

City of Pomona

Pomona, California

Single Audit Reports

For the year ended June 30, 2007

C&L
Caporicci & Larson
Certified Public Accountants

City of Pomona
Single Audit Reports
For the year ended June 30, 2007

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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**

To the Honorable Mayor and Members of City Council
of the City of Pomona
Pomona, California

We have audited the basic financial statements of the City of Pomona, California (City), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying **Schedule of Findings and Questioned Costs** as items 2007-03 to 2007-07 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying **Schedule of Findings and Questioned Costs** as items 2007-01 to 2007-02 to be material weaknesses in internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

To the Honorable Mayor and Members of City Council
of the City of Pomona
Pomona, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to City Council and management in a separate letter dated November 30, 2007.

This report is intended solely for the information and use of management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Irvine, California
November 30, 2007



Caporicci & Larson
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of City Council
of the City of Pomona
Pomona, California

Compliance

We have audited the compliance of the City of Pomona, California (City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in **C. Findings and Questioned Costs - Major Federal Award Program Audit**, item 2007-08 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with certain compliance requirements that are applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to the program.

In our opinion, except for noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

The Honorable Mayor and Members of City Council
of the City of Pomona
Pomona, California
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Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. We consider the deficiencies described in the accompanying **Schedule of Findings and Questioned Costs** as items 2007-08 to be control deficiency in internal control over compliance.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

This report is intended solely for the information and use of management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carlson

Irvine, California
November 30, 2007

City of Pomona
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2007

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
<i>Direct programs:</i>			
Community Development Block Grant			
- Community Development Block Grant	14.218	B-04-MC-06-0527	\$ 1,500,088
- Community Development Block Grant	14.218	B-05-MC-06-0527	3,596,247
Total Community Development Block Grant			<u>5,096,335</u>
Home Investment Partnership Program			
- Home Investment Partnership Program	14.239	B-04-MC-06-0528	121,116
- Home Investment Partnership Program	14.239	B-05-MC-06-0528	247,946
Total Home Investment Partnership Program			<u>369,062</u>
Shelter Plus Care + Renewal			
- Shelter Plus Care + Renewal	14.238	CA-16C50-0209	231,718
- Shelter Plus Care + Renewal	14.238	CA-16C60-0178	125,843
Total Shelter Plus Care + Renewal			<u>357,561</u>
Lead Paint Hazard Control	14.238	CA-16C93-1148	1,119,911
Supportive Housing Program	14.235	CA-16B50-0024	142,100
Emergency Shelter	14.231	* S-06-MC-06-0527	145,073
Section 8 - HVAP	14.871	* CA-1230014-0028	9,288,445
Total U.S. Department of Housing and Urban Development			<u>16,518,487</u>
U.S. Department of Transportation:			
<i>Passed through State of California:</i>			
OTS Selective Traffic Enforcement Program	20.600	* PS0414	285,530
Total U.S. Department of Transportation			<u>285,530</u>
U.S. Department of Justice			
<i>Direct programs:</i>			
Weed & Seed			
- Weed & Seed	16.595	2005-WS-Q50126	65,545
- Weed & Seed	16.595	2006-WS-Q60075	62,187
Total Weed & Seed			<u>127,732</u>
COPS in School Grant	16.710	2004-SHWX-0141	318,298
Federal Equitable Sharing	16.000	* CA01955	869,685
JAG Grant	16.579	2005-DJBX-0856	68,648
Pomona Police Department Forensic Unit	16.579	2006-DJBX-0723	23,734
Total Direct Programs			<u>1,408,097</u>
<i>Passed through the County of Los Angeles:</i>			
2005 State Homeland Security Grant Program	97.004	2005-45	56,726
Total Passed Through Program			<u>56,726</u>
Total U.S. Department of Justice			<u>1,464,823</u>
Balance Carried Forward			<u>\$ 18,268,840</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

City of Pomona
Single Audit Reports
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2007

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Balance carried over from previous page			\$ 18,268,840
U.S. Department of Health & Human Services			
<i>Passed through the County of Los Angeles:</i>			
Title III-C Nutrition	93.045	42177	145,486
Total U.S. Department of Health & Human Services			<u>145,486</u>
U.S. Department of Agriculture			
<i>Passed through the County of Los Angeles:</i>			
Nutrition Program for the Elderly	10.570	42177	27,270
Total U.S. Department of Agriculture			<u>27,270</u>
U.S. Department of Education			
<i>Direct program:</i>			
Fund for the Improvement of Education	84.215	U215K050664	56,675
Total U.S. Department of Agriculture			<u>56,675</u>
Total Expenditures of Federal Awards			<u><u>\$ 18,498,271</u></u>

*Denotes major program.

