

# **City of Pomona**

Pomona, California

## **Single Audit and Independent Auditors' Reports**

*For the Year Ended June 30, 2019*





**City of Pomona  
Single Audit Report  
For the Year Ended June 30, 2019**

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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***

***Independent Auditors' Report***

To the Honorable Mayor and the Members of City Council  
of the City of Pomona  
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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 12, 2020.

**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.

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 City'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that were not identified.

**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*.

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

*The PwC Group, LLP*

Santa Ana, California  
February 12, 2020



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

***Independent Auditors' Report***

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Pomona, California's (the "City") 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' 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; 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* (the "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, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002, 2019-003, 2019-005 and 2019-006. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings 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 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.

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

*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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-003, 2019-004, 2019-005, and 2019-006 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



To the Honorable Mayor and the Members of City Council  
of the City of Pomona  
Pomona, California  
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### **Report on the Schedule of Expenditures of Federal Awards Required by 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 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 12, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 other 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 Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*The PwC Group, LLP*

Santa Ana, California

August 5, 2020, except for the Schedule of Expenditures of Federal Awards, which is as of February 12, 2020.

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**City of Pomona**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

Federal Grantor/Passed through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures	Amounts provided to Subrecipients
<b>U.S. Department of Housing and Urban Development:</b>				
<i>Direct Programs:</i>				
<b>CDBG - Entitlement Grants Cluster:</b>				
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-06-0527	\$ 1,730,126	\$ 82,588
Neighborhood Stabilization Program 3	14.218	Program Income	12,090	-
<b>CDBG - Entitlement Grants Cluster Subtotal</b>			<b>1,742,216</b>	<b>82,588</b>
Emergency Solutions Grants Program	14.231	E-17-MC-060527	79,046	-
Emergency Solutions Grants Program	14.231	E-18-MC-060527	181,281	-
<b>Emergency Solutions Grants Program Subtotal</b>			<b>260,327</b>	<b>-</b>
HOME Investment Partnerships Program	14.239	M-18-MC-06-0528	395,980	-
HOME Investment Partnerships Program	14.239	Program Income	134,596	-
<b>HOME Investment Partnerships Program Subtotal</b>			<b>530,576</b>	<b>-</b>
<b>Housing Voucher Cluster:</b>				
Section 8 Housing Choice Vouchers	14.871	CA123VO	11,414,939	-
<b>Housing Voucher Cluster Subtotal</b>			<b>11,414,939</b>	<b>-</b>
Lead Paint Hazard Control Grant	14.900	CALHB0626-16	394,685	-
Healthy Homes Grant	14.900	CALHB0626-16	96,450	-
<b>Lead-Based Paint Hazard Control in Privately-Owned Housing Program Subtotal</b>			<b>491,135</b>	<b>-</b>
<i>Direct Programs:</i>				
Continuum of Care Program	14.267	CA0462L9D001710	812,614	31,410
Continuum of Care Program	14.267	CA0462L9D001811	283,241	10,640
<i>Passed through Los Angeles Homeless Services Authority:</i>				
Continuum of Care Program	14.267	CA0358L9D001710	89,821	88,974
Continuum of Care Program	14.267	CA0358L9D001811	1,768	-
Continuum of Care Program	14.267	CA1507L9D001601	227,640	216,332
Continuum of Care Program	14.267	CA1507L9D001702	436,183	429,383
<b>Continuum of Care Program Subtotal</b>			<b>1,851,267</b>	<b>776,739</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>16,290,460</b>	<b>859,327</b>
<b>U.S. Department of Justice:</b>				
<i>Direct Programs:</i>				
Equitable Sharing Program	16.922	CA0195500	386,460	-
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0092	61,034	-
<b>Total U.S. Department of Justice</b>			<b>447,494</b>	<b>-</b>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**City of Pomona**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2019**

