

# City of Pomona

Pomona, California

*Single Audit Reports*

*For the year ended June 30, 2008*

**C&L**  
Caporicci & Larson  
Certified Public Accountants

**City of Pomona**  
**Single Audit Reports**  
**For the year ended June 30, 2008**

**Table of Contents**

---

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	3
Schedule of Expenditures of Federal Awards .....	5
Notes to the Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs .....	8
Schedule of Prior Year Audit Findings and Questioned Costs.....	14

**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, 2008, and have issued our report thereon dated January 29, 2009. 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 2008-02 to 2008-05 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 item 2008-01 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.

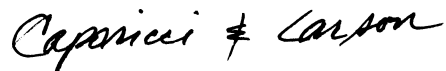
To the Honorable Mayor and Members of City Council  
of the City of Pomona  
Pomona, California  
Page Two

**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 January 29, 2009.

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.



Irvine, California  
January 29, 2009

**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, 2008. 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.

In our opinion, 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, 2008.

**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.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**

180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**

9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**

777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**

4858 Mercury, Suite 106  
San Diego, California 92111

The Honorable Mayor and Members of City Council  
of the City of Pomona  
Pomona, California  
Page Two

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.

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.

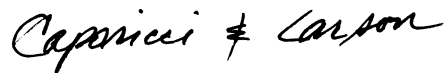
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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, 2008, and have issued our report thereon dated January 29, 2009. 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.



Irvine, California  
January 29, 2009

**City of Pomona**  
**Single Audit Reports**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2008**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number		Agency or Pass-Through Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development:</b>				
<i>Direct programs:</i>				
Community Development Block Grant				
Community Development Block Grant 04/05 <i>through</i>	14.218	*	B-05-MC-06-0527 <i>through</i>	
Community Development Block Grant 06/07	14.218	*	B-07-MC-06-0527	\$ 4,623,691
Home Investment Partnership Program				
- Home Investment Partnership Program	14.239	*	M-05-MC-06-0528	771,983
- Home Investment Partnership Program	14.239	*	M-05-MC-06-0528	401,281
- Home Investment Partnership Program	14.239	*	M-06-MC-06-0528	1,245,748
Total Home Investment Partnership Program				<u>2,419,012</u>
Shelter Plus Care + Renewal				
-Shelter Plus Care + Renewal	14.238	*	CA-16C50-0209	440,142
-Shelter Plus Care + Renewal	14.238	*	CA-16C70-00185	119,324
Total Shelter Plus Care + Renewal				<u>559,466</u>
Supportive Housing Program				
- Supportive Housing Program	14.235		CA-16B50-0024	112,903
- Supportive Housing Program	14.235		CA-16B70-0071	31,946
Total Supportive Housing Program				<u>144,849</u>
Lead Paint Hazard Control	14.238	*	CA-16C93-1148	1,342,184
Emergency Shelter	14.231		S-07-MC-06-0527	124,078
Section 8 - HVAP	14.871	*	CA-1230014-0028	9,757,443
<b>Total U.S. Department of Housing and Urban Development</b>				<b><u>18,970,723</u></b>
<b>U.S. Department of Transportation:</b>				
<i>Direct program:</i>				
Sobriety Checkpoint	20.600		SC08325	65,117
<i>Passed through State of California:</i>				
OTS Selective Traffic Enforcement Program	20.600		PT0732	378,700
<b>Total U.S. Department of Transportation</b>				<b><u>443,817</u></b>
<b>U.S. Department of Treasury</b>				
Federal Equitable Sharing	21.000	*	-	235,320
<b>Total U.S. Department of Treasury</b>				<b><u>235,320</u></b>
<b>Balance Carried Forward</b>				<b><u>\$ 19,649,860</u></b>

\* Denotes Major Program

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, 2008**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<b>Balance carried over from previous page</b>			<b>\$ 19,649,860</b>
<b>U.S. Department of Justice</b>			
<i>Direct programs:</i>			
Weed & Seed			
-Weed & Seed	16.595	2005-WS-Q50126	2,273
-Weed & Seed	16.595	2006-WS-Q60075	160,413
-Weed & Seed	16.595	2007-WS-Q70023	103,179
Total Weed & Seed			<u>265,865</u>
COPS in School Grant	16.710	2004-SHWX-0141	104,558
Federal Equitable Sharing	16.000	* CA01955	573,178
2007 Byrne Grant	16.580	2007-DDBX-0636	72,725
Gang Resistance Education and Training	16.737	2006-JVFX-0105	144,895
JAG Grant			
- JAG Grant 2005	16.579	2005-DJBX-0856	6,483
- JAG Grant 2006	16.579	2006-DJBX-0723	66,815
- JAG Grant 2007	16.579	2007-DJBX-0277	46,332
- JAG Grant 2008	16.579	2008-DJBX-0041	-
Total JAG Grant			<u>119,630</u>
<b>Total U.S. Department of Justice</b>			<b><u>1,280,851</u></b>
<b>U.S. Department of Health &amp; Human Services</b>			
<i>Passed through the County of Los Angeles:</i>			
Title III-C Nutrition	93.045	40324	143,571
<b>Total U.S. Department of Health &amp; Human Services</b>			<b><u>143,571</u></b>
<b>U.S. Department of Agriculture</b>			
<i>Passed through the County of Los Angeles:</i>			
Nutrition Program for the Elderly	10.570	40324	26,981
<b>Total U.S. Department of Agriculture</b>			<b><u>26,981</u></b>
<b>U.S. Department of Education</b>			
<i>Direct program:</i>			
Fund for the Improvement of Education	84.215	74127481	29,887
<b>Total U.S. Department of Agriculture</b>			<b><u>29,887</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 21,131,150</u></b>

