



CITY OF WEST COVINA
AUDIT COMMITTEE

WEDNESDAY, APRIL 10, 2019, 6:00 PM
SPECIAL MEETING

WEST COVINA CITY HALL
MANAGEMENT RESOURCE CENTER (MRC) ROOM 314
WEST COVINA, CALIFORNIA 91790

AGENDA

James Grivich, Chair
Marsha Solorio, Vice Chair
Dario Castellanos, Audit Committee Member
David Lin, Audit Committee Member
Colleen Rozatti, Audit Committee Member
Jessica Shewmaker, Audit Committee Member
Vacant, Audit Committee Member

AMERICANS WITH DISABILITIES ACT

The Committee complies with the Americans with Disabilities Act (ADA). If you will need special assistance at Committee Meetings, please call (626) 939-8433 (voice) or (626) 960-4422 (TTY) from 8:00 a.m. to 5:00 p.m. Monday through Thursday, at least 48 hours prior to the meeting to make arrangements.

AGENDA MATERIAL

Agenda material is available for review at the West Covina City Clerk's Office, Room 317 in City Hall, 1444 W. Garvey Avenue and at www.westcovina.org. Any writings or documents regarding any item on this agenda not exempt from public disclosure, provided to a majority of the Commission that is distributed less than 24 hours before the meeting, will be made available for public inspection in the City Clerk's Office, Room 317 of City Hall during normal business hours.

PUBLIC COMMENTS

ADDRESSING THE AUDIT COMMITTEE MEMBERS

Any person wishing to address the Committee on any matter listed on the agenda or on any other matter within their jurisdiction should complete a speaker card that is provided at the entrance to the Council Chambers and submit the card to the Committee Secretary

Please identify on the speaker card whether you are speaking on an agenda item or non-agenda. Requests to speak on agenda items will be heard prior to requests to speak on non-agenda items. All comments are limited to three (3) minutes per speaker.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

ORAL COMMUNICATIONS - Three (3) minutes per speaker

Please state your name and city of residence for the record when recognized by the Committee Chair.

APPROVAL OF MEETING MINUTES

- 1) **MARCH 14, 2019, SPECIAL AUDIT COMMITTEE MEETING MINUTES**

It is recommended that the Audit Committee receive and file the Minutes of the Special Audit Committee Meeting on March 14, 2019.

REPORTS

2) **SINGLE AUDIT REPORT ON FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018**

It is recommended that the Audit Committee receive and file the Single Audit Report on Federal Awards for the year ended June 30, 2018.

NEW BUSINESS

Responsibilities of Finance Committee

ADJOURNMENT



AGENDA STAFF REPORT

City of West Covina

DATE: 04/10/2019
TO: Audit Committee
FROM: Mark Baxter, Acting Finance Director
SUBJECT: MARCH 14, 2019, SPECIAL AUDIT COMMITTEE MEETING MINUTES

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Minutes of the Special Audit Committee Meeting on March 14, 2019.

Prepared by: Valerie Gonzales, Administrative Assistant I

Additional Approval: Mark Baxter, Acting Finance Director

Attachments

Attachment No. 1 - March 14, 2019 Minutes

CITY OF WEST COVINA

AUDIT COMMITTEE

MINUTES

SPECIAL MEETING

THURSDAY, MARCH 14, 2019 5:00 p.m.

The special meeting of the Audit Committee was called to order at 5:05 p.m. in the M.R.C. Vice Chair Marsha Solorio led the Pledge of Allegiance.

ROLL CALL

Present: Chair James Grivich
Vice Chair Marsha Solorio
Committee Member Dario Castellanos
Committee Member Jessica Shewmaker
Committee Member David Lin
Committee Member Colleen Rozatti
Committee Member Vacant

Absent:

Staff Present: Accounting Manager Todd H. Owens, Accounting Technician Renee Chavez, Acting City Manager Nikole Bresciani

ORAL COMMUNICATIONS

No oral communication.

