

**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.

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**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.

A handwritten signature in black ink that reads "Van Lant + Fankhanel, LLP". The signature is written in a cursive, flowing style.

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.

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**Van Lant & Fankhanel, LLP**

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## ***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
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<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>
<b><u>U.S Department of Justice</u></b>				
<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>
<b><u>U.S Department of Transportation</u></b>				
<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>
<b><u>U.S Department of Treasury</u></b>				
<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
<b><u>U.S Department of Health and Human Services</u></b>				
<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			<u>183,684</u>	<u>-</u>
<i>Direct Assistance:</i>				
Provider Relief Fund General and Targeted Distribution Payments	93.498	3d8f1f41c444	45,376	-
Total Department of Health and Human Services			<u>229,060</u>	<u>-</u>
<b><u>U.S Department of Homeland Security</u></b>				
<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			<u>273,534</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,569,064</u>	<u>\$ 27,348</u>

\* = 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>
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Auditee Qualified as Low-Risk Auditee?	No
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**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*.