



CITY OF POMONA
JUNE 30, 2020

SINGLE AUDIT REPORT

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CITY OF POMONA, CALIFORNIA

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2021.

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) as a basis for designing 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 reported on the accompanying schedule of findings and questioned costs as reference numbers 2020-001 and 2020-02 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 financial statements. 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 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 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 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 & Luyhard, LLP

Brea, California
March 25, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES 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 (the City), California'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, 2020. 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.

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, 2020.





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 items 2020-003. Our opinion on each major federal program is not modified with respect to this matter.

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 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 a 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.

Report on 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, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 25, 2020, which contained unmodified opinions 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 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



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

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, Soll & Lughard, LLP

Brea, California

June 23, 2021 (except for the Schedule of Expenditures of Federal Awards which is as of
March 25, 2021)

CITY OF POMONA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Award Number	Pass-Through Grantor's Number	Program Expenditures	Passed Through to Subrecipients
<u>CDBG - Entitlement Grants Cluster *</u>					
<u>U.S. Department of Housing and Urban Development</u>					
Direct Assistance:					
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0527	N/A	\$ 1,970,058	\$ 87,218
CDBG Loans Program	14.218		N/A	1,550,072	-
Neighborhood Stabilization Program 3	14.218	Program Income	N/A	302,728	-
Neighborhood Stabilization Loans Program	14.218		N/A	289,200	-
Total CDBG - Entitlement Grants Cluster				4,112,058	87,218
<u>Housing Voucher Cluster *</u>					
<u>U.S. Department of Housing and Urban Development</u>					
Direct Assistance:					
Section 8 Housing Choice Vouchers	14.871	CA123VO	N/A	13,588,458	-
Mainstream Vouchers	14.879		N/A	172,010	-
Total Housing Voucher Cluster				13,760,468	-
<u>Highway Planning and Construction Cluster</u>					
<u>U.S. Department of Transportation</u>					
Passed through State of California Department of Transportation Highway Planning and Construction	20.205	HSIPL-5070(034)	70329025	26,687	-
Total Highway Planning and Construction Cluster				26,687	-
<u>Highway Safety Cluster</u>					
<u>U.S. Department of Transportation</u>					
Passed through State of California Office of Traffic Safety State and Community Highway Safety	20.600	PT19093	965053908	100,177	-
State and Community Highway Safety	20.600	PT20107	965053908	189,174	-
Total State and Community Highway Safety				289,351	-
National Priority Safety Programs	20.616	OP19008	965053908	52,464	-
National Priority Safety Programs	20.616	OP19009	965053908	79,979	-
Total National Priority Safety Programs				132,443	-
Total Highway Safety Cluster				421,794	-
<u>Aging Cluster</u>					
<u>U.S. Department of Health and Human Services</u>					
Passed through County of Los Angeles Workforce Development, Aging and Community Services					
Nutrition Services Incentive Program	93.053	AAA-ENP-162009	98620180	17,999	-
Passed through County of Los Angeles Community and Senior Special Programs for the Aging - Title III, Park C--Nutrition Services	93.045	AAA-ENP-162009	14975041	176,955	-
Total Aging Cluster				194,954	-
<u>Other Programs</u>					
<u>U.S. Department of Housing and Urban Development</u>					
Direct Assistance:					
Emergency Solutions Grants Program	14.231	E-18-MC-060527	N/A	46,803	-
Emergency Solutions Grants Program	14.231	E-19-MC-060527	N/A	138,421	-
Total Emergency Solutions Grants Program				185,224	-
HOME Investment Partnerships Program*	14.239	M-19-MC-06-0528	N/A	1,534,773	-
HOME Loans Program	14.239		N/A	15,319,392	-
Total HOME Investment Partnership Program				16,854,165	-
Lead Paint Hazard Control Grant*	14.900	CALHB0626-16	N/A	399,763	-
Healthy Homes Grant*	14.900	CALHB0750-19	N/A	158,383	-
Total Lead-Based Paint Hazard Control in Privately-Owned Housing Program				558,146	-
Continuum of Care Program	14.267	CA0462L9D001811	N/A	1,239,456	31,360
Passed through Los Angeles Homeless Services Authority					
Continuum of Care Program	14.267	CA1507L9D001702	837100361	576,735	132,888
Continuum of Care Program	14.267	CA0358L9D001811	837100361	282,002	274,942
Total Continuum of Care Program				2,098,193	439,190
Total U.S. Department of Housing and Urban Development				19,695,728	439,190
<u>U.S. Department of Justice</u>					
Direct Assistance:					
Equitable Sharing Program	16.922	CA0195500	N/A	320,538	-
Edward Bryne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0092	N/A	329	-
Edward Bryne Memorial Justice Assistance Grant	16.738	2017-DJ-BX-0340	N/A	10,424	-
Edward Bryne Memorial Justice Assistance Grant	16.738	2019-DJ-BX-0760	N/A	6,444	-
Total U.S. Department of Justice				337,735	-
Total Other Programs				20,033,463	439,190
Total Expenditures of Federal Awards				\$ 38,549,424	\$ 526,408

* Major Program

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Note 2: Federal Loan Programs with Compliance Requirements

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the accompanying schedule. The balance of loans outstanding with compliance requirements at June 30, 2020, consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Balance at June 30, 2020</u>
14.218	CDBG Loans Program	\$ 1,545,013
14.218	Neighborhood Stabilization Loans Program	289,200
14.239	HOME Loans Program	<u>16,158,520</u>
Total loans subject to continuing compliance requirements		<u>\$ 17,992,733</u>

CITY OF POMONA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

• Significant deficiencies identified? yes none reported

• Material weaknesses identified? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

• Significant deficiencies identified? yes none reported

• Material weaknesses identified? yes no

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	CDBG – Entitlement Grants Cluster
14.871	Housing Choice Voucher Cluster
14.239	HOME Investment Partnership Program
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing Program

Dollar threshold used to distinguish between type A and type B program \$1,156,483

Auditee qualified as low-risk auditee? yes no

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

Construction in Progress Adjustment

Reference Number: 2020-001

Condition:

A restatement was required in the Governmental Activities as the result of the City capitalizing costs related to pollution remediation. The removal of these prior period cost incorrectly capitalized required a restatement in the amount of (\$3,532,586).