City of Pomona
Single Audit Reports
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2007

1. REPORTING ENTITY

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) Codification, consists of the primary government, which is the City of Pomona, California (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The Redevelopment Agency of the City of Pomona
- The Pomona Public Financing Authority
- The Housing Authority of the City of Pomona
- The Canon Water Company

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within special revenue and capital projects funds of the City. The City utilizes the modified accrual method of accounting for special revenue and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the City. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California and the County of Los Angeles is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position, changes in fund balance, or results of operations of the City.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs
For the year ended June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Pomona.
2. Significant deficiencies and material weakness relating to the audit of the financial statements are reported in Part B of this Schedule.
3. No instances of noncompliance material to the financial statements of the City of Pomona were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs were reported in the financial statements.
5. The auditors' report on compliance for the major federal award programs for the City of Pomona expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Pomona are reported in Part C of this Schedule.
7. The programs tested as major programs included:

Major Program	Expenditures
Emergency Shelter Grant	\$ 145,073
Section 8 - HVAP	9,288,445
OTS Selective Traffic Enforcement Program	285,530
Federal Equitable Sharing Program	869,685
Total Major Program Expenditures	\$ 10,588,733
Total Federal Award Expenditures	\$ 18,498,271
Percent of Total Federal Award Expenditures	57.24%

8. The threshold for distinguishing Types A and B programs was \$554,948.
9. The City of Pomona was determined to be a high risk auditee.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2007

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT

2007-1 PRIOR PERIOD ADJUSTMENTS (Material Weakness)

Criteria

All transactions should be recorded correctly in the City's general ledger.

Condition

During the year ended June 30, 2007, the City recorded the following prior period adjustments in the Government-Wide Financial Statements:

Capital assets, net - The City performed a review of its capital assets during the year ended June 30, 2007. As a result of the review, the City identified an error and recorded an adjustment increasing capital assets, net of accumulated depreciation in the amount of \$19,441,753 as of June 30, 2006. This was a continuation of the GASB No. 34 effort.

Loans receivable - The City determined that cash payments for loans receivable were recorded as expenditures in 2006 rather than an increase in the receivable balance. Therefore, the amount of loans receivable was understated by \$350,000 at June 30, 2006.

During the fiscal year ended June 30, 2007, the City recorded the following prior period adjustments in the Fund Financial Statements:

Low and Moderate Income Housing Fund - The City determined that cash payments for loans receivable were recorded as expenditures in 2006 rather than an increase in the receivable balance. Therefore, the amount of loans receivable was understated by \$350,000 at June 30, 2006.

Equipment Maintenance Internal Service Fund - The City identified an error and recorded an adjustment increasing capital assets, net of accumulated depreciation in the amount of \$110,444 as of June 30, 2006.

Questioned Costs

None.

Context and Effect

The City should have a control in place to ensure that all transactions are recorded correctly.

Recommendation

We recommend that the City review its recording and reviewing process of all accounts in the general ledger to ensure that all transactions are recorded correctly in the year the transaction occurs.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2007

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued

2007-2 COMPLIANCE WITH OMB CIRCULAR NO. A-133 (Material Weakness)

Criteria

In accordance with OMB Circular A-133, grantees are required to maintain internal controls over Federal programs that provide reasonable assurance that Federal awards are managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Grantees are also required to prepare the Schedule of Expenditures of Federal Awards listing all Federal awards. According to OMB Circular A-133:

§ Subpart C.310 Financial Statements

(b) The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition

During the performance of our audit, we noted that the U.S. Department of Justice, Asset Forfeiture Program, CFDA Number 16.000 (Grant), was omitted on the Schedule of Expenditures of Federal Awards for the prior year ended June 30, 2006.

