



CITY OF WEST COVINA
AUDIT COMMITTEE

THURSDAY, JUNE 9, 2022, 6:00 PM
SPECIAL MEETING

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

AGENDA

Marsha Solorio, Chair
Miguel Garcia, Vice Chair
Rosario Diaz, Mayor Pro Tem, Council/Audit Committee Member
Jim Grivich, Audit Committee Member
David Lin, Audit Committee Member
Colleen Rozatti, City Treasurer/Audit Committee Member
Tony Wu, Council/Audit Committee Member

AMERICANS WITH DISABILITIES ACT

The Committee complies with the Americans with Disabilities Act (ADA). If you 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 72 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 Management Resource Center Room (MRC) 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) APRIL 27, 2022, AUDIT COMMITTEE MEETING MINUTES

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Meeting on April 27, 2022.

REPORTS

2) CONSIDERATION OF SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2021

It is recommended that City Council receive and file the Single Audit Report on Federal Award Programs for the year ended June 30, 2021.

NEW BUSINESS

ADJOURNMENT



AGENDA STAFF REPORT

City of West Covina

DATE: 06/09/2022
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: APRIL 27, 2022, AUDIT COMMITTEE MEETING MINUTES

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Meeting on April 27, 2022.

Prepared by: Valerie Gonzales, Senior Administrative Assistant I
Additional Approval: Stephanie Sikkema, Finance Director

Attachments

Attachment No. 1 - April 27, 2022, Audit Committee Meeting Minutes

CITY OF WEST COVINA

AUDIT COMMITTEE

MINUTES

MEETING

WEDNESDAY, APRIL 27, 2022, 6:00 p.m.

The meeting of the Audit Committee was called to order at 6:02 p.m. City Treasurer Colleen Rozatti led the Pledge of Allegiance.

ROLL CALL

Present: Chair Marsha Solorio
Committee Member/Mayor Pro Tem Rosario Diaz
Committee Member Jim Grivich
Committee Member David Lin
Committee Member/City Treasurer Colleen Rozatti

Absent: Vice-Chair Miguel Garcia & Committee Member/Council Member Tony Wu

Staff Present: Finance Director Stephanie Sikkema, Assistant Finance Director Maria-Luisa Olea, Senior Administrative Assistant Valerie Gonzales

ORAL COMMUNICATIONS

None

--- End of Public Comment

1. APPROVAL OF FEBRUARY 9, 2022, AUDIT COMMITTEE MINUTES

A Motion was made by Committee Member Lin and seconded by Committee Member Grivich to approve with amendments, the Audit Committee minutes of the February 9, 2022, meeting.

Motion carried by a vote 3-0; 1 absent

REPORTS

No Reports

NEW BUSINESS

1. Financial Recovery Plan

1. Ensure that the fees/assessments charged for services align with costs and increase fees to reflect cost reasonably borne in the provision of City services.

a. No Motion

2. Review, evaluate, and monitor all City contracts.

a. No Motion

3. Set aside land sale revenue to compensate for any shortfalls in revenue that the City experiences as a result of the effects of the pandemic on the City's fiscal year 2020-21 budget.

a. No Motion

4. Proactively mitigate risk and exposure to litigation through training and implementation of best risk management practices.

a. No Motion

5. Address the excessive cost currently incurred providing fire and emergency medical services.

a. No Motion

6. Prepare financial analyses that evaluate both the short-term and long-term financial implications of significant spending decisions.

a. No Motion

7. Implement a formal process for development of reasonable budget projections.

a. No Motion

8. Meet and confer regarding negotiation of employee union agreements.

a. No Motion

9. Improve internal purchasing processes/enforcement to reduce susceptibility to waste and fraud.

a. No Motion

A Motion was made by Chair Solorio and seconded by Committee Member Lin that as of this status date, they request to see the items referenced in Financial Recovery Plan before they are adopted by City Council so that they have an opportunity to comment.

Motion carried by a vote 3 – 0; 1 absent

2. Revenue and Expenditure Reports

3. Single Audit Update

Assistant Finance Director Maria-Luisa Olea provided an update. The deadline has been extended to September 2022.