Federal Grantor/Passed through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures	Amounts provided to Subrecipients
<b>U.S. Department of Transportation:</b>				
<b>Highway Planning and Construction Cluster:</b>				
<i>Passed through State of California Department of Transportation:</i>				
Highway Planning and Construction	20.205	ATPL-5070(032)	105,054	-
Highway Planning and Construction	20.205	HSIPL-5070(034)	23,994	-
<b>Total Highway Planning and Construction Cluster</b>			<b>129,048</b>	<b>-</b>
<i>Passed through State of California Office of Traffic Safety:</i>				
Minimum Penalties for Offenders for Driving While Intoxicated	20.608	PT18117	42,890	-
Minimum Penalties for Offenders for Driving While Intoxicated	20.608	PT19093	178,791	-
<b>Total Minimum Penalties for Offenders for Driving While Intoxicated</b>			<b>221,681</b>	<b>-</b>
<b>Highway Safety Cluster:</b>				
<i>Passed through State of California Office of Traffic Safety:</i>				
State and Community Highway Safety	20.600	PT18117	50,109	-
State and Community Highway Safety	20.600	PT19093	74,538	-
<b>Total State and Community Highway Safety</b>			<b>124,647</b>	<b>-</b>
National Priority Safety Programs	20.616	OP18013	46,015	-
National Priority Safety Programs	20.616	OP19008	92,228	-
<b>Total National Priority Safety Programs</b>			<b>138,243</b>	<b>-</b>
<b>Total Highway Safety Cluster</b>			<b>262,890</b>	<b>-</b>
<b>Total U.S. Department of Transportation</b>			<b>613,619</b>	<b>-</b>
<b>U.S. Department of Health and Human Services:</b>				
<b>Aging Cluster:</b>				
<i>Passed through County of Los Angeles Community and Senior</i>				
Special Programs for the Aging--Title III, Part C--Nutrition Services	93.045	AAA-ENP-162009	124,342	-
<b>Total Aging Cluster</b>			<b>124,342</b>	<b>-</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>124,342</b>	<b>-</b>
<b>U.S. Department of Homeland Security:</b>				
<i>Passed through County of Los Angeles</i>				
Homeland Security Grant Program (HSGP) - FY2016	97.067	EMW-2016-SS-00102	602,869	-
<b>Total U.S. Department of Homeland Security</b>			<b>602,869</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 18,078,784</b>	<b>\$ 859,327</b>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**City of Pomona**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

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**Note 1 – Reporting Entity**

The financial reporting entity consists of the primary government, the City of Pomona, California (the “City”), the 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:

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Accounting***

Funds received under the various grant programs have been recorded within the special revenue and capital projects funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City’s basic financial statements.

***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 assistances passed through the State of California, Los Angeles Homeless Services Authority, and the County of Los Angeles, are included in the Schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

***Indirect Cost Rate***

The City did not elect to use the 10% de minimis cost rate.

**City of Pomona**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? 2019-002
- Significant deficiency(ies) identified? 2019-001, 2019-003,  
2019-004, 2019-005  
2019-006

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
14.218	CDBG - Entitlement Grants Cluster	\$ 1,742,216
14.267	Continuum of Care Program	1,851,267
14.871	Housing Voucher Cluster	11,414,939
16.922	Equitable Sharing Program	386,460
<b>Total Expenditures of All Major Federal Programs</b>		<b>\$ 15,394,882</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$ 18,078,784</b>
<b>Percentage of Total Expenditures of Federal Awards</b>		<b>85.15%</b>

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

Auditee qualified as low-risk auditee under 2 CFR 500.520? No

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section II – Financial Statements Findings**

**A. Current Year Findings and Questioned Costs – Financial Statement Findings**

No current year findings were noted.

**B. Prior Year Findings and Questioned Costs – Financial Statement Findings**

No prior year findings were noted.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit**

**2019-001 Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Internal Control over Program Expenditures**

**Identification of the Federal Program:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	14.871
CFDA Title:	Section 8 Housing Choice Voucher Program
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA123VO

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	U.S. Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA0195500

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

2 CFR section 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards. 2 CFR section 200.514 requires auditors to obtain an understanding of the non-Federal entity’s internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs, and, unless internal control is likely to be ineffective, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program and perform testing of internal control as planned.

**Condition:**

During our audit on the Section 8 Housing Choice Voucher Program, we noted four out of forty samples selected for testing were missing department head approvals on the vendor invoices. Furthermore, we noted one out of forty samples selected for testing was mistakenly charged to the grant, which was subsequently corrected after our testing.

