



**CITY OF WEST COVINA
AUDIT COMMITTEE**

**MONDAY, MAY 8, 2023, 6:00 PM
REGULAR MEETING**

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

AGENDA

**Marsha Solorio, Chair
Miguel Garcia, Vice Chair
Ollie Cantos, Council/Audit Committee Member
Rosario Diaz, Mayor/Audit Committee Member
Jim Grivich, Audit Committee Member
David Lin, Audit Committee Member
Colleen Rozatti, City Treasurer/Audit Committee Member
Deanna Stanley, 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) DECEMBER 21, 2022, AUDIT COMMITTEE MEETING MINUTES

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Meeting on December 21, 2022.

REPORTS

2) AUDIT COMMITTEE NOMINATIONS

It is recommended that the Audit Committee nominate:

1. Chair, and
2. Vice-Chair

3) SINGLE AUDIT

It is recommended that the Audit Committee receive and file the Single Audit Report on Federal Award Programs for the year ended June 30, 2022.

4) FINANCIAL RECOVERY PLAN UPDATE

It is recommended that the Audit Committee receive and file the Financial Recovery Plan Update through March 31, 2023.

5) PURCHASING POLICY VIOLATION LOG

It is recommended that the Audit Committee receive and file the Purchasing Policy Violation Log as of March 31, 2023.

NEW BUSINESS

1. Revenue and Expenditure Reports
2. Next Meeting Date and Time
 - Suggested Date: Wednesday, July 26, 2023, at 6:00 p.m.

ADJOURNMENT



AGENDA STAFF REPORT

City of West Covina

DATE: 05/08/2023
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: DECEMBER 21, 2022, AUDIT COMMITTEE MEETING MINUTES

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Meeting on December 21, 2022.

Prepared by: Valerie Gonzales, Senior Administrative Assistant

Additional Approval:

Attachments

Attachment No.1 - Minutes of the December 21, 2022 Meeting

CITY OF WEST COVINA

AUDIT COMMITTEE

MINUTES

MEETING

WEDNESDAY, DECEMBER 21, 2022, 6:00 p.m.

The meeting of the Audit Committee was called to order at 6:00 p.m. Committee Member Lin led the Pledge of Allegiance.

ROLL CALL

Present: Chair Marsha Solorio
Committee Member Jim Grivich
Committee Member David Lin
Committee Member/City Treasurer Colleen Rozatti

Absent: Vice-Chair Miguel Garcia (arrived at 6:02 p.m.)
Committee/Council Member Tony Wu
Committee/Mayor Pro Tem Rosario Diaz

Staff Present: Finance Director Stephanie Sikkema, Assistant Finance Director Maria-Luisa Olea, Bret Van Lant of Van Lant & Fankhanel, LLP, via Teams

ORAL COMMUNICATIONS

None

--- End of Public Comment

1. APPROVAL OF OCTOBER 26, 2022, AUDIT COMMITTEE MINUTES

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

A Motion was made by Committee Member Lin and seconded by Committee Member Grivich to approve the Audit Committee minutes of the October 26, 2022, meeting.

Motion carried by a vote 3-0; 1 absent

REPORTS

2. ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AND OTHER RELATED REPORTS FOR THE YEAR ENDED JUNE 30, 2022

It is recommended that the Audit Committee review the Annual Comprehensive Financial Report in final draft form for the year ended June 30, 2022.

No Motion to be made, just a review item.

3. FINANCIAL RECOVERY PLAN UPDATE

It is recommended that the Audit Committee receive and file the Financial Recovery Plan Update through October 31, 2022.

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 Committee Member Grivich and seconded by Committee Member Lin to receive and file.

Motion carried by a vote 4-0

4. PURCHASING POLICY VIOLATION LOG

It is recommended that the Audit Committee receive and file the Purchasing Policy Violation Log as of November 30, 2022.

A Motion was made by Committee Member Grivich and seconded by Vice-Chair Garcia to receive and file.

