reactivated when the return is confirmed.

Current Status:

We agree with this finding. The Department of Finance is actively collaborating with various department directors to implement procedures for promptly removing temporary or seasonal employees from the payroll system once their employment ends.