Questioned Costs

The City omitted the Grant on the Schedule of Expenditure of Federal Awards. This resulted in federal expenditures being understated by \$980,462 as of June 30, 2006.

Context and Effect

The City should have a control in place to ensure that the Schedule of Expenditures of Federal Awards is complete and accurate. By omitting the federal expenditure amount for the Grant, the federal portion of the expenses was understated.

Recommendation

We recommend that the City strengthen its controls over Federal programs and ensure that the Schedule of Expenditures of Federal Awards is complete and accurate.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2007

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued

2007-3 FINANCIAL CONDITION OF THE REDEVELOPMENT AGENCY (Significant Deficiency)

Criteria

The Redevelopment Agency should maintain a financial condition that will provide a financially sustainable operation.

Condition

At June 30, 2007, the Agency had a deficit unrestricted net assets of (\$196,660,709), an increased deficit of \$1,934,346 from the prior year, on the government-wide financial statements, and a deficit fund balance of (\$75,211,599), an increased deficit of \$13,356,779 from the prior year. The following is the three year trend information of financial condition of the Agency:

Government-Wide Financial Statements

	Total Net Assets (Deficit) (as restated)	\$ Change	Unrestricted Net Assets	\$ Change	Change in Net Assets (as restated)	\$ Change
2005	\$ (86,397,744)		\$ (190,872,292)		\$ (5,847,279)	
2006	(90,865,725)	\$ (4,467,981)	(194,726,363)	\$ (3,854,071)	(4,467,981)	\$ 1,379,298
2007	(102,564,832)	(11,699,107)	(196,660,709)	(1,934,346)	(11,699,107)	(7,231,126)

Fund Financial Statements

	Total Fund Balance (Deficit) (as restated)	\$ Change
2005	\$ (56,733,283)	
2006	(61,854,820)	\$ (5,121,537)
2007	(75,211,599)	(13,356,779)

Questioned Costs

None.

Context and Effect

It appears that the Redevelopment Agency's financial condition continues to suffer significant reductions in net assets and fund balances, which raises uncertainties regarding the Agency's ability to conduct future operations. A continuation of negative financial results will result in an inability of the Redevelopment Agency to function in a manner for which it was designed. Additionally, given the component unit status of the Redevelopment Agency, the City may be impacted in a negative financial way that may result in disruption to City services.

Recommendation

We recommend that the City review the Redevelopment Agency's financial condition and evaluate its plan to reduce the Redevelopment Agency's deficit fund balance and deficit total net assets.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2007

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued

2007-4 LAND HELD FOR RESALE IN THE REDEVELOPMENT AGENCY'S LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND (Significant Deficiency)

Criteria

In accordance with the Guidelines for Compliance Audits of California Redevelopment Agencies,

"In no event may agencies hold properties for periods in excess of five years plus the period of their one-time extension. In the event that general development of the property for this purpose has not begun by the end of the original period (and no extension was approved); or physical development has not begun by the end of the extended period (if an extension was approved); or if the agency does not comply with this requirement at all, the property shall be sold and the money from the sale less reimbursement to the agency for the cost of the sale shall be deposited in the agency's Housing Fund."

In addition, according to the Health & Safety Code Section 33334.16:

"In the event that physical development of the property for this purpose has not begun by the end of the extended period, or if the agency does not comply with this requirement, the property shall be sold and the moneys from the sale, less reimbursement to the agency for the cost of the sale, shall be deposited in the agency's Low and Moderate Income Housing Fund."

Condition

During the performance of our audit for the year ended June 30, 2007, we noted that the Agency has been holding some properties for periods in excess of five years plus the period of their one-time extension. These properties were acquired with the Agency's Low and Moderate Income Housing Special Revenue Fund's money.

Questioned Costs

None.

Context and Effect

The Agency should have a control in place to ensure that the Agency is in compliance with the Guidelines for Compliance Audits of California Redevelopment Agencies and Health & Safety Code Section 33334.16.