Motion carried by a vote 4-0

NEW BUSINESS

1. Revenue and Expenditure Reports

2. Next Meeting Date and Time

- **Suggested Date: Wednesday, April 26, 2022, at 6:00 p.m.** – All agreed, assuming Fire Chief is available.

ADJOURNMENT

Member Grivich moved to adjourn the meeting at 7:28 p.m.

Valerie Gonzales
Audit Committee Secretary



AGENDA STAFF REPORT

City of West Covina

DATE: 05/08/2023
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: **AUDIT COMMITTEE NOMINATIONS**

RECOMMENDATION:

It is recommended that the Audit Committee nominate:

1. Chair, and
2. Vice-Chair

DISCUSSION:

On February 9, 2022, the Audit Committee nominated then Vice-Chair Marsha Solorio as Chair and Committee Member Miguel Garcia as Vice-Chair. Annually, City of West Covina Boards and Commissions select a Chair and Vice-Chair. It is recommended that the Audit Committee select a Chair and Vice-Chair at this time.

Since there are no term limits currently for seats of Chair and Vice-Chair on the Audit Committee, the Committee may confirm the existing positions or select a new Chair and Vice-Chair.

Prepared by: Valerie Gonzales, Senior Administrative Assistant

Additional Approval:



AGENDA STAFF REPORT

City of West Covina

DATE: 05/08/2023
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: SINGLE AUDIT

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Single Audit Report on Federal Award Programs for the year ended June 30, 2022.

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. This report does not 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 auditors 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 the 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.

There are no reported deficiencies in internal control over financial reporting that the auditors considered to be a material weakness nor significant deficiency for the year ended June 30, 2022. There were no auditor findings to be reported in accordance with Uniform Guidance.

The Single Audit Report is scheduled for City Council consideration on the May 16, 2023 Council Meeting.

Prepared by: Maria-Luisa Olea, Assistant Finance Director

Additional Approval: Stephanie Sikkema, Finance Director

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 2022

CITY OF WEST COVINA

**Single Audit Report on
Federal Award Programs**

June 30, 2022

CITY OF WEST COVINA
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2022

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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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

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not identify any deficiencies in internal control that we consider to be weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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*.

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

December 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

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of West Covina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 22, 2022, which contained unmodified opinions on those financial statements. Our audit was performed 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.

Van Lant & Fankhauser, LLP

March 24, 2023

CITY OF WEST COVINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN Number	Program Identification Number	Program Expenditures	Provided to Sub-Recipients
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct Assistance:</i>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant	14.218	B-18-MC-06-0532	\$ 385,924	\$ 11,939
Community Development Block Grant	14.218	B-19-MC-06-0532	756,707	-
Community Development Block Grant	14.218	B-20-MC-06-0532	334,758	38,515
Community Development Block Grant	14.218	B-21-MC-06-0532	622,860	5,276
COVID-19 - Community Development Block Grant	14.218	B-20-MW-06-0532	48,373	40,000
Total - CDBG Entitlement Grants Cluster			<u>2,148,622</u> *	<u>95,730</u>
Total Department of Housing and Urban Development			<u>2,148,622</u>	<u>95,730</u>
<u>U.S Department of Justice</u>				
<i>Direct Assistance:</i>				
COVID-19 - Coronavirus Emergency Supplemental Funds	16.034	2020-VD-BX-0264	34,491	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01265-JAGX	20,715	-
Equitable Sharing Program	16.922	CA1975	177,179	-
Total Department of Justice			<u>232,385</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	12,672	-
National Priority Safety Programs	20.616	TR22019	24,800	-
Total Highway Safety Cluster			<u>37,472</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	4,907	-
Total Department of Transportation			<u>42,379</u>	<u>-</u>
<u>U.S Department of Treasury</u>				
<i>Direct Assistance:</i>				
Equitable Sharing Program	21.016	CA1975	938,795	*
<i>Passed through the County of Los Angeles</i>				
COVID-19 - Coronavirus Relief Fund	21.019	ENP202111	162,535	-
<i>Direct Assistance:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	1505-0271	9,197,139	*
Total Department of Treasury			<u>10,298,469</u>	<u>-</u>

