



CITY OF POMONA, CALIFORNIA

JUNE 30, 2016

SINGLE AUDIT REPORT

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CITY OF POMONA, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2016

CITY OF POMONA

JUNE 30, 2016

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INDEPENDENT AUDITORS' 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 the City Council
City of Pomona, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pomona, California, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 25, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

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





CPAs AND ADVISORS

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

City's Response to Findings

The City's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Brea, California
January 25, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURE OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Pomona, California (the City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.



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

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



CPAs AND ADVISORS

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

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pomona, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 25, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lance, Solt & Luyhard, LLP

Brea, California
January 25, 2017

CITY OF POMONA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants/ Entitlement Grants *	14.218	B-08-MN-06-0516 B-11-MN-06-0516 B-15-MC-06-0527	\$ - - 125,540 <u>125,540</u>	\$ 17,348 41,491 1,523,371 <u>1,582,210</u>
Emergency Solutions Grant Program	14.231	E-15-MC-060527	92,930	180,540
Supportive Housing Program	14.235	CA0436L9D001407	125,930	153,879
Shelter Plus Care	14.238	CA0462L9D001407	-	734,504
Home Investment Partnerships Program	14.239	M-11-MC-06-0528 M-12-MC-06-0528 M-13-MC-06-0528 M-14-MC-06-0528 M-15-MC-06-0528	- - - - -	149,715 78,119 299,165 80,257 188,587 <u>795,843</u>
Section 8 Housing Choice Vouchers *	14.871	CA1230014-0028	-	10,990,170
Passed through the Los Angeles County Homeless Service Authority:				
Continuum of Care (Street Outreach) Program *	14.267	CA0358L9D001407	-	201,795
Total U.S. Department of Housing and Urban Development			344,400	14,638,941
<u>U.S. Department of Justice</u>				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0133	-	15,653
Equitable Sharing Program	16.922	N/A	-	1,336,510
Total U.S. Department of Justice			-	1,352,163
<u>U.S. Department of Transportation</u>				
Passed through the State of California				
Department of Transportation:				
Highway Planning and Construction	20.205	STPL-5070(031)	-	391,877
Minimum Penalties for Repeat Offenders for DWI	20.608	PT16121	-	239,563
Minimum Penalties for Repeat Offenders for DWI	20.608	PT1567	-	70,143
			-	309,706
State and Community Highway Safety	20.600	PT16121	-	748
National Priority Safety Programs	20.616	OP1505	-	38,053
National Priority Safety Programs	20.616	OP1602	-	108,193
			-	146,994
Total U.S. Department of Transportation			-	848,577

CITY OF POMONA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of the Treasury</u>				
Direct Program:				
Equitable Sharing Program	21.000	N/A	-	315,041
Total U.S. Department of the Treasury			<u>-</u>	<u>315,041</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through the County of Los Angeles:				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AAA-ENP-1216-012	-	138,784
Total U.S. Department of the Treasury			<u>-</u>	<u>138,784</u>
Total Federal Expenditures			<u>\$ 344,400</u>	<u>\$ 17,293,506</u>

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

CITY OF POMONA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Pomona, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

c. Indirect Cost Rate

The City has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF POMONA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? yes no
- Material weaknesses identified? yes none reported

Noncompliance material to financial
statements noted? yes no

Federal Awards

Internal control over major programs: Unmodified Opinion

- Significant deficiencies identified? yes no
- Material weaknesses identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be
reported in accordance with Title 2 U.S. Code
of Federal Regulations Part 200? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
14.267	Continuum of Care Program
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish
between type A and type B program \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF POMONA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2016-001: Fund Balance Restatements

Material fund balance restatements in the amount of \$748,279 were made to correct the general ledger for Sewer CIP project expenses recorded in the Capital Outlay Fund that were incorrectly capitalized in the Sewer Fund. We recommend that management review the coding of its expenditures before posting to the general ledger to ensure that expenditures are recorded in the proper fund.

Management's Response: and Corrective Action:

This particular restatement is a result of an accounting coding error from FY 2013 and it was identified by Finance Staff during a review of the Sewer Fund's financial statements. This was a unique transaction where the City issued a bond for use in both the General Fund and the Sewer Fund and it required separate tracking for each fund. To date, the bond funds have been fully expended and therefore an instance of this happening again is very unlikely. However, Finance is also in the process of acquiring updated fixed asset software that will assist with the correct posting of fixed assets and provide additional checks and balances to ensure this does not happen in the future.