1. APPROVAL OF JUNE 28, 2018, SPECIAL AUDIT COMMITTEE MINUTES

A Motion was given by Rozatti and seconded by Castellanos to approve the Special Audit Committee minutes of the June 28, 2018 meeting. Motion carried by a vote 5-1 abstain.

2. APPROVAL OF MARCH 7, 2019, SPECIAL AUDIT COMMITTEE MINUTES

A Motion was given by Lin and seconded by Castellanos to approve the Special Audit Committee minutes of the March 7, 2019 meeting. Motion carried by a vote 6-0.

Handouts were distributed Todd Owens, James Grivich, and David Lin

3. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND OTHER RELATED REPORTS FOR THE YEAR ENDED JUNE 30, 2018

RECOMMENDATION:

It is recommended that the Audit Committee submit to the City Council the following letters and financial reports for the year ended June 30, 2018:

- Comprehensive Annual Financial Report;
- Government Auditing Standards Letter;
- Audit Communication Letter;
- West Covina Housing Authority Fund Financial Report;
- West Covina Housing Authority Fund Addendum to the Annual Progress Report; and
- Air Quality Improvement Fund Financial Statements

Todd Owens, Accounting Manager, distributed a handout of an excel worksheet showing the difference between the projected balance based on the projected budget and the final CAFR numbers. We went through the details and picked out the larger items that made up the difference, picked out the major items. Sale of land from Successor Agency to the City, that was a bargain purchase price for \$3.00 for three (3) properties, a dollar each property. Originally booked at the cash purchase price which is \$3.00. At the time of audit, Mrs. Lancaster had been in discussions with the auditors previously and then Marcie took over at the end when they were completing the audit. Booked at the appraisal price \$3,007,800.

Property tax and sales tax brought together due to a projection from a 3rd party vendor that does these. The City booked based on their projected numbers, they came in slightly different \$1.5 million, in terms of these numbers it is a smaller difference, a 5% difference. Charges for services is at \$1.3 million.

Grivich wanted an explanation where the difference was between what Council was told in August and what's in this book. That's essentially what Grivich was trying to obtain. Grivich did not want to approve the CAFR without it being explained. Fines and Penalties; Grivich has a problem with the timeliness that the City didn't know about this until March. It is an unacceptable timeline.

Status update on Single Audit requested by Solorio. Auditors out were out for two days, they received a lot information before they came out to the office. Everything was completed onsite. Auditors submitted for review, when it came back from review auditors requested more information from HUD. Waiting on information from HUD, once received we can submit for final review and it should be done. Solorio questions meeting the March 31st deadline; we do expect to meet the deadline.

After a very long discussion between staff and Committee Members, a motion was made by Solorio and seconded by Lin to approve the CAFR and other related reports for the year ended June 30, 2018. Motion carried by a vote 6-0.

New Business – Grivich asked for new information to be introduced. Audit Committee action relative to the issue about the balances.

Lin distributed a handout regarding Proposed Audit Committee Action Plan. Handout list three (3) different suggestions on budgeting.

Rozatti asks that the Committee receive a copy of the contract/agreement for RAMS.

Shewmaker states that some of things that the Committee is requesting may not be something that the auditors can do for this type of audit; maybe we should be using a different company for that. Bresciani reminded the Committee that some of the questions they are asking are related to the budget process and not actually the financial statements. The accuracy of the accounting is what they are asked to audit and those are two very different things. They are different auditors and the current auditor can tell you that as well.

Grivich states that Lin is recommending considering bringing someone else in for audits. Rozatti agrees and states the contract might be coming up. Shewmaker states we should put off discussion of hiring new auditors until June, with hopes of having a complete Finance Department.

Grivich distributed a handout on what he is recommending. Committee would like to see financial reports; they would like to see them on a regular basis.

Shewmaker stated that having a special meeting in April to discuss where Committee sets parameters of what roles and duties and possible sub-committee. Bresciani informed Committee that meeting in April will be hard to do due to budget.

Request detailed 4th quarter report for fiscal year 17/18 and a detailed 2nd quarter fiscal year 18/19 report for current fiscal year.