CITY OF WEST COVINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
Year Ended June 30, 2022

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				
COVID-19 - Special Programs for the Aging, Title III, Part C	93.045	ENP202111	183,157	-
Nutrition Services Incentives Program	93.053	ENP202111	20,840	-
Total Aging Cluster			<u>203,997</u>	<u>-</u>
Total Department of Health and Human Services			<u>203,997</u>	<u>-</u>
<u>U.S Department of Homeland Security</u>				
<i>Passed Through the State of California, Office of Emergency Services:</i>				
Homeland Security Grant	97.067	EMW-2019-SS-00035	19,496	-
Total Department of Health and Human Services			<u>19,496</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 12,945,348</u>	<u>\$ 95,730</u>

* = Major Program

CITY OF WEST COVINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

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, 2022. 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, 2022 is \$3,286,997.

4) Subrecipient Expenditures

During the fiscal year ended June 30, 2022, the City made payments to subrecipients which consisted of the following:

YWCA - Senior Citizen Assistance Program	\$	25,530
Action Food Pantry		20,000
Project 29:11		12,000
Housing Rights Center		10,000
Coalition for the Homeless		10,000
Assistance League of Covina Valley		10,000
Shepherd's Pantry		8,000
Total Subrecipients	<u>\$</u>	<u>95,530</u>

5) Major Programs

The City had three major programs for the year ended June 30, 2022, consisting of the Community Development Block Grant, Equitable Sharing Program and Coronavirus State and Local Fiscal Recovery Funds which had total disbursements of \$2,148,622, \$938,795, and \$9,197,139, respectively. This amount calculates to 94.9% of the total disbursements from federal awards.

CITY OF WEST COVINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

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?	No
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
14.218	Community Development Block Grant
21.016	Equitable Sharing Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar Threshold used to Distinguish Between Type A And Type B Programs: \$ 750,000

Auditee Qualified as Low-Risk Auditee? No

CITY OF WEST COVINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditor's findings to be reported in accordance with *Government Auditing Standards*.

CITY OF WEST COVINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

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, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2021-001 Housing Loans Receivable Administration

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*.



AGENDA STAFF REPORT

City of West Covina

DATE: 05/08/2023
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: FINANCIAL RECOVERY PLAN UPDATE

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Financial Recovery Plan Update through March 31, 2023.

BACKGROUND:

With the goal of improving government performance, the Joint Legislative Audit Committee (JLAC) was established by the California State Legislature. JLAC, independently and through the work of the State Auditor's Office, oversees the operations and finances of government entities. Audits considered by the JLAC include financial and financial-related audits of government entities. In December 2019, the State Auditor's Office informed the City of West Covina that it had been selected for review under the high-risk local Government Agency Audit Program. The State Auditor completed its audit and published its report on December 1, 2020. To view the report, please

visit: <http://www.auditor.ca.gov/reports/2020-806/index.html>

One of the State Auditor's recommendations was the West Covina develop a formal financial recovery plan to prioritize resources and assign responsibility for monitoring progress in implementing the plan.

DISCUSSION:

The Financial Recovery Plan (Attachment No. 1) is a pathway to gaining stability - it identifies key elements based upon the State Auditor objectives: action steps, expected completion dates, responsible staff, and status updates. The Audit Committee reviewed the Financial Recovery Plan on March 24, 2021, and City Council approved it on April 6, 2021.