4. Attendance and current vacancy

5. Next meeting date and time:

July 27, 2022, at 6:00 p.m.

ADJOURNMENT

Chair Solorio moved to adjourn the meeting at 7:10 p.m.

Valerie Gonzales
Audit Committee Secretary



AGENDA STAFF REPORT

City of West Covina

DATE: 06/09/2022
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: CONSIDERATION OF SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2021

RECOMMENDATION:

It is recommended that City Council receive and file the Single Audit Report on Federal Award Programs for the year ended June 30, 2021.

BACKGROUND:

The City's Single Audit, previously known as the OMB Circular A-133 audit, is an organization-wide financial statement and federal awards' audit which is required when the City expends \$750,000 or more in federal funds in one year. It is intended to provide assurance to the Federal Government that the City has adequate internal controls in place, and is generally in compliance with program requirements.

The purpose of this report is solely to describe the scope of audit testing of internal control and compliance and the results of that testing, and not to provide an auditor's 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DISCUSSION:

Single Audit Report on Federal Awards

As a recipient of Federal grant funds in excess of \$750,000, the City's Single Audit Report on Federal Awards is required to be submitted in compliance with the financial reporting requirement in accordance with Title 2, Code of Federal Regulations (CFR), Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Single Audit Report (Attachment No. 1) includes the following:

1. Independent Auditor's 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;
2. Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance;
3. Schedule of Expenditures of Federal Awards;
4. Notes to the Schedule of Expenditures of Federal Awards;
5. Schedule of Findings and Questioned Costs; and
6. Summary Schedule of Prior Audit Findings.

Internal Control Over Financial Reporting

As part of the Single Audit, the City's Auditor's considered the City's internal control over financial reporting to determine audit procedures that are appropriate in the circumstances for the purpose of expressing their opinions on the City's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

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

The auditors identified one deficiency in internal control over financial reporting that they considered to be a material weakness for the year ended June 30, 2021. Finding Number 2021-001 is related to the Housing Loans Receivable Administration (page 10 of Attachment No. 1). Staff is working to address this issue for fiscal year ending June 30, 2022. There were not any auditor findings to be reported in accordance with Uniform Guidance. Additionally, corrective action has been taken on all prior audit findings (five total).

Prepared by: Stephanie Sikkema, Finance Director

Additional Approval:

Fiscal Impact

FISCAL IMPACT:

This agenda item is to receive and file, therefore; there is no fiscal impact associated with this action.

Attachments

Attachment No. 1 - Single Audit Report FYE 2021

CITY OF WEST COVINA

**Single Audit Report on
Federal Award Programs**

June 30, 2021

CITY OF WEST COVINA
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2021

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**Independent Auditor's 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***

City Council
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, business-type activities, each major fund and the aggregate remaining fund information of the City of West Covina (City), as of and for the year ended June 30, 2021, 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 22, 2022.

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 was for the limited purpose described in the preceding paragraph of this section 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Van Lant & Fankhanel, LLP

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Murrieta, CA 92563
909.856.6879

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of West Covina's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Van Lant + Fankhanel, LLP

February 22, 2022



**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule
of Expenditures of Federal Awards Required by Uniform Guidance**

City Council
City of West Covina
West Covina, California

Report on Compliance for Each Major Federal Program

We have audited the City of West Covina’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, 2021. 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.

Van Lant & Fankhanel, LLP

29970 Technology Drive, Suite 105 A
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909.856.6879

Opinion on Each Major Federal Program

In our opinion, the City of West Covina, 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, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the City of West Covina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 22, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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.