Request RAMS peer review letter.

Motion was made by Grivich seconded by Shewmaker for the quarter reports. Motion carried by a vote 6-0.

Next Special Audit Committee Meeting Wednesday, April 10, 2019 at 6:00 p.m.

ADJOURNMENT

Motion was made by Shewmaker, seconded by Rozatti to adjourn the meeting at 6:04 p.m. Motion carried by a vote of 6-0.

Valerie Gonzales
Audit Committee Secretary

DRAFT



AGENDA STAFF REPORT

City of West Covina

DATE: 04/10/2019
TO: Audit Committee
FROM: Mark Baxter, Acting Finance Director
SUBJECT: SINGLE AUDIT REPORT ON FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Single Audit Report on Federal Awards for the year ended June 30, 2018.

BACKGROUND:

As a recipient of Federal grant funds in excess of \$750,000, the City is required to be in compliance with the financial reporting requirement in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Single Audit Act of 1984 (amended in 1996 and again in 2014) pronounced the reporting process for compliance and is commonly known as the "Single Audit". A Single Audit is intended to provide a cost-effective audit of non-Federal entities, so that one audit is conducted for all Federal grant funds in lieu of individual audits. All Single Audits are due to the Federal reporting agencies nine (9) months after the close of the fiscal year, (i.e., March 31, 2019). The Single Audit Report for the year ended June 30, 2018, was submitted to the Federal Audit Clearinghouse on March 29, 2019.

DISCUSSION:

The City's Single Audit Report on Federal Awards (Attachment No. 1) reported five (5) findings for the year ended June 30, 2018. Finding Number 2018-003, relating to the Federal Program U.S. Department of Housing and Urban Development Community Development Block Grant. It was determined that the contracts between the City of West Covina (pass-through entity) and its sub-recipients did not include the Catalog of Federal Domestic Assistance (CFDA) number. This finding has been corrected during the year ended June 30, 2019. Finding Number 2018-004, relating to the Federal Program U.S. Department of Transportation (DOT) Highway Planning & Construction Cluster. It was determined that reimbursement requests to the DOT were not submitted at least once every six (6) months as required. This finding has been corrected during the year ended June 30, 2019. Finding Number 2018-005, relating to the Federal Program U.S. Department of Transportation (DOT) Highway Planning & Construction Cluster. It was determined that City does not have documentation on-hand of the approval of the Quality Assurance Program (QAP). The City is working with outside agencies to obtain documentation of the acceptance of the QAP. There were no major findings in the year ended June 30, 2017.

Prepared by: Todd H. Owens, Accounting Manager
Additional Approval: Mark Baxter, Acting Finance Director

Fiscal Impact

FISCAL IMPACT:

There is no fiscal impact associated with this item.

Attachments

Attachment No. 1 - Single Audit Report on Federal Awards for the Year Ended June 30, 2018

City of West Covina, California

Single Audit Report on Federal Awards
Year Ended June 30, 2018



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

**City of West Covina
Single Audit Report on Federal Awards
Table of Contents**

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards, in Accordance with the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards.....	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs:	
Section I: Summary of Auditor's Results.....	8
Section II: Financial Statements Findings.....	9
Section III: Federal Awards Findings and Questioned Costs.....	11
Summary Schedule of Prior Audit Findings	14
Corrective Action Plan.....	15



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramsca.net

**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 Auditor's Report

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)
Kirk A. Franks, CPA (Partner Emeritus)

DIRECTORS

Jenny Liu, CPA, MST

MANAGERS / STAFF

Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants

To the Honorable Mayor and Members of City Council
of the City of West Covina
West Covina, 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 West Covina, California (the City), as of and for the year ended June 30, 2018, 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 5, 2019.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. Findings are identified as 2018-001 and 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. 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 entity'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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
March 5, 2019



735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

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

Independent Auditor's Report

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)
Kirk A. Franks, CPA (Partner Emeritus)

DIRECTORS

Jenny Liu, CPA, MST

MANAGERS / STAFF

Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA

To the Honorable Mayor and Members of City Council
of the City of West Covina
West Covina, California

Report on Compliance for Each Major Federal Program

We have audited the City of West Covina's (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2018. 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 (CFR) 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.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants

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, 2018.

