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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**

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Independent Auditor's Report

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

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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, 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 February 17, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting 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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2020-001, 2020-002 and 2020-003 to be material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-004 and 2020-005 to be significant deficiencies.

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.

We noted certain matters that we have reported to management of City of West Covina in a separate letter dated February 17, 2021.

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 Responses. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
February 17, 2021

**City of West Covina
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

**2020-001 – Internal Control Environment
*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) and GASB 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 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.

This is a repeat finding from prior year identified as finding 2019-001.

Effect

Delay in the completion of the audit and release 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.

Management's Response

Turnover of staff at all levels in the City's Finance Department has been volatile over the past few years. The COVID-19 global pandemic has exacerbated this problem. The Finance Director has been diligently recruiting key personnel and has recently hired a Purchasing Manager and two new accountant positions. In addition, the City is currently recruiting for an Assistant Finance Director position. Once the Finance Department is fully staffed and trained, this finding will be resolved.

**City of West Covina
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

**2020-002– Errors in Pension Census Data
*Material Weakness***

Criteria

In order for the City to record its liability for providing supplemental pension benefits to eligible participants, it must submit census data to actuaries who use this information to calculate the City's liability.

Condition and Context

During the audit, we were unable to vouch participant information from the census data to source documents.

Cause

Due to the turnover of key staff, there is a lack of appropriate documentation maintained in personnel files.

Effect

The City's pension liability could be improperly calculated and misstated.

Recommendation

We recommend the Finance Department review the participant files, ensure only eligible participants are included in the census data to be submitted and maintain proper documentation for the information provided to actuaries.

Management's Response

The census data that City staff was unable to locate was for employees that have not been employed with the City for quite some time. Human Resources will review and verify that all participants included in the census data are eligible employees. Staff will also make every attempt to update the files with current information.

**City of West Covina
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

**2020-003 – Internal Control over Federal Grant Reporting
*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.

This is a repeat finding from prior year identified as finding 2019-002.

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.

Management's Response

Turnover of staff at all levels in the City's Finance Department has been volatile over the past few years. The COVID-19 global pandemic has exacerbated this problem. The Finance Director has been diligently recruiting for key personnel and has recently hired a Purchasing Manager and two new accountant positions. In addition, the City is currently recruiting for an Assistant Finance Director position. Once the Finance Department is fully staffed and trained, this finding will be resolved.

**City of West Covina
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

**2020-004 – Purchasing Approvals
*Significant Deficiency***

Criteria

A system of purchasing approval should be established, maintained and updated in a timely manner.

Condition

During our audit of the City, we noted that a listing of authorized purchasing approval limit signatures was not updated to reflect changes in authorized personnel.

Cause

The City did not update authorized purchasing approvals in a timely manner.

Effect

Approval for payments could be completed by individuals without the appropriate authorizations.

Recommendation

We recommend that the City perform an annual review of authorized purchasing approvals on record and make any necessary updates as soon as possible.

Management's Response

City staff has reviewed and updated the list of authorized purchasing approvals and will continue to review and update the list on an annual basis.

**City of West Covina
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

**2020-005 – Bank Reconciliation Review
*Significant Deficiency***

Criteria

Bank reconciliations should be prepared, reviewed and approved in a timely manner.

Condition

During our audit of the City, we noted that bank statements for various accounts were not reviewed or approved in a timely manner.

Cause

Even though the bank reconciliations were prepared, there was no documentation for the date of completion and no indication of a review had been completed.

Effect

Errors in the reconciliations can go undetected for a period of time without the appropriate review and approval procedures.

Recommendation

We recommend that the City ensure that all bank reconciliations are reviewed in a timely manner and documentation of when the preparation and review are completed.

Management's Response

The City has multiple bank accounts for various functions. Each bank account is reconciled individually, signed and dated by the individual that prepared the account, and reviewed, signed, and dated by the supervisor. After the individual bank reconciliations are completed, a summary report is completed to combine all bank accounts. The summary sheet was not signed and dated by the preparer or the reviewer. Earlier this year, the City implemented a procedure to have both preparer and reviewer sign and date the summary sheet indicating that the preparation and review had been completed.