Van Lant & Fankhaed, LLP

May 6, 2022

CITY OF WEST COVINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Program Identification Number | Program Expend- itures | Provided to Sub- Recipients |
|---|---------------------------|-------------------------------------|------------------------------|-----------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| <i>Passed Through the County of Kern</i> | | | | |
| CDBG - Entitlement Grants Cluster | | | | |
| Community Development Block Grant | 14.218 | B-17-MC-06-0532 | \$ 194,592 | \$ - |
| Community Development Block Grant | 14.218 | B-18-MC-06-0532 | 134,576 | 10,581 |
| Community Development Block Grant | 14.218 | B-20-MC-06-0532 | 129,061 | - |
| COVID-19 - Community Development Block Grant | 14.218 | B-20-MW-06-0532 | 80,190 | 16,767 |
| Total - CDBG Entitlement Grants Cluster | | | <u>538,419</u> | <u>27,348</u> |
| Total Department of Housing and Urban Development | | | <u>538,419</u> | <u>27,348</u> |
| <u>U.S Department of Justice</u> | | | | |
| <i>Direct Assistance:</i> | | | | |
| COVID-19 - Coronavirus Emergency Supplemental Funds | 16.034 | 2020-VD-BX-1284 | 23,769 | - |
| Bulletproof Vest Partnership Program | 16.738 | 2020-VD-BX-0264 | 17,856 | - |
| Equitable Sharing Program | 16.922 | CA1975 | 1,460,051 * | - |
| Total Department of Justice | | | <u>1,501,676</u> | <u>-</u> |
| <u>U.S Department of Transportation</u> | | | | |
| <i>Passed through the California Department of Transportation:</i> | | | | |
| <i>Office of Traffic Safety:</i> | | | | |
| Highway Safety Cluster | | | | |
| Selective Traffic Enforcement Program | 20.600 | 402PT-20 | 14,525 | - |
| Selective Traffic Enforcement Program | 20.600 | 402PT-21 | 14,015 | - |
| Total Highway Safety Cluster | | | <u>28,540</u> | <u>-</u> |
| <i>Passed through the California Department of Transportation:</i> | | | | |
| <i>Office of Traffic Safety:</i> | | | | |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | 164 AL-20 | 10,548 | - |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | 164 AL-21 | 18,318 | - |
| Total Department of Transportation | | | <u>57,406</u> | <u>-</u> |
| <u>U.S Department of Treasury</u> | | | | |
| <i>Direct Assistance:</i> | | | | |
| Equitable Sharing Program | 21.016 | N/A | 657,512 | - |
| <i>Passed through the County of Los Angeles</i> | | | | |
| COVID-19 - Coronavirus Relief Fund | 21.019 | N/A | 311,457 | - |
| Total Department of Treasury | | | <u>968,969</u> | <u>-</u> |

CITY OF WEST COVINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
Year Ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Program Identification Number | Program Expend- itures | Provided to Sub- Recipients |
|---|---------------------------|-------------------------------------|------------------------------|-----------------------------------|
| <u>U.S Department of Health and Human Services</u> | | | | |
| <i>Passed Through the County of Los Angeles</i> | | | | |
| Aging Cluster | | | | |
| Special Programs for the Aging, Title III, Part C | 93.045 | ENP202111 | 176,439 | - |
| Nutrition Services Incentives Program | 93.053 | ENP202111 | 7,245 | - |
| Total Aging Cluster | | | 183,684 | - |
| <i>Direct Assistance:</i> | | | | |
| Provider Relief Fund General and Targeted Distribution Payments | 93.498 | 3d8f1f41c444 | 45,376 | - |
| Total Department of Health and Human Services | | | 229,060 | - |
| <u>U.S Department of Homeland Security</u> | | | | |
| <i>Direct Assistance:</i> | | | | |
| Assistance to Firefighters | 97.044 | MW-2019-FG-05857 | 131,585 | - |
| <i>Passed Through the State of California, Office of Emergency Services</i> | | | | |
| Homeland Security Grant | 97.067 | EMW-2018-SS-00054 | 98,448 | - |
| Homeland Security Grant | 97.067 | EMW-2019-SS-00054 | 43,501 | - |
| Total Department of Health and Human Services | | | 273,534 | - |
| Total Expenditures of Federal Awards | | | \$ 3,569,064 | \$ 27,348 |

* = Major Program

CITY OF WEST COVINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of West Covina (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented when available. The City has elected to use the 10% de minimis indirect cost rate as 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 was one new loan funded in the current year. The outstanding balance of these loans at June 30, 2021 is \$3,372,210.