Other Matters

The results of our auditing procedures disclosed instances 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 2018-003, 2018-004 and 2018-005. Our opinion on the City's major programs 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 5, 2019 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California

March 27, 2019 (except for our report on the Schedule of Expenditures of Federal Awards, for which the date is March 5, 2019).

**City of West Covina
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Program Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through the State of California Department of Education</i>				
Summer Food Service Program for Children	10.559	04023-SFSP-19	\$ 9,519	\$ -
Total U.S. Department of Agriculture			9,519	-
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct Assistance</i>				
Community Development Block Grant Cluster	14.218*	B-14-MC-06-0532	113,764	23,658
Community Development Block Grant Cluster	14.218*	B-15-MC-06-0532	57,999	15,265
Community Development Block Grant Cluster	14.218*	B-16-MC-06-0532	35,278	3,075
Community Development Block Grant Cluster	14.218*	B-17-MC-06-0532	203,274	42,797
Total U.S. Department of Housing and Urban Development			410,315	84,795
<u>U.S. Department of Justice</u>				
<i>Direct Assistance</i>				
Equitable Sharing Program	16.922	CA1975	1,476,363	-
Subtotal			1,476,363	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0009	625	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0009	11,647	-
Subtotal			12,272	-
Total U.S. Department of Justice			1,488,635	-
<u>U.S. Department of Transportation</u>				
<i>Passed through the State of California, Department of Transportation</i>				
Highway Planning & Construction Cluster	20.205*	STPL-5259(026)	31,921	-
Highway Planning & Construction Cluster	20.205*	HSIPL-5259(027)	127,677	-
Highway Planning & Construction Cluster	20.205*	STPL-5259(028)	686,303	-
Subtotal			845,901	-
<i>Passed through the State of California, Office of Traffic Safety</i>				
Selective Traffic Enforcement Program (STEP)	20.600	PT 17142	14,444	-
Selective Traffic Enforcement Program (STEP)	20.608	PT 17142	80,117	-
Subtotal			94,561	-
Total U.S. Department of Transportation			940,462	-
<u>U.S. Department of Treasury</u>				
<i>Direct Assistance</i>				
Equitable Sharing Program	21.000	CA1975	111,745	-
Total U.S. Department of Treasury			111,745	-
<u>U.S. Department of Health and Human Services</u>				
<i>Pass-through from the County of Los Angeles, Department of Community & Senior Citizens Services</i>				
Special Programs for Aging, Title III, Part C, Nutrition Services	93.045	AAA-ENP1-1216-018	203,437	-
Total U.S. Department of Health and Human Services			203,437	-
Total Expenditures of Federal Awards			\$ 3,164,113	\$ 84,795

* - Major Program

See accompanying notes to the schedule of expenditures of federal awards.

City of West Covina
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA), includes the federal awards activity of the City of West Covina (the City) that are reimbursable under federal programs of federal government for the year ended June 30, 2018. The information in this SEFA is presented in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a nonfederal agency or other organization. Only that portion of program expenditures reimbursable with such federal funds are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

3. OUTSTANDING LOANS

The City has made several housing rehabilitation loans to qualified applicants using Community Development Block Grants/Entitlement Grants (CFDA No. 14.218) funding. These loans bear interest up to 5% and are repaid when title to the property changes. There were new loans funded in the current year of \$9,550. The outstanding balance of these loans at June 30, 2018 is \$3,634,434.

4. SUBRECIPIENTS

During the fiscal year ended June 30, 2018, the City disbursed \$84,795 of federal awards to a subrecipients for the Community Development Block Grant (CFDA No. 14.218).

