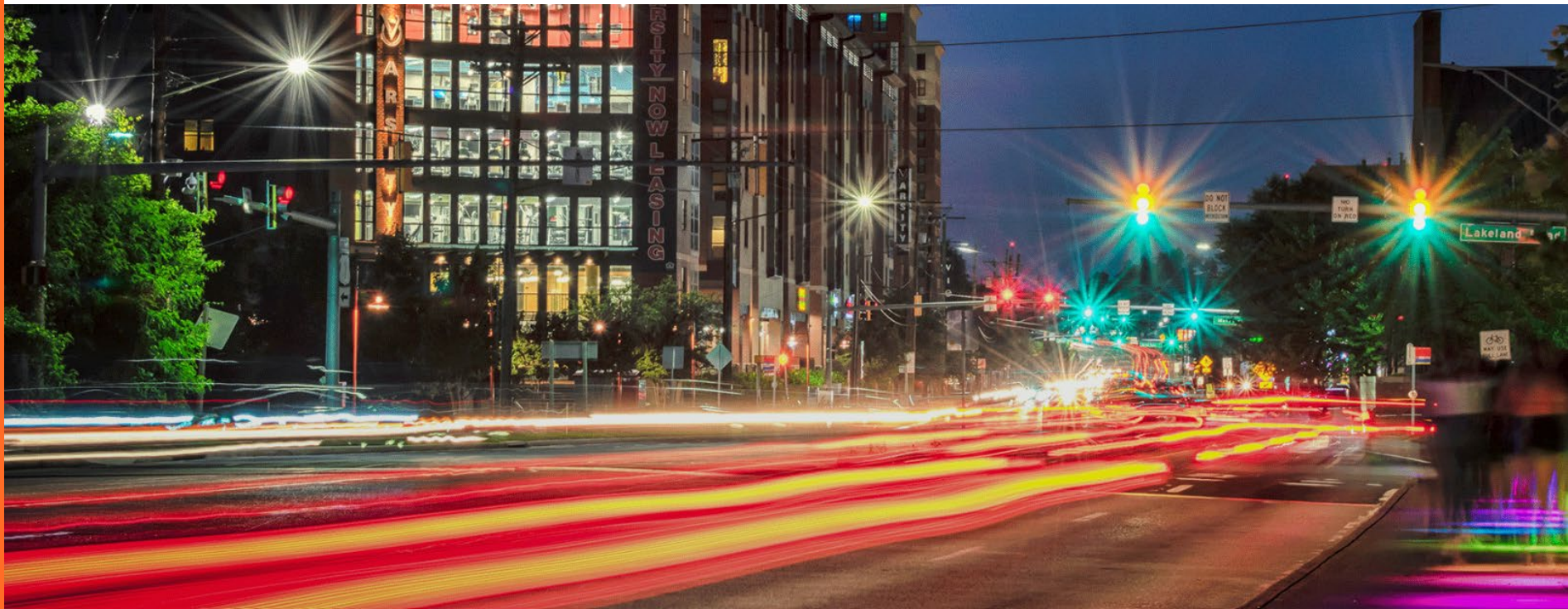




Presentation to the Mayor and Council of City of College Park, Maryland

January 23, 2024



Agenda

- Introductions
- Executive Summary
- Audit Approach
- Required Communications
- Meeting Your Expectations



Introductions

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- William Seymour, Engagement Partner
- Chris Lehman, Audit Partner
- Renata Reis, Engagement Manager



Executive Summary

Executive Summary



- Audit of the June 30, 2023 financial statements
- Preparation of Financial Statements
- Preparation of Uniform Financial Report
- Uniform Grant Guidance Audit (Single Audit) and Data Collection Form Submission (*in progress*)

