



**CITY OF WEST COVINA  
AUDIT COMMITTEE**

**TUESDAY, JULY 30, 2024, 6:00 PM  
REGULAR MEETING**

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

**AGENDA**

**David Lin, Chair  
Marsha Solorio, Vice Chair  
Ollie Cantos, Council/Audit Committee Member  
Rafael Castellon/Audit Committee Member  
Jim Grivich, Audit Committee Member  
Colleen Rozatti, City Treasurer/Audit Committee Member  
Deanna Stanley, Audit Committee Member  
Brian Calderón Tabatabai, Mayor/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](http://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 a non-agenda item.* 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) AUDIT COMMITTEE MEETING MINUTES**

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Meeting on February 7, 2024 and April 24, 2024.

**REPORTS**

**2) AUDIT COMMITTEE NOMINATIONS**

It is recommended that the Audit Committee nominate:

1. Chair, and
2. Vice-Chair

**3) PURCHASING POLICY VIOLATION LOG**

It is recommended that the Audit Committee receive and file the Purchasing Policy Violation Log as of June 30, 2024.

**4) FINANCIAL RECOVERY PLAN UPDATE**

It is recommended that the Audit Committee receive and file the Financial Recovery Plan Update through June 30, 2024.

**5) MEASURE W AUDIT REPORT**

It is recommended that the Audit Committee receive and file the Measure W Audit Report for the years ended June 30, 2021, 2022, and 2023.

**NEW BUSINESS**

1. Introduction of new Committee Member, Rafael Castellon
2. Revenue and Expenditure Reports
3. Next Meeting Date and Time
  - Suggested Date: October 23, 2024

**ADJOURNMENT**



## AGENDA STAFF REPORT

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City of West Covina

**DATE:** 07/30/2024  
**TO:** Audit Committee  
**FROM:** Stephanie Sikkema, Finance Director  
**SUBJECT:** **AUDIT COMMITTEE MEETING MINUTES**

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**RECOMMENDATION:**

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Meeting on February 7, 2024 and April 24, 2024.

**Prepared by:** Valerie Gonzales, Senior Administrative Assistant

**Additional Approval:**

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**Attachments**

Attachment No. 1 - February 7, 2024 Audit Committee Meeting Minutes

Attachment No. 2 - April 24, 2024 Audit Committee Meeting Minutes

**CITY OF WEST COVINA**

**AUDIT COMMITTEE**

**MINUTES**

**REGULAR MEETING**

**WEDNESDAY, FEBRUARY 7, 2024, 6:00 p.m.**

The meeting of the Audit Committee was called to order at 6:11 p.m. Vice-Chair Solorio led the Pledge of Allegiance.

**ROLL CALL**

Present: Chair David Lin  
Vice-Chair Marsha Solorio  
Committee/Council Member Ollie Cantos (arrived at 6:16 p.m.)  
Committee Member Jim Grivich  
Committee Member/City Treasurer Colleen Rozatti (arrived at 6:13 p.m.)

Absent: Committee Member/Mayor Brian Calderón Tabatabai  
Committee Member Deanna Stanley

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

**ORAL COMMUNICATIONS**

Phillip Moreno  
--- End of Public Comment

**1. APPROVAL OF OCTOBER 25, 2023, AUDIT COMMITTEE MINUTES**

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Meeting on October 25, 2023.

A Motion was made by Committee Member Grivich and seconded by Vice-Chair Solorio to approve the Audit Committee minutes of the October 25, 2023, 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, 2023**

It is recommended that the Audit Committee review the Annual Comprehensive Financial Report in final draft form for the year ended June 30, 2023.

A Motion was made by Committee Member Grivich and seconded by Vice-Chair Solorio to review the Annual Comprehensive Financial Report in final draft form.

Motion carried by a vote 3-0; 1 absent.

## **3. FINANCIAL RECOVERY PLAN UPDATE**

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

- 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. A Motion was made by Committee Member Grivich and seconded by Vice-Chair Solorio to prepare financial analyses that evaluate both the short-term and long-term financial implications of significant spending decisions that are presented to Council.

Motion carried by a vote 3-0; 1-absent

- 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 Vice-Chair Solorio and seconded by Chair Lin to receive and file the Financial Recovery Plan.

Motion carried by a vote 3-0; 1-absent.