**City of West Covina
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2018**

Section I: Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiencies identified?	<u> </u>	Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weakness identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified	<u> </u>	Yes	<u> X </u>	None Reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> X </u>	Yes	<u> </u>	No
--	------------------	-----	-------------------	----

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant Cluster
20.205	Highway Planning & Construction Cluster

Dollar threshold used to distinguish between type A and type B programs:	<u> \$750,000 </u>
--	----------------------

Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No
--	-------------------	-----	------------------	----

**City of West Covina
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018**

Section II: Financial Statement Findings

Finding Number 2018-001

Material Weakness

Criteria

An important element of internal controls over financial reporting is for the entity to have procedures in place to ensure that all applicable financial reporting guidelines are followed and properly applied.

Condition and Context

Over the past year, the City has experienced a high turnover at all levels in the Finance Department. As a result, the request for the Actuarial Valuation report for GASB 75 Accounting Information regarding Other Post-Employment Benefits (OPEB) was postponed. This matter has been the cause of significant delays in producing complete, reconciled and properly adjusted financial statements and other information.

Cause

The City did not maintain the appropriate staffing levels within the Finance Department to ensure that all financial closing procedures were performed.

Effect

Delay in the implementation of GASB 75 and completion of the Comprehensive Annual Financial Report.

Recommendation

We recommend the City maintain appropriate staffing in the Finance Department which will ensure that the policies and procedures in the year-end review process are properly carried out.

Views of Responsible Officials and Planned Corrective Action

See attached Corrective Action Plan.

**City of West Covina
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018**

Section II: Financial Statement Findings (continued)

Finding Number 2018-002

Material Weakness

Criteria

An important element of internal controls over financial reporting is for the entity to have procedures in place for the accurate completion of the Schedule of Expenditures of Federal Awards (SEFA).

Condition and Context

Over the past year, the City has experienced a high turnover at all levels in the Finance Department. As a result, the SEFA has not been prepared by a consistent person and has required multiple revisions.

Cause

The City did not maintain the appropriate staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

Effect

The City could be under/over stating expenditures on the SEFA.

Recommendation

We recommend the City maintain proper staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

Views of Responsible Officials and Planned Corrective Action

See attached Corrective Action Plan.

**City of West Covina
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018**

Section III: Federal Awards Findings and Questioned Costs

Finding Number 2018-003

Noncompliance

Federal Program

Community Development Block Grant Cluster, CFDA 14.218

Criteria

Certain information must be communicated in a contract between a pass-through entity and its subrecipients. Per 2 CFR (Code of Federal Regulations) part 200.331(a)(1)(xi), such required information includes "CFDA number and Name".

Condition

The contract between the City of West Covina (pass-through entity) and its subrecipients did not include the CFDA number.

Cause

The City did not update contract templates to include all information as required by the Uniform Guidance.

Effect

The subrecipients could be unaware of the requirement to which they are subject.

Questioned Costs

None.

Identification as a Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the City review all subrecipient contract templates to ensure that all applicable information, as listed in 2 CFR part 200.331, is properly included.

Views of Responsible Officials

See attached Corrective Action Plan.

**City of West Covina
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018**

Section III: Federal Awards Findings and Questioned Costs (continued)

Finding 2018-004

Noncompliance

Federal Program

Highway Planning & Construction Cluster, CFDA 20.205

Criteria

As part of the grant agreement between the City and the California Department of Transportation, reimbursement requests are required to be submitted at least once every six months.

Condition

The City submitted reimbursement requests for award HSIPL-5259(027) more than six months apart.

Cause

There was a delay in receiving invoices from the developer and submitting them to the Department of Transportation.

Effect

The City is not complying with the prescribed deadlines set forth by the granting agency.

Questioned Costs

None.

Identification as a Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the City to set reminders for when the reports are due and consistently communicate with the granting agencies if they believe deadlines are not going to be met.

Views of Responsible Officials

See attached Corrective Action Plan.

**City of West Covina
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018**

Section III: Federal Awards Findings and Questioned Costs (continued)

Finding 2018-005

Noncompliance

Federal Program

Highway Planning & Construction Cluster, CFDA 20.205

Criteria

Per Part 4 of the Compliance Supplement, the Quality Assurance Program (QAP) is required to be approved by the Federal Highway Administration.