Recommendation

We recommend that the Agency review all of its properties that were acquired with Redevelopment Agency's Low and Moderate Income Housing Special Revenue Fund money to ensure that the Agency is in compliance with the Guidelines for Compliance Audits of California Redevelopment Agencies and Health & Safety Code Section 33334.16. In addition, we recommend that the Agency comply with the directive from the State Controller's Office dated June 15, 2007 addressing the handling of these properties.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2007

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued

2007-5 FIVE-YEAR IMPLEMENTATION PLAN (Significant Deficiency)

Criteria

According to the Health & Safety Code Section 33490:

"On or before December 31, 1994, and each five years thereafter, each agency that has adopted a redevelopment plan prior to December 31, 1993, shall adopt, after a public hearing, an implementation plan that shall contain the specific goals and objectives of the agency for the project area, the specific programs, including potential projects, and estimated expenditures proposed to be made during the next five years, and an explanation of how the goals and objectives, programs, and expenditures will eliminate blight within the project area and implement the requirements of Section 33333.10, if applicable, and Sections 33334.2, 33334.4, 33334.6, and 33413. After adoption of the first implementation plan, the parts of the implementation plan that address Section 33333.10, if applicable, and Sections 33334.2, 33334.4, 33334.6, and 33413 shall be adopted every five years either in conjunction with the housing element cycle or the implementation plan cycle. The agency may amend the implementation plan after conducting a public hearing on the proposed amendment. If an action attacking the adoption, approval, or validity of a redevelopment plan adopted prior to January 1, 1994, has been brought pursuant to Chapter 5 (commencing with Section 33500), the first implementation plan required pursuant to this section shall be adopted within six months after a final judgment or order has been entered. Subsequent implementation plans required pursuant to this section shall be adopted pursuant to the terms of this section, and as if the first implementation plan had been adopted on or before December 31, 1994."

Condition

During the performance of our audit for the year ended June 30, 2007, we noted that the Agency did not adopt the Five-Year Implementation Plan for 2007-2011 as of June 30, 2007.

Questioned Costs

None.

Context and Effect

The Agency should have a control in place to ensure that the Agency is in compliance with the Health & Safety Code Section 33490.

Recommendation

We recommend that the Agency take the necessary actions to bring itself into compliance with the Health & Safety Code Section 33490.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2007

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued

2007-6 REDEVELOPMENT AGENCY REPORTING REQUIREMENT (Significant Deficiency)

Criteria

According to the Health & Safety Code Section 33080.1:

"Every redevelopment agency shall submit the final report of any audit undertaken by any other local, state, or federal government entity to its legislative body within 30 days of receipt of that audit report. In addition, every redevelopment agency shall present an annual report to its legislative body within six months of the end of the agency's fiscal year. The annual report shall contain all of the following:

- (e) A list of, and status report on, all loans made by the redevelopment agency that are fifty thousand dollars (\$50,000) or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the redevelopment agency.
- (f) A description of the total number and nature of the properties that the agency owns and those properties the agency has acquired in the previous fiscal year.
- (g) Any other information that the agency believes useful to explain its programs, including, but not limited to, the number of jobs created and lost in the previous fiscal year as a result of its activities."

Condition

During the performance of our audit for the year ended June 30, 2007, we noted that the Agency did not submit a loan report and property report for the year ended June 30, 2006.

Questioned Costs

None.

Context and Effect

The Agency should have a control in place to ensure that the Agency is in compliance with the Health & Safety Code Section 33080.1.

Recommendation

We recommend that the Agency take the necessary actions to bring itself into compliance with the Health & Safety Code Section 33080.1.

City of Pomona
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2007

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued

2007-7 CAPITAL ASSETS (Significant Deficiency)

Criteria

Capital assets should be reconciled periodically and recorded accurately in the City's general ledger.

Condition

During our review, we noted the following issues related to the capital assets function:

- a. Capital assets are not recorded, reconciled, and reviewed periodically. There appears to be no oversight review of the capital assets process. This resulted in a material adjustment to the capital assets in the amount of \$19,441,753 as of June 30, 2007.
- b. Deletions are not being communicated to the Principal Accountant in a timely manner so that they can be recorded in the general ledger. The Principal Accountant only knows that an asset is removed from service when she receives the paperwork for the sale of the asset or a replacement asset is purchased.
- c. The City does not perform a regular physical inventory of capital assets. The Principal Accountant has identified numerous capital assets that have not been previously recorded by the City.
- d. The City did not record the accumulated depreciation of its general capital assets, including general infrastructure capital assets in the City's general ledger.
- e. The City does not have a written infrastructure capital assets policy. Such a policy would include, for example, estimated useful lives, depreciation methods, recording methods (definition of additions and deletions vs. repair and maintenance expenditures), capitalization threshold amounts (individual assets vs. group assets), etc.