During our audit on the Equitable Sharing Program, we noted two out of ten samples selected for testing were missing the Asset Seizure Expenditure Request form, which was used by the City to obtain proper approvals for purchases.



**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-001 Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Internal Control over Program Expenditures (Continued)**

**Cause:**

At the beginning of the fiscal year, the City changed its invoice approval and payment process from physically filling out the Demand for Payment to on-line approvals. During the transition period, departments were adapting to the new process and some invoices were not appropriately approved. Furthermore, the City did not have an adequate internal control to ensure Asset Seizure Expenditure Request Form were prepared and approved before the purchase was made due to the turnover of staff at the responsible department.

**Effect or Potential Effect:**

Without proper approval, expenditures charged to the federal awards may be for unallowed activities/costs.

**Questioned Costs:**

None noted.

**Context:**

We selected 40 nonpayroll charges out of over 250 nonpayroll charges, and 10 nonpayroll charges out of 104 nonpayroll charges for the Section 8 Housing Vouchers Program and the Equitable Sharing Program, respectively.

**Identification as a Repeat Finding, If Applicable:**

Not applicable.

**Recommendation:**

We recommended the City timely inform departments the changes on the internal control procedures and policies to ensure the departments properly follow the new procedures and policies. In addition, we recommended the City enhance the internal control procedures to ensure the Asset Seizure Expenditure Request is properly prepared and approved prior to procuring goods or services.

**View of Responsible Officials:**

The City's process to pay invoices against Purchase Orders changed during the fiscal year. The physical approval of the invoices was an oversight during the process of transition. Procedures have been put in place to ensure all required signatures are obtained prior to payment.

The Police Department is aware of the requirement for approval prior to use of Asset Forfeiture funds. The Asset Seizure form mentioned is an internally generated document and is not required by DOJ. The City will continue to use the form and ensure it is completed prior to use of funds.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-002 Allowable Costs/Cost Principles– Internal Control and Compliance over Payroll Expenditures**

**Identification of the Federal Programs:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	14.218
CFDA Title:	CDBG - Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	B-18-MC-06-0527

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Total salaries charged to Federal awards (including extra service pay) are subject to the Standards of Documentation as described by 2 Code of Federal Regulations (“CFR”) §200.430(i). Per this section, salaries and wages charged to Federal awards must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization’s official records;
- Reasonably reflect the total activity for which the employee is compensating across all grant related and non-grant related activities (100% effort);
- Support the distribution of employee salary across multiple activities or cost objectives (for example, effort spent on multiple federal awards, spent on general/or administrative activities, vacation, sick leave, leave without pay, etc.); and
- Utilize an "after-the-fact" review of the employee’s actual hours worked during the reporting period for identifying and correcting significant changes (as defined by the organization’s written policies).

**Condition:**

During our testing on the payroll related expenditures, we noted some inconsistency in payroll cost charged to the programs:

- CDBG – Entitlement Grants: We noted: 1) Eight administrative employees charged to the grant based on the adopted budget instead of actual hours worked. 2) Non-administrative employees charged their regular hours based on the actual hours worked. However, their leave hours and other benefit payments were allocated based on the percentage adopted by budget. 3) For three out of forty samples selected for testing, allocations were not consistently applied either by the actual hours worked or the adopted budget.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-002 Allowable Costs/Cost Principles – Internal Control and Compliance over Payroll Expenditures (Continued)**

**Cause:**

The allocation method of leave hours and certain benefit payments were set up in the system based on the adopted budget percentage. The system set-up made it difficult to adjust the allocation method per pay period. However, the City did not have procedures to adjust between the adopted budget and the actual hours worked to update allocation method/plan.

**Effect or Potential Effect:**

The City did not comply with programs' requirements for allowable costs. There is an increased risk that employees' compensation charged to the program may not have represented an actual time and/or effort expended on the programs' activities.

**Questioned Costs:**

Cannot be reasonably determined.

**Context:**

We selected 40 payroll charges out of over 250 payroll charges for our testing.

**Identification as a Repeat Finding, If Applicable:**

It is a repeat finding from prior year finding 2018-001.