Condition

The City does not have documentation for the approval of the QAP.

Cause

The City did not perform the proper procedures to ensure the necessary approval was received.

Effect

The City is not complying with the required approval process for the QAP.

Questioned Costs

None.

Identification as a Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the City to create procedures to ensure that appropriate documentation is obtained.

Views of Responsible Officials

See attached Corrective Action Plan.

**City of West Covina
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018**

Status of Prior Year Findings

Section II: Financial Statement Findings

No prior year findings.

Section III: Federal Award Findings and Questioned Costs

No prior year findings.



Finance Department

CORRECTIVE ACTION PLAN

In Response to Findings Relating to the Financial Statements and to the Schedule of Findings and Questioned Costs Year Ended June 30, 2018

March 27, 2019

City of West Covina respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm:

Rogers, Anderson, Malody & Scott, LLP
435 E. Caregie, Suite 100
San Bernardino, CA 92408

Audit Period: July 1, 2017 – June 30, 2018

The findings from the March 28, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding Number 2018-001

Recommendation

We suggest the City maintain appropriate staffing in the Finance Department which will ensure that the policies and procedures in the year-end review process are properly carried out.

Corrective Action Taken

Management acknowledges the importance of maintaining adequate staffing within the Finance Department. The City has an established contract with an actuary to complete the calculations required for GASB 75 and this task has been added to the task list for the Finance Department to allow for visibility and tracking. Contact will be made with the actuary to track progress of this task earlier on during the year until the project is completed.

Proposed Completion Date

Already implemented.

FINDINGS –FEDERAL AWARD PROGRAMS AUDIT

Finding Number 2018-002

Recommendation

We recommend the City maintain proper staffing levels within the Finance Department to allow for the proper preparation of the SEFA, including a responsible individual to perform a review of the completed SEFA.

Corrective Action Taken

Management acknowledges the importance of maintaining adequate staffing within the Finance Department. Tracking of federal contracts will be maintained and monitored throughout the course of the fiscal year and the results will be reviewed by a member of management.

Proposed Completion Date

Already Implemented.

Finding Number 2018-003

Recommendation

We recommend the City review all sub-recipient contract templates to ensure that all applicable information, as detailed in 2 CFR part 200.331, is properly included.

Corrective Action Taken

The City has updated their sub-recipient contract templates to ensure that all applicable information, as detailed in 2 CFR part 200.331, is properly included and has forwarded these contracts on to legal council to obtain approval. The City has also made communications with all sub-recipients for the current fiscal year to inform them of this information in writing since current fiscal year contracts have already been executed. This information will be properly included in the sub-recipient contracts on a go-forward basis.

Proposed Completion Date

Already implemented.

Finding Number 2018-004

Recommendation

We recommend the City establish reminders for when the reports are due and consistently communicate with the granting agencies if they believe deadlines are not going to be met.

Corrective Action Taken

Management has developed and implemented procedures to ensure compliance in submitting reports in a timely manner. The City will establish and maintain open lines of communications with the granting agencies to stay aware of program changes as they occur and to keep the agencies apprised of any difficulties the City may be encountering as it relates to their program. The City will also provide more timely follow-up with external vendors to obtain information required for submitting reports in a timelier manner.

Proposed Completion Date

Already implemented.

Finding Number 2018-005

Recommendation

We recommend the City create procedures to ensure that appropriate documentation is obtained.

Corrective Action Taken

Management has developed and implemented procedures to ensure compliance in submitting and maintaining required reports in a timely manner. City staff will maintain contact with the CalTrans to obtain another copy of the QAP approval which was not able to be found at time of this audit and maintain a copy in the permanent file for the program.

Proposed Completion Date

The City expects to receive another copy of the approval of the QAP from the CalTrans before June 30, 2019.

For any questions regarding this plan, please call Nikole Bresciani, Acting City Manager at 626-939-8456.

Sincerely,



Nikole Bresciani
Acting City Manager