Finding 2016-002: Cash with Fiscal Agent Reconciliation

During the course of our audit procedures, we noted that cash with fiscal agent was not properly reconciled to the general ledger on a monthly basis. As a result, a material discrepancy was noted during our audit and a journal entry was provided to reconcile cash with fiscal agent. We recommend that monthly reconciliations be performed to ensure that cash transactions are properly reconciled.

Management's Response and Corrective Action:

The City does have a regular practice of reconciling fiscal agent cash on a monthly basis. Due to software constraints, this is a two-step process where the statements are first tied out to the reconciliation and then to the General Ledger. The City recently experienced a large amount of turnover in the Finance Department thus this task changed hands multiple times. This was an isolated error and the Finance Department has continued to implement the checks and balances to ensure that an error such as this does not occur in the future. Additionally, Finance is in the process of acquiring Bank Reconciliation software that will streamline this process and increase accuracy.

CITY OF POMONA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2016-003:

Significant Deficiency
Reporting

- Federal Programs:
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Number: 14.218
Title: Community Development Block Grants/Entitlement Grants
Grantor Number: B-08-MN-06-0516, B-11-MN-06-0516, and B-15-MC-06-0527
- Criteria or specific requirement:
According to the White House's Office of Management and Budget, (1) the submission of interim Federal Financial Reports (FFRs) will be on a quarterly, semi-annual, or annual basis, as directed by the Federal Agency. A final FFR shall be submitted at the completion of the award agreement. The following reporting period end dates shall be used for interim reports: 3/31, 6/30, 9/30, or 12/31. For final FFRs, the reporting period end dates shall be the end date of the project or grant period. The U.S. Department of Housing and Urban Development requires a quarterly FFR using Standard Form 425 (SF-425). (2) Quarterly and semi-annual interim reports shall be submitted no later than 30 days after the end of each reporting period. Final reports shall be submitted no later than 90 days after the project or grant period end date.
- Condition:
The City files their SF-425 FFRs jointly for both the Community Development Block Grants/Entitlement Grants program and the Emergency Solutions Grant Program. For the quarter ended 9/30/15, the FFR was filed on 11/5/15. This was an interim report and not a final report. As such, it is considered filed late.
- Cause:
The City was experiencing personnel changes in the position responsible for filing the reports during the time of filing.
- Effect:
The City was late in filing their 9/30/15 quarterly report.
- Questioned cost:
None.
- Recommendation:
We recommend that the City set procedures to ensure that FFRs are filed in a timely manner.
- Management's Response:
The City has since implemented a master calendar that tracks the due dates for all reports required for all federal grants at the City. No late filings have occurred since September 2015.

CITY OF POMONA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-001:

Significant Deficiency
Reporting

- Federal Programs:
 - Federal Agency: U.S. Department of Housing and Urban Development
 - CFDA Number: 14.218
 - Title: Community Development Block Grants/Entitlement Grants
 - Grantor Number: B-08-MN-06-0516, B-11-MN-06-0516, and B-14-MC-06-0527

 - Federal Agency: U.S. Department of Housing and Urban Development
 - CFDA Number: 14.231
 - Title: Emergency Solutions Grant Program
 - Grantor Number: S-10-MC-06-0527 and E-14-MC-06-0527

- Criteria or specific requirement:

According to the White House's Office of Management and Budget, (1) the submission of interim Federal Financial Reports (FFRs) will be on a quarterly, semi-annual, or annual basis, as directed by the Federal Agency. A final FFR shall be submitted at the completion of the award agreement. The following reporting period end dates shall be used for interim reports: 3/31, 6/30, 9/30, or 12/31. For final FFRs, the reporting period end dates shall be the end date of the project or grant period. The U.S. Department of Housing and Urban Development requires a quarterly FFR using Standard Form 425 (SF-425). (2) Quarterly and semi-annual interim reports shall be submitted no later than 30 days after the end of each reporting period. Final reports shall be submitted no later than 90 days after the project or grant period end date.

- Condition:

The City files their SF-425 FFRs jointly for both the Community Development Block Grants/Entitlement Grants program and the Emergency Solutions Grant Program. For the quarter ended 6/30/15, the FFR was filed on 9/3/15. This was an interim report and not a final report. As such, it is considered filed late.

- Cause:

The City was experiencing personnel changes in the position responsible for filing the reports during the time of filing.

- Effect:

The City was late in filing their 6/30/15 quarterly report.

- Questioned cost:

None.

CITY OF POMONA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2015-001 (Continued):

- Recommendation:
We recommend that the City set procedures to ensure that FFRs are filed in a timely manner.
- Management's Response:
The City had staff shortages due to turnover and resulting reassignments which led to the late filing. The City has implemented procedures to correct this issue going forward.
- Current Status:
A similar instance was noted in fiscal year 2015-16, please refer to finding 2016-001.