**Recommendation:**

We recommended the City follow its payroll allocation policies and Uniform Guidance when charging payroll costs to federal awards.

**View of Responsible Officials:**

For the Federal CDBG Program, employee's document actual time spent on eligible activities through time/activity log sheets. Time/activity logs support the distribution of the employee's salary across multiple activities and cost objectives. Timesheets correspond to the time/activity logs. Vacation, sick leave, holidays, etc. are noted based on a current payroll allocation method as there are no actual hours worked to note on the time/activity logs. Going forward the City will consistently apply the allocation of time and benefits.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-003 Equipment/Real Property Management – Internal Control and Compliance over Physical Inventory of Equipment**

**Identification of the Federal Programs:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	U.S. Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA0195500

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Pursuant to CFR Title 2, Chapter II, Section 200.313 Equipment, (2) a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years and (3) a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

**Condition:**

During our testing of equipment management, we noted:

- Inventory counts were not performed in a timely manner. Inventory counts were performed on October 17, 2019 for the equipment purchased.
- No indication of proper approvals on inventory count sheets.

**Cause:**

The City developed the internal control policy over physical inventory during the later part of the fiscal year and the count was not performed until after the end of the fiscal year.

**Effect or Potential Effect:**

Equipment purchased with federal funds would not be properly safeguarded and cause noncompliance with federal law.

**Questioned Costs:**

None noted.

**Context:**

See condition above for context of the finding.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-003 Equipment/Real Property Management – Internal Control and Compliance over Physical Inventory of Equipment (Continued)**

**Identification as a Repeat Finding, If Applicable:**

It is a repeat finding from prior year finding 2018-002.

**Recommendation:**

We recommended the City follow its internal control procedures and timely perform the physical inventory every two years as well as review and sign off the physical inventory count and reconciliation to ensure that the equipment purchased with the Equitable Sharing Program are fully accounted for.

**View of Responsible Officials:**

The Police Department currently maintains a listing of items purchased with asset forfeiture funds and understood that additional information was required to be tracked to be compliant with the federal guidelines. The process was not implemented in time for the Police Department to correct the finding. The Police Department Staff will work to implement procedures that will maintain an inventory listing of all items purchased with federal funds and inspect the inventory according to federal guidelines. The finding was discovered in FY 18/19 for the FY 17/18 Single Audit. Naturally this finding would be carried over since half the fiscal year was underway.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-004 Procurement and Suspension, and Debarment – Internal Control over Verification Against the System for Award Management (“SAM”)**

**Identification of the Federal Program:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA0195500

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Suspension and Debarment, Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (Note: The OMB guidance at 2 CFR part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

**Condition:**

During our audit, we noted that the City did not timely perform and maintain documentation on verifying the vendors against the SAM to ensure that they were not suspended or debarred from federally-funded purchases.

**Cause:**

Due to the management turnover, the City does not have adequate internal control to perform and maintain documentation on the suspension or debarment check over vendors that provide goods or services to the City’s federally-funded programs.

**Effect or Potential Effect:**

Without verifying whether vendors are suspended or debarred from working on federally-funded projects, the City could be contracting with vendors that are prohibited from providing goods or services to federally-funded programs.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-004 Procurement and Suspension, and Debarment – Internal Control over Verification Against the System for Award Management (“SAM”) (Continued)**

**Questioned Costs:**

None noted.

**Context:**

See condition above for context of the finding.

**Identification as a Repeat Finding, If Applicable:**

It is a repeat finding from prior year finding 2018-003.

**Recommendation:**

We recommended that the Program enhance internal control procedures to timely verify vendors against the SAM in order to ensure vendors are not suspended or debarred from federally-funded purchases.

**View of Responsible Officials:**

The City’s Purchasing code Sec 2-976 requires the checking of debarred vendors prior to using federal funds. The Police Department has been educated on the required procedures and will work prudently to ensure the code is followed.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-005 Reporting – Internal Control and Compliance over Reporting**

**Identification of the Federal Programs:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	14.871
CFDA Title:	Section 8 Housing Choice Voucher Program
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA123VO

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA0195500

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Under the Uniform Financial Reporting Requirements (UFRS), PHAs are required to submit their financial data electronically in a manner prescribed by HUD. PHAs administering the HCV program must submit their Annual Financial Statements through the Financial Assessment Sub-System for Public Housing (FASS-PH) or commonly known as the Financial Data Schedule (FDS). And, their monthly leasing and cost data must be submitted through the Voucher Management System (VMS). Failure to do so by the deadlines required by HUD may result in a withholding or a permanent reduction to a PHA’s administrative fees in accordance with 24 CFR § 982.152. August 31 is the due date of Annual Unaudited Financial Submission Report.

