



## MANAGEMENT LETTER

To the City Council  
of the City of Hollister

In planning and performing our audit of the financial statements of the City of Hollister (the City) as of and for the year ended June 30, 2022, 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 auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate letter dated December 10, 2025, contains our communication of significant deficiencies or material weaknesses in the City's internal control. This letter does not affect our report dated December 10, 2025, on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

MUN CPAs, LLP

MUN CPAs, LLP  
Sacramento, California  
December 10, 2025

**City of Hollister**  
**Summary of Current Year Findings and Recommendations**  
**June 30, 2022**

**Information Technology (Repeat Finding)**

Existing written policies and procedures do not include policies and objectives concerning the role of user passwords and changes in computer authorizations in securing information and promoting proper segregation of duties. We recommend that written procedures be developed concerning the assignment, modification, and deletion of user passwords, as well as procedures for changes in employee status (terminations, department changes, etc.). Passwords should be changed at least once every six months. Written policies will help to ensure that password assignments, deletions, and employee modifications are performed in a manner consistent with management's intentions.

**Cost Allocation Plan (Repeat Finding)**

The City does not have a current cost allocation plan. In current and prior years, an overhead amount has been charged to the, utility, and airport funds; however, there is no basis for this amount. We recommend the City perform and obtain a cost allocation plan to allocate overhead expenditures to different departments to ensure that expenses being charged are an accurate reflection of current activity.

**Other Post-Employment Benefits Census Data (Repeat Finding)**

There are no formal procedures in place to review the accuracy of census data provided to actuaries. We recommend the City implement processes and controls to ensure that complete and accurate information is reported to the plan actuary. In evaluating the census data file, the employer may compare the information to underlying payroll records and the prior year census data file.

**Procurement Support (Repeat Finding)**

When performing testing over the City's procurement policy, we noted that departments maintain different forms for keeping track of bids and not all departments keep records of the bids that were received. We recommend that the City maintain a uniform and consistent method of tracking bidding documentation to improve organization and support for all bids received for projects as required by the City's procurement policy.

**Activity in Closed Funds (Repeat Finding)**

In our review of the City's special revenue funds we noted one fund closed in a prior year, with activity erroneously posted to the fund in the City's general ledger system. We recommend logical controls be implemented to prevent journal entries from being posted to closed funds and that all manual journal entries be reviewed for correct general ledger coding.

**Payroll Internal Controls**

The City's internal control process over payroll includes review and approval of the final payroll registers and related reports by the Director of Administrative Services. We noted this control was not consistently operating throughout the fiscal year. We recommend the City enforce current policy to ensure final payroll reports are reviewed and signed as approved. In the event of staffing turnover, the City should have documented procedures and compensating controls to ensure review is being conducted by an appropriate individual.

**Pension Contributions**

The pension contributions used in the calculation of the net pension liability and related deferred outflows and inflows did not reconcile to the general ledger or the confirmation of payments received by CalPERS. We recommend the City ensure that CalPERS contributions used in the calculation of the net pension liability reflect the actual amount paid to CalPERS for the fiscal year.

**City of Hollister  
Summary of Prior Year Findings and Recommendations**

**Information Technology (Repeat Finding)**

Existing written policies and procedures do not include policies and objectives concerning the role of user passwords and changes in computer authorizations in securing information and promoting proper segregation of duties. We recommend that written procedures be developed concerning the assignment, modification, and deletion of user passwords, as well as procedures for changes in employee status (terminations, department changes, etc.). Passwords should be changed at least once every six months. Written policies will help to ensure that password assignments, deletions, and employee modifications are performed in a manner consistent with management's intentions.

**Status: Not implemented.**

**Cost Allocation Plan (Repeat Finding)**

The City does not have a current cost allocation plan. In current and prior years, an overhead amount has been charged to the utility, and airport funds; however, there is no basis for this amount. We recommend the City perform and obtain a cost allocation plan to allocate overhead expenditures to different departments to ensure that expenses being charged are an accurate reflection of current activity.

**Status: Not implemented.**

**Other Post-Employment Benefits Census Data (Repeat Finding)**

There are no formal procedures in place to review the accuracy of census data provided to actuaries. We recommend the City implement processes and controls to ensure that complete and accurate information is reported to the plan actuary. In evaluating the census data file, the employer may compare the information to underlying payroll records and the prior year census data file.

**Status: Not implemented.**

**Procurement Support (Repeat Finding)**

When performing testing over the City's procurement policy, we noted that departments maintain different forms for keeping track of bids and not all departments keep records of the bids that were received. We recommend that the City maintain a uniform and consistent method of tracking bidding documentation to improve organization and support for all bids received for projects as required by the City's procurement policy.

**Status: Not implemented.**

**Payroll Liabilities (Repeat Finding)**

The City's total accrued payroll and benefits incurred but not yet paid as of year-end from the City's payroll system did not agree to the City's payroll liability accrual. The difference was the result of old balances manually inputted that have been in the system for a period in excess of at least 3 years. We recommend the City clear out old balances from the system and reconcile accrual to records from payroll system.

**Status: Implemented.**

**Activity in Closed Fund**

In our review of the City's special revenue funds we noted two funds, closed in a prior year, with activity erroneously posted to the fund in the City's general ledger system. We recommend logical controls be implemented to prevent journal entries from being posted to closed funds and that all manual journal entries be reviewed for correct general ledger coding.

**Status: Not implemented.**