#### **4. PURCHASING POLICY VIOLATION LOG**

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

A Motion was made by Chair Lin and seconded by Vice-Chair Solorio to receive and file the Purchasing Policy Violation Log.

Motion carried by a vote 3-0; 1 absent.

#### **NEW BUSINESS**

1. Revenue and Expenditures
2. Next Meeting Date and Time
  - o Wednesday, April 24, 2024, at 6:00 p.m.

#### **ADJOURNMENT**

Chair Lin moved to adjourn the meeting at 7:52 p.m.

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Valerie Gonzales  
Audit Committee Secretary

**CITY OF WEST COVINA**

**AUDIT COMMITTEE**

**MINUTES**

**REGULAR MEETING**

**WEDNESDAY, APRIL 24, 2024, 6:00 p.m.**

The meeting of the Audit Committee was called to order at 6:03 p.m. Committee Member Grivich led the Pledge of Allegiance.

**ROLL CALL**

Present: Vice-Chair Marsha Solorio  
Committee/Council Member Ollie Cantos  
Committee Member Jim Grivich  
Committee Member/City Treasurer Colleen Rozatti  
Committee Member Deanna Stanley  
Committee Member/Mayor Brian Calderón Tabatabai

Absent: Chair David Lin

Staff Present: Finance Director Stephanie Sikkema, Assistant Finance Director Maria-Luisa Olea, Senior Administrative Assistant Valerie Gonzales, I.T. Manager William Trujillo, Assistant City Manager Roxanne Lerma

**ORAL COMMUNICATIONS**

None.

--- End of Public Comment

**1. APPROVAL OF FEBRUARY 7, 2024 AUDIT COMMITTEE MINUTES**

It is recommended that the Audit Committee receive and file the Minutes of the Audit Committee Meeting on February 7, 2024.

A Motion was made by Committee Member Grivich and seconded by Vice-Chair Solorio to approve the Audit Committee minutes of the February 7, 2024 meeting.

Motion: 2-0, 1 abstain (not enough votes) – Motion tabled until next meeting.

**REPORTS**

## 2. COMMITTEE EMAIL ACCOUNTS

It is recommended that the Audit Committee review the Computer System Use Policy and Computer System Use Policy Acknowledgment to receive a City email account.

A Motion was made by Committee Member Grivich and seconded by Vice-Chair Solorio update the Computer System Use Policy to current practices.

Motion carried by a vote 3-0; 1 absent.

## 3. PURCHASING POLICY VIOLATION LOG

It is recommended that the Audit Committee receive and file the Purchasing Violation Log as of March 31, 2024.

A Motion was made to receive and file the Purchasing Violation Log by Committee Member Grivich and seconded by Vice-Chair Solorio.

Motion carried by a vote 3-0; 1 absent

## 4. SINGLE AUDIT REPORT

It is recommended that the Audit Committee receive and file the Single Audit Report on Federal Award Programs for the year ended June 30, 2023.

A Motion was made to receive and file the Single Audit Report by Committee Member Stanley and seconded by Vice-Chair Solorio.

Motion carried by a vote of 3-0; 1 absent

## 5. FINANCIAL RECOVERY PLAN UPDATE

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

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 to receive and file the Financial Recovery Plan by Committee Member Stanley and seconded by Vice-Chair Solorio.

Motion carried by a vote 3-0; 1-absent.

## **6. AUDIT COMMITTEE NOMINATIONS**

It is recommended that the Audit Committee nominate:

1. Chair, and
2. Vice-Chair

No Motion – Tabled until next meeting

## **NEW BUSINESS**

1. Revenue and Expenditure Reports
2. Next Meeting Date and Time
  - o Suggested Date: July 31, 2024 - Yes

## **ADJOURNMENT**

Vice-Chair Solorio moved to adjourn the meeting at 7:09 p.m.

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Valerie Gonzales  
Audit Committee Secretary



## AGENDA STAFF REPORT

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City of West Covina

**DATE:** 07/30/2024  
**TO:** Audit Committee  
**FROM:** Stephanie Sikkema, Finance Director  
**SUBJECT:** **AUDIT COMMITTEE NOMINATIONS**

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### **RECOMMENDATION:**

It is recommended that the Audit Committee nominate:

1. Chair, and
2. Vice-Chair

### **DISCUSSION:**

On May 8, 2023, the Audit Committee nominated Committee Member David Lin as Chair and Chair Marsha Solorio 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:**

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## AGENDA STAFF REPORT

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City of West Covina

**DATE:** 07/30/2024  
**TO:** Audit Committee  
**FROM:** Stephanie Sikkema, Finance Director  
**SUBJECT:** PURCHASING POLICY VIOLATION LOG

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### **RECOMMENDATION:**

It is recommended that the Audit Committee receive and file the Purchasing Policy Violation Log as of June 30, 2024.