Summary of the Results



Issued an Unmodified Opinion



No Fraud Discovered or Made Aware Of



Audit Journal Entries -
No Audit Journal Entries Noted



No Material Weaknesses Identified



Full Cooperation Received

Financial Highlights



- Entity-wide net position of \$46.7 million (decrease of \$915 thousand)
- General fund total fund balance of \$8.8 million (decrease of \$6.8 million)
- Capital projects fund balance of \$19.1 million (increase of \$5.5 million)
- Pension trust net position of \$7.9 million (increase of \$603 thousand)



Audit Approach

FORCAM AUDIT APPROACH



FORCAM Audit Approach

Focus on Risk, Controls, and Account Misstatement



Assessment of Control Environment



| Area | Points to Consider | Our Assessment |
|--|--|----------------|
| Control Environment | <ul style="list-style-type: none"> ▪ Key executive integrity, ethics, and behavior ▪ Control consciousness and operating style ▪ Commitment to competence ▪ Board's participation in governance and oversight ▪ Organizational structure, responsibility, and authority ▪ HR policies and procedures | Effective |
| Risk Assessment | <ul style="list-style-type: none"> ▪ Mechanisms to anticipate, identify, and react to significant events ▪ Processes and procedures to identify changes in GAAP, business practices, and internal control | Effective |
| Information & Communication | <ul style="list-style-type: none"> ▪ Adequate performance reports produced from information systems ▪ Information systems are connected with business strategy ▪ Commitment of HR and finance to develop, test, and monitor IT systems and programs ▪ Business continuity and disaster plan for IT ▪ Established communication channels for employees to fulfill responsibilities ▪ Adequate communication across organization | Effective |
| Control Activities | <ul style="list-style-type: none"> ▪ Existence of necessary policies and procedures ▪ Clear financial objectives with active monitoring ▪ Logical segregation of duties ▪ Periodic comparisons of book-to-actual and physical count-to-books ▪ Adequate safeguards of documents, records, and assets ▪ Assess controls in place | Effective |
| Monitoring | <ul style="list-style-type: none"> ▪ Periodic evaluations of internal controls ▪ Implementation of improvement recommendations | Effective |

EVALUATION OF KEY PROCESSES



| Process | Function | A | B | C | D | Our Assessment |
|----------------------------|--|---|---|---|---|----------------|
| Treasury | <ul style="list-style-type: none"> Cash Management Investment Monitoring Investment Policy Investment Accounting Investment Valuation Reconciliation | ✓ | ✓ | ✓ | ✓ | Effective |
| Estimation | <ul style="list-style-type: none"> Methodology Information Calculation | ✓ | ✓ | ✓ | ✓ | Effective |
| Financial Reporting | <ul style="list-style-type: none"> Accounting Principles and Disclosure Closing the Books Report Preparation General Ledger and Journal Entry Processing Verification and Review of Results | ✓ | ✓ | ✓ | ✓ | Effective |
| Expenditures | <ul style="list-style-type: none"> Purchasing Receiving Accounts Payable and Cash Disbursement | ✓ | ✓ | ✓ | ✓ | Effective |

| | |
|----------|------------------------|
| A | Understand the Process |
| B | Walk-Through |

| | |
|----------|--------------------------------|
| C | What Can Go Wrong |
| D | Test of Controls / Substantive |

EVALUATION OF KEY PROCESSES

(continued)



| Process | Function | A | B | C | D | Our Assessment |
|---------------------|--|---|---|---|---|----------------|
| Payroll | <ul style="list-style-type: none"> • Attendance Reporting • Payroll Accounting and Processing • Payroll Disbursements | ✓ | ✓ | ✓ | ✓ | Effective |
| Revenue | <ul style="list-style-type: none"> • Billing • Cash Receipts • Revenue Recognition • Cutoff | ✓ | ✓ | ✓ | ✓ | Effective |
| Fixed Assets | <ul style="list-style-type: none"> • Physical Custody • Asset and Construction in Process Accounting • Report Preparation | ✓ | ✓ | ✓ | ✓ | Effective |

| | |
|----------|------------------------|
| A | Understand the Process |
| B | Walk-Through |

| | |
|----------|--------------------------------|
| C | What Can Go Wrong |
| D | Test of Controls / Substantive |