4) Subrecipient Expenditures

During the fiscal year ended June 30, 2021, the City made payments to subrecipients which consisted of the following:

| | |
|--|------------------|
| Assistance League of Covina Valley | \$ 6,000 |
| ESGV Coalition for the Homeless | 10,000 |
| Housing Rights Center | 10,000 |
| YWCA - Senior Citizen Assistance Program | <u>1,348</u> |
| Total Subrecipients | <u>\$ 27,348</u> |

5) Major Programs

The City had one major program for the year ended June 30, 2021, consisting of the Equitable Sharing Fund, which had total disbursements of \$1,460,051. This amount calculates to 40.9% of the total disbursements from federal awards.

CITY OF WEST COVINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

| | |
|---|---------------|
| Type of Auditor’s Report Issued: | Unmodified |
| Internal Control Over Financial Reporting: | |
| Material Weakness(es) Identified? | Yes |
| Significant Deficiencies Identified not Considered to be Material Weaknesses? | None reported |
| Noncompliance Material to Financial Statements Noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal Control Over Major Programs: | |
| Material Weakness(es) Identified? | No |
| Significant Deficiencies Identified not Considered to be Material Weaknesses? | 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 Uniform Guidance? | No |

Identification of Major Programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|--------------|------------------------------------|
| 16.922 | Equitable Sharing Program |

| | |
|--|-------------------|
| Dollar Threshold used to Distinguish Between Type A And Type B Programs: | \$ <u>750,000</u> |
|--|-------------------|

| | |
|--|----|
| Auditee Qualified as Low-Risk Auditee? | No |
|--|----|

CITY OF WEST COVINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 Housing Loans Receivable Administration

Condition:

The City and Housing Authority have issued loans in prior years for first-time homebuyers and home improvement loans. The terms of these loans vary depending on the loan type and the period when it was issued. As part of our audit procedures, we selected various loans listed on the loans receivable schedule provided and reviewed the related promissory notes. Based on this review, we found that certain loans required periodic payments to be made throughout the year, however, it does not appear that the City has been receiving payments in accordance with the terms of the loan. In another instance, City staff were unable to provide the promissory note for the loan selected. In addition, one of the promissory notes reviewed indicates a 5% interest rate, charged annually, on the outstanding balance of the loan, however, through discussions with City staff, the City is not calculating and charging 5% per year.

Criteria:

In a strong internal control environment, procedures should be established to ensure the loans receivable schedule is properly maintained throughout the year, payments are collected and recorded in accordance with the applicable promissory notes, and proper records are maintained for all loans receivable balances.

Cause of Condition:

A large number of the first-time homebuyer and housing improvement loans were issued many years ago, in some cases 30+ years or more, and it does not appear that detailed administration and tracking of these loans has been done annually to ensure the loan balances are sufficiently tracked and accounted for each year.

Potential Effect of Condition:

The City may not be collecting the full value of the amounts due in accordance with the terms of the promissory note agreements.

Recommendation:

We recommend the City perform a detailed review of the loan balances and perform test recalculations of the interest balances on the loans to ensure the interest calculations are in accordance with the executed loan agreements and that payments are being collected in accordance with these agreements.

Views of Responsible Officials:

The City concurs. Refer to Separate Corrective Action Plan for management's response.

CITY OF WEST COVINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor's findings to be reported in accordance with *Uniform Guidance*.

CITY OF WEST COVINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2020-001 – Internal Control Environment

Current Status – Corrective action has been taken.

Finding No. 2020-002 – Errors in Pension Census Data

Current Status – Corrective action has been taken.

Finding No. 2020-003 – Internal Control over Federal Grant Reporting

Current Status – Corrective action has been taken.

Finding No. 2020-004 – Purchasing Approvals

Current Status – Corrective action has been taken.

Finding No. 2020-005 – Bank Reconciliation Review

Current Status – Corrective action has been taken.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor's findings to be reported in accordance with the *Uniform Guidance*.