In accordance with the Guide to Equitable Sharing for State & Local Law, the grantee shall have reporting controls in place to ensure 1) maintain a record of all expenditures from the revenue account or account code, 2) the expenditures must be in accordance with eligible items, 3) issue quarterly and yearly reports that detail the actual amounts and uses of the federal asset sharing funds and property within their jurisdictions, and 4) submit annual Equitable Sharing Agreement and Certification form (“ESAC”). Agencies must submit the ESAC within two months after the end of their fiscal year. No extensions to this deadline will be granted.

**Condition:**

During our testing, we noted the programs financial reporting was not submitted in a timely manner. The fiscal year 2019 Annual Unaudited Financial Submission Report for Section 8 Housing Choice Voucher Program was submitted on September 12, 2019. The fiscal year 2019 ESAC was submitted on January 31, 2020. Due dates for the 2019 Annual Unaudited Financial Submission Report and the fiscal year 2019 ESAC were August 31, 2019 and August 30, 2019, respectively.



**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-005 Reporting – Internal Control and Compliance over Reporting (Continued)**

**Cause:**

The City does not have sufficient monitoring control over the reporting requirements.

**Effect or Potential Effect:**

The delay in filing the report resulted in noncompliance.

**Questioned Costs:**

None noted.

**Context:**

See condition above for context of the finding.

**Identification as a Repeat Finding, If Applicable:**

It is a repeat finding from prior year finding 2018-004

**Recommendation:**

We recommended that the City follows its policies and procedures and specify the deadlines for all required reporting for all City employees to follow.

**View of Responsible Officials:**

The City is aware of the due for Annual Unaudited Financial Submission Report for Section 8 Housing Choice Voucher Program. The City submitted it late due to turnover in staff. Informal procedures have been put into place to ensure a timely submission going forward.

The Police Department acknowledges they submitted the ESAC late. Informal procedures have been put in place to ensure timely submission.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-006 Special Tests and Provision – Internal Control and Compliance over Housing Quality Standards Enforcement**

**Identification the Federal Program:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	14.871
CDFA Title:	Section 8 housing Choice Vouchers
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA123VO

**Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):**

Pursuant to the Uniform Guidance August 2019 Compliance Supplement, Housing Voucher Cluster, Housing Quality Standards (“HQS”) Enforcement:

For units under Housing Assistance Payment (“HAP”) contract that fail to meet HQS, the Public Housing Agency (“PHA”) must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family’s failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

**Condition:**

During our audit, we noted that seventeen of forty samples selected for HQS deficiencies did not meet the 30 calendar days correction requirement.

**Cause:**

The City did not have sufficient monitoring control over the HQS Enforcement compliance requirement.

**Effect or Potential Effect:**

The City was not in compliance with the HQS Enforcement compliance requirement. In addition, the HQS may not be timely corrected and the City could have continued paying unallowable HAP to those recipients failed to correct the HQS.

**Questioned Costs:**

\$5,735 know questioned costs and the projected questioned costs were \$131,905 based on the total units receiving rents (920) divided by 40 samples tested times \$5,735 known costs.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2019-006 Special Tests and Provision – Internal Control and Compliance over Housing Quality Standards Enforcement (Continued)**

**Context:**

See condition above for context of the finding.

**Identification as a Repeat Finding, If Applicable:**

It is a repeat finding from prior year finding 2018-005

**Recommendation:**

We recommended the City enhance its internal control over the HQS compliance requirements.

**View of Responsible Official:**

Effective September 2019, the Housing Authority updated its Administrative Plan outlining the policies and procedures for carrying out the program requirements including Housing Quality Standards (HQS).