Required Communications

REQUIRED COMMUNICATIONS



| | | |
|--|---|---|
| Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS) | The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States of America, and provide for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were engaged to perform our audit in accordance with the standards of the accounting principles generally accepted in the United States of America. | |
| Significant Accounting Policies | Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by management are described in the notes to the financial statements. | |
| Auditor's Judgments About the Quality of Accounting Principles | We discuss our judgments about the quality, not just the acceptability, of accounting principles selected by management, the consistency of their application, and the clarity and completeness of the financial statements, which include related disclosures. | <i>We have reviewed the significant accounting policies adopted by the City and have determined that these policies are acceptable accounting policies.</i> |
| Audit Adjustments | We are required to inform the City's oversight body about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the entity's financial reporting process. We also are required to inform the City's oversight body about unadjusted audit differences that were determined by management to be individually and in the aggregate, immaterial. | <i>There were no recorded or unadjusted audit adjustments for the City's audit.</i> |

REQUIRED COMMUNICATIONS

(continued)



| | | |
|--|---|---|
| Fraud and Illegal Acts | We are required to report to the City's oversight body any fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements. | <i>Our procedures identified no instances of fraud or illegal acts.</i> |
| Material Weaknesses in Internal Control | We are required to communicate all significant deficiencies in the City's system of internal controls, whether or not they are also material weaknesses. | <i>We have not identified any material weaknesses in internal controls.</i> |
| Other Information in Documents Containing Audited Financial Statements | None. | |
| Disagreements with Management on Financial Accounting and Reporting Matters | None. | |

REQUIRED COMMUNICATIONS

(continued)



| | |
|---|--|
| Serious Difficulties Encountered in Performing the Audit | <i>None.</i> |
| Major Issues Discussed with Management Prior to Acceptance | <i>None.</i> |
| Management Representations | <i>We received certain written representations from management as part of the completion of the audit.</i> |
| Consultation with Other Accountants | <i>To our knowledge, there were no consultations with other accountants since our appointment as the City's independent public accountants.</i> |
| Independence | <i>As part of our client acceptance process, we go through a process to ensure we are independent of the City. We are independent of the City.</i> |
| Non-attest Services | <i>We assist with the drafting of the financial statements. All information needed for the financial statements are provided by management.</i> |

REQUIRED COMMUNICATIONS

(continued)



Our Responsibility Related to Fraud

- Plan and perform the audit to obtain reasonable assurance that there is no material misstatement caused by error or fraud;
- Comply with GAAS AU-C 240, "Consideration of Fraud in a Financial Statement Audit";
- Approach all audits with an understanding that fraud could occur in any entity, at any time, by anyone; and
- Perform mandatory procedures required by GAAS and our firm policies.

Examples of Procedures Performed

- Discuss thoughts and ideas in areas where the financial statements might be susceptible to material misstatement due to fraud;
- Understand pressures on the financial statement results;
- Understand the tone and culture of the organization;
- Look for unusual or unexpected transactions, relationships, or procedures;
- Discussions with individuals outside of finance;
- Evaluate key processes and controls; and
- Consider information gathered throughout the audit.