Additionally, the City of West Covina is currently ranked number 14 for the worst Fiscal Health among California Cities. This ranking is based on the FY 2020-21 Annual Comprehensive Financial Report. The rankings for FY 2020-21 are now available on the dashboard. To view the City Rankings and their criteria, please visit: http://www.auditor.ca.gov/local_high_risk/dashboard-csa

Prepared by: Stephanie Sikkema, Finance Director

Additional Approval:

Attachments

Attachment No. 1 - Financial Recovery Plan

**City of West Covina
Financial Recovery Plan
Monthly Update - March 2023**

Description of intended corrective actions, timing, prioritization of resources, and identification of individuals responsible for monitoring progress/implementation

State Auditor Objective No.	Action Steps	Expected Completion Date	Responsible Staff (Lead/Support)	Status Report (March 2023)
<p>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</p>	<p>1. Retain consultant to determine strengths and weakness of existing service delivery models. Assess City costs and revenue sources. Examine all revenue sources (local, state and federal) to develop sustainable and defensible revenue streams</p> <p>2. Examine all direct and indirect costs of fees for service, development impact fees and landscape/sewer district assessments</p>	<p>1. RFP release – April July 2021</p> <p>2. Establish budget for fee study – May November 2021</p> <p>3. Consultant kick-off – June December 2021</p> <p>4. Draft Fee Study – October January 2023</p> <p>5. City Council adoption – December 2021 March 2023</p> <p>6. If voter approval is required (assessment districts only) – November 2022 2024</p>	<p><u>Lead</u> – Finance Director</p> <p><u>Support</u> – Assistant City Clerk, Planning Manager, City Engineer, and Public Services Supervisor</p>	<p>Pending. The final draft of the fee study is anticipated to be provided to staff in April.</p> <p>The Consultant continues to meet with various departments, review, and update the draft proposed fees.</p> <p>The Consultant submitted draft Cost Allocation Plan for staff review in June 2022.</p> <p>Staff held kick-off meetings to begin the cost allocation plan and fee study in January 2022.</p> <p>City Council awarded a Request for Proposals (RFP) to Revenue & Cost Specialists to conduct a Municipal Fee Study and established a budget in November 2021.</p> <p>The RFP was originally advertised in July 2021.</p>

State Auditor Objective No.	Action Steps	Expected Completion Date	Responsible Staff (Lead/Support)	Status Report (March 2023)
<p>2. Review, evaluate, and monitor all city contracts</p>	<p>1. City Clerk to prepare list of current contracts.</p> <p>2. Risk Management to verify insurance is current</p> <p>3. Responsible Department designated contract manager to evaluate consultant effectiveness and work quality (e.g. waste hauling and street sweeping)</p> <p>4. Ensure competition for procurements. Follow competitive bidding processes and monitor contract term, especially when exceeding five years</p>	<p>1. List of current contracts – April 2021</p> <p>2. Insurance verification – May 2021</p> <p>3. Departmental review – June 2021</p> <p>4. Review and update City’s purchasing, contracting, and bidding procedures – June 2021 June 2022</p>	<p><u>Lead</u> – Assistant City Clerk</p> <p><u>Support</u> – All Departments</p>	<p>This objective is complete.</p> <p>The contract list and insurance verification were completed in July. The City Clerk’s office will review, verify, and update the list as necessary. Additionally, the City has a formal process within its Purchasing Policy (pg. 40-41) that establishes uniform procedures for the preparation, presentation and execution of city and contract documents.</p> <p>The new Purchasing Policy was adopted by City Council on June 21st. The new ordinance took effect July 21, 2022.</p>
<p>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</p>	<p>1. Economic Development Office to track all land sales and report as to use of proceeds of sales</p> <p>2. Finance Department to estimate City portion of each land sale</p>	<p>Review, update and publish list of City of West Covina land held for resale assets – June 2021</p>	<p><u>Lead</u> – City Manager’s Office</p> <p><u>Support</u> – Successor Agency staff</p>	<p>This objective is complete.</p> <p>Land held for resale has been identified and is reflected in the City’s Annual Comprehensive Financial Report.</p>