\* Denotes Major Program

See accompanying Notes to Schedule of Expenditures of Federal Awards



**City of Pomona**  
**Single Audit Reports**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2008**

---

**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, 2008**

---

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the City.
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 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 expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City are reported in Part C of this Schedule.
7. The programs tested as major programs included:

Major Program	Expenditures
Community Development Block Grant	\$ 4,623,691
HOME Investment Partnerships	2,419,012
Shelter Plus Care + Renewal	559,466
Lead Paint Hazard Control	1,342,184
Federal Equitable Sharing	
Dept of Treasury	235,320
Dept of Justice	573,178
Section 8 - HAVP	9,757,443
<b>Total Major Program Expenditures</b>	<b>\$ 19,510,294</b>
<b>Total Federal Award Expenditures</b>	<b>\$ 21,131,150</b>
<b>Percent of Total Federal Award Expenditures</b>	<b>92.33%</b>

8. The threshold for distinguishing Types A and B programs was \$633,935.
9. The City 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, 2008**

---

**B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2008-1 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, 2008, 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, 2008. As a result of this review, the City identified an error and recorded an adjustment decreasing capital assets, net of accumulated depreciation in the amount of \$3,148,943 as of June 30, 2007.

*Loans receivable* - A receivable in the amount of \$450,000 with the Redevelopment Agency was incorrectly recorded in the prior year. A prior period adjustment was made to correct that error.

During the fiscal year ended June 30, 2008, the City recorded following prior period adjustments in the Fund Financial Statements:

*RDA Capital Projects Fund* - An advance in the amount of \$4,475,000 from the City to the Redevelopment Agency was incorrectly recorded in the prior year. In addition, a loans receivable balance was determined to be incorrectly recorded as well. Prior period adjustments were made to correct these errors.

*General Debt Service Fund* - An advance in the amount of \$4,475,000 to the Redevelopment Agency was incorrectly recorded in the prior year. A prior period adjustment was made to correct that error.

**Questioned Costs**

None.

**Context and Effect**

The City should strengthen controls to ensure that all financial transactions are recorded correctly.

**Recommendation**

We recommend that the City perform a more thorough review of its recording and reviewing process for 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, 2008**

**B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued**

**2008-2 FINANCIAL CONDITION OF THE REDEVELOPMENT AGENCY (Significant Deficiency)**

**Criteria**

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

**Observation**

At June 30, 2008, the Agency had a deficit unrestricted net assets of (\$206,005,804), an increase in the deficit of \$9,345,095 from the prior year, on the Government-Wide Financial Statements, and a deficit fund balance of (\$68,559,271), a decrease in the deficit of \$7,102,328 from the prior year.

The following is the three year trend information of financial condition of the Redevelopment 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)
2008	(97,017,814)	5,547,018	(206,005,804)	(9,345,095)	1,522,018	13,221,125

Fund Financial Statements

	Total Fund Balance (Deficit) (as restated)	\$ Change
2005	\$ (56,733,283)	
2006	(61,854,820)	\$ (5,121,537)
2007	(75,661,599)	(13,806,779)
2008	(68,559,271)	7,102,328

**Questioned Costs**

None.

**Context and Effect**

The Redevelopment Agency's financial condition improved slightly during the fiscal year. There was an increase in net assets and fund balances. However, there are still uncertainties regarding the Redevelopment Agency's ability to conduct future operations. A return to negative financial results will hinder the ability of the Redevelopment Agency to function in a manner for which it was designed. Though the City appears to not be legally obligated for any defaults of Redevelopment Agency Bonds, given the component unit status of the Redevelopment Agency, the City may still be impacted in a negative financial way should Redevelopment Agency operations be disrupted.

**Recommendation**

We recommend that the City continue to review the Redevelopment Agency's financial condition and continue 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, 2008**

---

**B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued**

**2008-3 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.”

In fiscal year 2008, one of the properties was sold to the Pomona Housing Authority of the City (Housing Authority). An additional seven properties held for over ten years were sold to the Housing Authority in fiscal year 2009.

**Condition**

During the performance of our audit for the year ended June 30, 2008, 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 Redevelopment 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 Redevelopment Agency is in compliance with the Guidelines for Compliance Audits of California Redevelopment Agencies and Health & Safety Code Section 33334.16.

**City of Pomona**  
**Single Audit Reports**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2008**

---

**B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued**

**2008-4 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, 2008, we noted that the Redevelopment Agency did not submit the above indicated reports for the year ended 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 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, 2008**

---

**B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT, Continued**

**2008-5 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 nor does there appear to be an oversight review of the capital asset process. This resulted in a material adjustment to the capital assets in the amount of \$3,148,943 as of June 30, 2008.
- b. The City did not record the accumulated depreciation of its general capital assets, including general infrastructure capital assets in the City's general ledger.
- c. The City does not have a written infrastructure capital assets policy. Such a policy would include, for example, estimated useful lives, depreciation 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.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

No findings or questioned costs were noted on the City's major programs.

**City of Pomona**  
**Single Audit Reports**  
**Schedule of Prior Year Audit Findings and Questioned Costs**  
**For the year ended June 30, 2008**

---

**D. SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**

**2007-1 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.