Criteria:

Costs related to pollution remediations, which are returning land back to its original state should not be capitalized.

Cause of Condition:

Incorrect capitalization of costs for remediation.

Effect or Potential Effect of Condition:

Capitalization of costs related to pollution remediation totaled \$3,532,586, which will reduce the net position in the Governmental Activities.

Recommendation:

The City should ensure appropriate review by management occurs with all costs identified to be capitalized. All costs should be reviewed by management to ensure they meet the City's capitalization policy and are eligible costs to be capitalized in line with generally accepted accounting principles.

Management's Response and Corrective Action:

Management reviews the capitalization of assets on an annual basis. We will ensure going forward that any costs related to pollution remediation are not capitalized.

Fuel Inventory Adjustment

Reference Number: 2020-002

Condition:

A material journal entry was required during the audit to correct fuel inventory in the Equipment Maintenance fund. This was the result of the fuel inventory not being reconciled as of June 30, 2020. An adjustment in the amount of \$850,434 was required to correct fuel inventory balance.

Criteria:

Reconciliation of fuel inventory should be in line with City policy and generally accepted accounting principles. Inventory asset should not include fuel that has already been utilized.

Cause of Condition:

No reconciliation was performed during the year end closing process.

Effect or Potential Effect of Condition:

Inventory assets were overstated and required a material journal entry in the amount of \$850,434 to adjust to proper inventory balance at June 30, 2020.

CITY OF POMONA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Recommendation:

Management should ensure all reconciliations are performed during the year end closing process. Management should review trial balance and perform analytical procedures while also maintaining an organized yearend close process with documentation to help prevent inaccurate reporting information.

Management's Response and Corrective Action:

The City has mechanisms in place to ensure all necessary year-end adjustments are made. Due to the pandemic and the shutdowns, it was increasingly difficult to ensure all the mechanisms were working and being utilized.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Reference Number: 2020-003

Condition:

During our testing, we noted the programs financial reporting was not submitted in a timely manner. The fiscal year 2020 Annual Unaudited Financial Submission Report for Section 8 Housing Choice Voucher Program was submitted on January 5, 2021.

Criteria:

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). 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. The normal due date is August 31st; however, HUD extended the due date to October 30, 2020 for Fiscal Year Ending June 30, 2020 for the Annual Unaudited Financial Submission Report.

Cause of Condition:

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

Effect or Potential Effect of Condition:

The delay in filing the report resulted in noncompliance.

Recommendation:

This is a repeat finding. (See reference 2019-005). We recommend that the City implement deadlines for all required reports to ensure timely filing of the reports.

Management's Response and Corrective Action:

The City acknowledges the late submission of the unaudited REAC report to HUD. The report was delayed due to the late filing of the prior year's report. The prior year's filing was late due to complications with the reporting of new funding sources. The City was in constant contact with HUD during this process of updating the report and HUD was aware of the late filing. The City has since implemented internal control measures to prevent late filings in the future.

THE CITY OF
POMONA

Finance Department

Andrew Mowbray
Finance Director



**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reference Number: 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

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.

Criteria:

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.

CITY OF POMONA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Cause of Condition:

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 of Condition:

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

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.

Management's Response:

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.

Current Status:

Corrected. No similar instances noted in the current fiscal year.

Reference Number: 2019-002

Allowable Costs/Cost Principles– Internal Control and Compliance

Identification of the Federal Program:

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

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 PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Criteria:

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).

Cause of Condition:

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 of Condition:

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.

Recommendation:

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

Management's Response:

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.

Current Status:

Corrected. The City is now charging salaries and benefits based on employee actual time worked on the CDBG program.

CITY OF POMONA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Reference Number: 2019-003

Equipment/Real Property Management – Internal Control and Compliance over Physical Inventory of Equipment

Identification of the Federal Program:

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

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.

Criteria:

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.

Cause of Condition:

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 of Condition:

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

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.

Management’s Response:

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 PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Current Status:

Corrected. The City has created and implemented policies and procedures to perform a physical inventory of assets purchased with Asset Seizure monies. This includes performing the physical inventory every two years and ensuring adequate safeguards for the assets.

Reference Number: 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: U.S. 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 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.

Criteria:

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 non-procurement 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 non-procurement 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).

Cause of Condition:

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 of Condition:

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 PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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.

Management's Response:

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.

Current Status:

Corrected. No similar instances noted in the current fiscal year.

Reference Number: 2019-005

Internal Control and Compliance over Reporting

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

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.

Criteria:

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

CITY OF POMONA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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.

Cause of Condition:

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

Effect of Condition:

The delay in filing the report resulted in noncompliance.

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.

Management's Response:

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.

Current Status:

The fiscal year 2020 Annual Unaudited Financial Submission Report for Section 8 Housing Choice Voucher Program was submitted on January 5, 2021 when the due date was October 30, 2020. See reference number 2020-003.

Reference Number: 2019-006

Special Tests and Provision – Internal Control and Compliance over Housing Quality Standards Enforcement

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

Condition:

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

Criteria:

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

CITY OF POMONA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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).

Cause of Condition:

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

Effect of Condition:

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.

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.

Management’s Response:

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.

Current Status:

Corrected. No similar instances noted in the current year.