<p>4. Proactively mitigate risk and exposure to litigation through training and implementation of best risk management practices</p>	<p>1. City joined the CJPIA on July 1, 2020</p> <p>2. Review LossCap Action Plan regularly, including “top 5” important priority issues</p> <p>3. Establish quarterly high-level executive team meetings and safety committee meetings for LossCap review</p> <p>4. Corrective actions taken as identified in the Initial Risk Management Evaluation</p>	<p>1. Quarterly meetings: March, June, September, and December</p> <p>2. 50% of corrective actions completed by December 2021 August 2022</p> <p>3. 100% of corrective actions completed by December 2023</p>	<p><u>Lead</u> – Human Resources & Risk Management Director</p> <p><u>Support</u> – All Departments</p>	<p>Steps 1, 2 and 3 are complete.</p> <p>Step 4 is pending. No new updates. As of the end of October, all Action Items on the Initial Risk Management Evaluation have been started and 62% are Complete</p> <p>HR: 29 Action Items: 14 Completed 15 In Work 48% Complete</p> <p>Comm. Dev. 5 Action Items: 4 Completed 1 In Work 80% Complete</p> <p>Public Services 31 Action Items 16 Completed 15 In Work 52% Complete</p> <p>Fire 6 Action Items 4 Completed 2 In Work 67% Complete</p> <p>This update is provided by CJPIA.</p>
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<p>5. Address the excessive cost currently incurred providing fire and emergency medical services</p>	<ol style="list-style-type: none"> 1. Evaluate current Fire Department deployment model 2. Document reasons for absences causing OT 3. Develop viable alternatives for fire and emergency management services 4. Discuss alternative plans with appropriate stakeholders 	<ol style="list-style-type: none"> 1. Analyze current deployment – April 1, 2021 2. Analyze alternatives – May 1, 2021 3. Meet with stakeholders – June 1, 2021 	<p><u>Lead</u> – Fire Chief</p> <p><u>Support</u> – Finance Director and Human Resources Director</p>	<p>Pending. No new updates.</p> <p>Negotiations with the Firefighters Association were finalized in September and City Council approved a new Memorandum of Understanding October 4, 2022. The following provision were incorporated to alleviate excessive overtime: Other than actual hours worked, only vacation leave and compensatory time off shall be considered hours worked for the purpose of the hours worked calculation for overtime. Additionally, limitations on the number of people allowed off on vacation per shift were reduced to 2 Captains; 2 Engineers; 1 Firefighter and 2 Firefighter/Paramedics or 3 Firefighter/Paramedics.</p> <p>Additionally, staff internally evaluates overtime with each payroll and reports to City Management.</p> <p>Staff engaged the services of Messina and Associates to provide a high-level review of the current fire and emergency services in April. In May, staff received and evaluated the final report (WCFD Service Delivery Review).</p>
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<p>6. Prepare financial analyses that evaluate both the short-term and long-term financial implications of significant spending decisions</p>	<p>1. Use a multiyear forecast to quantify the impact of decisions on the city's financial condition</p> <p>2. Evaluate short and long-term impacts of major revenue and expenditure decisions. Recognize trade-offs and opportunities of each decision</p>	<p>1. Prepare and annually update the forecast to include all projected revenue and expenditures, adding information on new assumptions, unanticipated costs, and cost-saving actions – July 2022</p> <p>2. Prepare a financial evaluation template – August 2021 April 2022</p> <p>3. Staff training – September 2021 January 2023</p> <p>4. Include fiscal impact in Council agenda actions – December 2021 2022</p>	<p><u>Lead</u> – Finance Director</p> <p><u>Support</u> – All Departments</p>	<p>Step 1 is complete.</p> <p>The multi-year forecast was updated in March 2022 and provided to Council in April 2022.</p> <p>Step 2 is Pending. No new updates.</p> <p>Staff has started testing a few templates, including a three-year fiscal impact for multi-year contracts, on staff reports presented for Council consideration. Once refined, these templates will be rolled out citywide.</p>
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<p>7. Implement a formal process for development of reasonable budget projections</p>	<ol style="list-style-type: none"> 1. Review accuracy of quarterly budget projections, comparing current year to previous year actual revenue and expenditures and factoring in known events that will change year-to-year data. 2. Track quarterly building and planning activity 3. Incorporate HdL sales tax information into quarterly, mid-year and annual budget estimates 4. Budget for risk management costs based upon actual loss experience 	<ol style="list-style-type: none"> 1. Meet quarterly with Directors to review activity and trends – March, June, September, and December 2. Use HdL data to support revenue projections for sales, property tax, transient occupancy tax, business license fees – May 1, 2021 	<p><u>Lead</u> – Finance Director</p> <p><u>Support</u> – Assistant City Manager</p>	<p>This objective is complete.</p> <p>The budget process is formalized with Budget Preparation Instructions and standardized forms.</p> <p>The City analyzes budget projections, comparing current year to previous year actual revenue and expenditures, building and planning activity quarterly and provides a Quarterly Financial Report to Council.</p> <p>Additionally, staff meets with HdL quarterly to review sales tax estimates.</p>
<p>8. Meet and confer regarding negotiation of employee union agreements</p>	<p>Begin meet and confer process with all labor groups to review a) CPI, b) City’s ability to pay, and c) labor market competitiveness on a total compensation basis including base salary, differentials, medical, pensions, and OPEB</p>	<ol style="list-style-type: none"> 1. Meet and confer process starts – April 2021 2. Regular Closed session updates to City Council 3. Meet & confer process completed – July October 2022 	<p><u>Lead</u> – Human Resources Director</p> <p><u>Support</u> – Finance Director and City Manager</p>	<p>This objective is complete.</p> <p>Negotiations with the Firefighters Association were finalized in September and City Council approved a new Memorandum of Understanding October 4, 2022.</p> <p>City Council approved 3-year agreements with 5 of the labor groups in November 2021, 2 groups in January 2022, and 1 group in February 2022.</p>