RESPONSIBILITY FOR MITIGATING FRAUD



External Auditor:

- Evaluate management programs and controls to deter and detect fraud for identified risks
- Reasonable assurance that financial statements are free of material misstatement due to fraudulent financial reporting or misappropriation of assets
- Compliance with fraud standard (SAS 99)
 - Conversations with finance and operations personnel
 - Disaggregated analytics
 - Surprise audit procedures
 - Journal entry testing



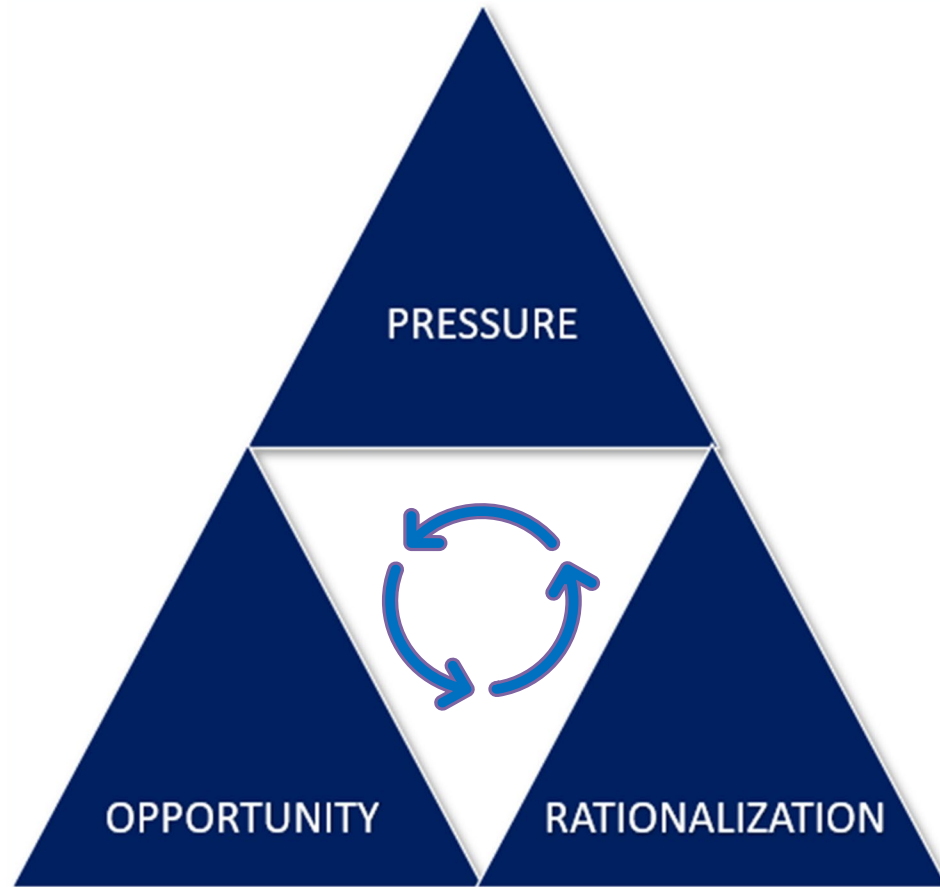
Management:

- CFO/Controller: controls to deter and detect fraud
- General Counsel/Compliance: monitoring

Audit Committee:

- Evaluate management identification of fraud risk
- Evaluate implementation of fraud controls
- Reinforce “tone at the top”
- Conduct special investigations

REQUIRED COMMUNICATIONS FRAUD



PRESSURE

- Pressure can be imposed due to economic troubles, personal vices and unrealistic deadlines and performance goals.
- There are increased pressures due to economy and minimal salary increases.

OPPORTUNITY

- Generally provided through weaknesses in internal controls.
- Tone at the top is important.
- We assess controls and tone at the top.

RATIONALIZATION

- Individuals develop a justification for their fraudulent activities.
- Increased rationalization due to minimal salary increases and less personnel.



Meeting Your Expectations

SBC's Service Pledge to You



We will consistently deliver a **Quality Product** and **Quality Service** so that we have the opportunity to establish a **Quality Relationship** with you, allowing us to provide you with **Quality Knowledge** for your continual success. Only after we have provided you with the knowledge that enables your business to grow and prosper, we have *hit the bullseye!*

Our commitment to you is the execution of our **Bullseye Philosophy**. We execute this philosophy for every client, on every engagement, every time.



Engagement Team

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