Prior Year audit found that all inspections not meeting HQS were assigned to one inspector. The one Inspector was provided with technical assistance to ensure that units meet Housing Quality Standards within the required time frame. However, this years' audit found that all inspections not meeting HQS were assigned to another inspector. On November 20, 2019, both Inspectors were provided with a three day training by industry trainer on all Inspection processes. Inspectors were tested and certified.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit**

**2018-001 Allowable Costs/Cost Principles– Internal Control and Compliance over Payroll Expenditures**

**Identification the Federal Program:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	14.871
CFDA Title:	Section 8 housing Choice Vouchers
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA123VO – FY15-16

**Condition:**

We determined the City did not comply with federal requirements for direct payroll charges. Payroll costs for all three employees tested were allocated to programs based on percentages provided by management. These allocations were not supported by approved time samples or updated cost allocation methods/plan, nor were they reconciled to actual time spent on the various programs. Employee timesheets did not record the actual labor efforts expended on this grant.

**Recommendation:**

We recommended the City comply with federal regulation requiring that any employee funded by federal grant document the actual time they spend working on the grant’s objectives. Documentation must reflect “actual” time spent by employees on awards being charged. The City should develop and implement policies and procedures that ensure that employees’ compensation charged to federal programs reflect a contemporaneous or after-the-fact distribution of employees’ actual time and effort expended on federal programs.

**Current Status:**

See current year finding 2019-002.

**2018-002 Equipment/Real Property Management – Internal Control and Compliance over Physical Inventory of Equipment**

**Identification the Federal Program:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA0195500

**Condition:**

During our testing of equipment management, we noted that there was no documentation of the inventory count and reconciliation to the property records performed for equipment purchased with Equitable Sharing Program.

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2018-002 Equipment/Real Property Management – Internal Control and Compliance over Physical Inventory of Equipment (Continued)**

**Recommendation:**

We recommended the City establish and follow appropriate internal control procedures of requiring knowledgeable staff perform, review and sign off the physical inventory count and reconciliation to ensure that the equipment purchased with the Equitable Sharing Program are fully accounted for.

**Current Status:**

See current year finding 2019-003.

**2018-003 Procurement and Suspension, and Debarment – Internal Control and Compliance over Verification Against the System for Award Management (“SAM”)**

**Identification the Federal Program:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA0195500

**Condition:**

During our audit, we noted that the City did not perform and maintain documentation on verifying the vendors against the SAM to ensure that they were not suspended or debarred from federally-funded purchases.

**Recommendation:**

We recommend that the Program establish proper internal control procedures to verify vendors against the SAM in order to ensure vendors are not suspended or debarred from federally-funded purchases.

**Current Status:**

See current year finding 2019-004.

**2018-004 Reporting – Internal Control and Compliance over Reporting**

**Identification the Federal Program:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA0195500

**City of Pomona**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**2018-004 Reporting – Internal Control and Compliance over Reporting (Continued)**

**Condition:**

During our testing, we noted that the beginning and ending balances from the Equitable Sharing Agreement and Certification (the “Certification”) does not agree to the general ledger. The beginning and ending balances on the Certification were higher than the general ledger \$50,297 and \$12,550, respectively. In addition, the expenditure did not reconcile to the Certification in the amount of \$27,553, in which the Certification has higher amount.

**Recommendation:**

We recommended the City develop policies and procedures on reconciling all the amounts reported in the Certification to the general ledger and have knowledgeable City staff review the Certification and reconciliation to ensure the accuracy.

**Current Status:**

See current year finding 2019-005.

**2018-005 Special Tests and Provision – Internal Control and Compliance over Housing Quality Standards Enforcement**

**Identification the Federal Program:**

Catalog of Federal Domestic Assistance (CFDA”) Number:	14.871
CFDA Title:	Section 8 housing Choice Vouchers
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA123VO – FY15-16

**Condition:**

During our audit, we noted that 1 of 5 samples selected for life threatening deficiencies testing did not meet the 24 hours correction requirement. We also noted that 6 of 35 samples selected for all other HQS deficiencies did not meet the 30 calendar days correction requirement.

**Recommendation:**

We recommended the City establish a comprehensive policies and procedures to meet the HQS compliance requirements.

**Current Status:**

See current year finding 2019-006.