Questioned Costs

None.

Context and Effect

The City should have a control in place to ensure that capital assets are recorded correctly in the City's general ledger.

Recommendation

We recommend that the City review its capital asset process. The City should develop policies and procedures that would set the guidelines for useful life, depreciation methods, recording methods (definition of additions/deletions vs. repairs and maintenance, capitalization threshold), etc.

City of Pomona

Single Audit Reports

Schedule of Findings and Questioned Costs, Continued

For the year ended June 30, 2007

CURRENT YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

007-8 U.S. DEPARTMENT OF JUSTICE, FEDERAL EQUITABLE SHARING PROGRAM (CFDA NUMBER 16.000).

Criteria

In accordance with OMB Circular A-133, grantees are required to maintain internal controls over Federal programs that provide reasonable assurance that Federal awards are managed in compliance with laws, regulations, and the provisions of contracts or grant agreements.

The *Guide to Equitable Sharing* states:

"Equitable shared funds shall be used for only law enforcement purposes and are subject to the laws, rules, regulations, and orders of the state or local jurisdiction governing the use of public funds available for law enforcement purposes."

The City's policy states that receipts supporting the costs incurred must be submitted.

Condition

During the performance of our audit, we noted that the travel expense reimbursements to the Officers for the Law Enforcement Training were not supported by valid receipts.

Questioned Costs

The amount for questioned costs is \$18.

Context and Effect

The City should have a control in place to ensure that receipts supporting the costs are submitted and reviewed.

Recommendation

We recommend that the City review its travel reimbursement policies and procedures and ensure that the policies and procedures are followed.

City of Pomona
Single Audit Reports
Schedule of Prior Year Audit Findings and Questioned Costs
For the year ended June 30, 2007

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

The following is the status of audit findings reported in prior year's schedule of findings and questioned costs.

2006-01 U.S. DEPARTMENT OF JUSTICE, FEDERAL EQUITABLE SHARING PROGRAM (CFDA NUMBER 16.000). THE AUDIT WORK WAS COMPLETED ON FEBRUARY 6, 2008 WHICH RESULTED IN THE DUAL-DATING OF THE AUDIT REPORTS.

Criteria

In accordance with OMB Circular A-133, grantees are required to maintain internal controls over Federal programs that provide reasonable assurance that Federal awards are managed in compliance with laws, regulations, and the provisions of contracts or grant agreements. Grantees are also required to prepare the Schedule of Expenditures of Federal Awards listing all Federal awards. According to OMB Circular A-133:

§ Subpart C.310 Financial Statements

(b) The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition

During the performance of our audit for the year ended June 30, 2007, we noted that U.S. Department of Justice, Federal Equitable Sharing Program, (CFDA Number 16.000) (Grant) was omitted on the Schedule of Expenditures of Federal Awards for the year ended June 30, 2006.

Questioned Costs

The City omitted the Grant on the Schedule of Expenditure of Federal Awards. This resulted in the Federal expenditures being understated by \$980,462 as of June 30, 2006.

Context and Effect

The City should have a control in place to ensure that the Schedule of Expenditures of Federal Awards is complete and accurate. By omitting the federal expenditure amount for the Grant, the Federal portion of the expenditure was understated.

City of Pomona

Single Audit Reports

Schedule of Prior Year Audit Findings and Questioned Costs, Continued
For the year ended June 30, 2007

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

2006-1 U.S. DEPARTMENT OF JUSTICE, ASSET FORFEITURE PROGRAM (CFDA NUMBER 16.000). THE AUDIT WORK WAS COMPLETED ON FEBRUARY 6, 2008 WHICH RESULTED IN THE DUAL-DATING OF THE AUDIT REPORTS, Continued

Recommendation

We recommend that the City strengthen its controls over Federal programs and ensure that the Schedule of Expenditures of Federal Awards is complete and accurate.

Status

The City has implemented the recommendation.