<p>9. Improve internal purchasing processes/enforcement to reduce susceptibility to waste and fraud</p>	<p>1. Review purchasing policy and credit card usage to determine compliance with Best Management Practices</p> <p>2. Evaluate California Uniform Public Construction Cost Accounting Act (Public Contract Code 22000-22045)</p>	<p>1. Adopt revised purchasing and credit card usage policies as appropriate – October 2021 June 2022</p> <p>2. Adopt ordinance enacting California Uniform Public Construction Cost Accounting Act – August 2021</p>	<p><u>Lead</u> – Finance Director</p> <p><u>Support</u> – City Attorney’s Office and City Engineer</p>	<p>This objective is complete.</p> <p>In May 2021, City Council approved to include the California Uniform Public Construction Act Cost Accounting Act procedures within the Municipal Code.</p> <p>The new Purchasing Policy was adopted by City Council on June 21st. The new ordinance took effect July 21, 2022.</p>
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AGENDA STAFF REPORT

City of West Covina

DATE: 05/08/2023
TO: Audit Committee
FROM: Stephanie Sikkema, Finance Director
SUBJECT: PURCHASING POLICY VIOLATION LOG

RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Purchasing Policy Violation Log as of March 31, 2023.

BACKGROUND:

During the meeting held on July 27, 2022, the Audit Committee requested updates regarding the City's Purchasing Policy Violation Log.

DISCUSSION:

Attached is the Purchasing Policy Violation Log as of March 31, 2023.

Prepared by: Stephanie Sikkema, Finance Director

Additional Approval:

Attachments

Attachment No. 1 - Purchasing Violation Log

City of West Covina
Purchasing Violation Log
FY2022-2023, 3rd Quarter

Date	Department	Purchase	Amount	Violation
02/02/2023	Public Services	Restroom Rental	\$5,298	Purchase over \$5k without competitive bidding and prior authorization.
03/27/2023	Public Services	Event Sound & Video	\$7,500	Purchase over \$5k without prior authorization.
03/28/2023	Public Services	Food	\$6,806	Purchase over \$5k without prior authorization.