### **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 for the fourth quarter of Fiscal Year 2023-24.

**Prepared by:** Stephanie Sikkema, Finance Director

**Additional Approval:**

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### **Attachments**

Attachment No. 1 - Purchasing Violation Log June 2024

**City of West Covina****Purchasing Policy Violation Log**

FY2023-2024, 4th Quarter

Date	Division	Purchase	Amount	Violation	Corrective Action
May-24	Engineering	Duff Ave Pavement Preservation	\$14,310.37	Purchase over \$5k without prior authorization.	Submit requisition with Project Design Concept.
Jun-24	Police	Parking citation software	\$28,400.00	Purchase over \$5k without prior authorization.	Submit requisition prior to acquisition.
Jun-24	Comm Services	4th of July show	\$20,170.00	Purchase over \$5k without competitive bidding.	Council ratification, future bid.
Jun-24	Maintenance	Mower repairs	\$5,062.92	Purchase over \$2.5k without competitive bidding and prior authorization.	Consider contingency with estimates.



## AGENDA STAFF REPORT

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City of West Covina

**DATE:** 07/30/2024  
**TO:** Audit Committee  
**FROM:** Stephanie Sikkema, Finance Director  
**SUBJECT:** FINANCIAL RECOVERY PLAN UPDATE

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### RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Financial Recovery Plan Update through June 30, 2024.

### 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 that West Covina develop a formal financial recovery plan to prioritize resources and assign responsibility for monitoring progress of implementation.

### DISCUSSION:

The Financial Recovery Plan 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. Attachment No. 1 is the monthly update regarding the status of objectives included in the plan through June 30, 2024.

In July 2024, the State Auditor's office commenced its follow-up audit work to determine the extent to which the city has addressed prior audit recommendations, assess trends in the city's financial condition, and determine whether they will continue to identify the city as a high-risk local government agency.

**Prepared by:** Stephanie Sikkema, Finance Director

**Additional Approval:**

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### Attachments

Attachment No. 1 - Financial Recovery Plan Update June 2024

**City of West Covina  
Financial Recovery Plan  
Monthly Update – June 2024**

**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 (June 2024)
<p><b>1.</b> 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 – <del>April</del> July 2021</p> <p>2. Establish budget for fee study – <del>May</del> November 2021</p> <p>3. Consultant kick-off – <del>June</del> December 2021</p> <p>4. Draft Fee Study – <del>October</del> April 2021-2023</p> <p>5. City Council adoption – <del>December—2021</del> November 2023</p> <p>6. If voter approval is required (assessment districts only) – November <del>2022</del> 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><b>This objective is complete.</b></p> <p>Public Hearing and consideration of adoption of the updated master fee schedule is on the December 5, 2023 Council Agenda. The rates, fees and charges adopted or increased by the resolution took effect on February 5, 2024.</p> <p>The new Master Fee Schedule is available on the City’s website: <a href="https://www.westcovina.org/departments/finance/budget-finance-reports/fee-schedule">https://www.westcovina.org/departments/finance/budget-finance-reports/fee-schedule</a></p>

State Auditor Objective No.	Action Steps	Expected Completion Date	Responsible Staff (Lead/Support)	Status Report (June 2024)
<p><b>2.</b> Review, evaluate, and monitor all city contracts</p>	<ol style="list-style-type: none"> <li>1. City Clerk to prepare list of current contracts.</li> <li>2. Risk Management to verify insurance is current</li> <li>3. Responsible Department designated contract manager to evaluate consultant effectiveness and work quality (e.g. waste hauling and street sweeping)</li> <li>4. Ensure competition for procurements. Follow competitive bidding processes and monitor contract term, especially when exceeding five years</li> </ol>	<ol style="list-style-type: none"> <li>1. List of current contracts – April 2021</li> <li>2. Insurance verification – May 2021</li> <li>3. Departmental review – June 2021</li> <li>4. Review and update City’s purchasing, contracting, and bidding procedures – <del>June 2021</del> June 2022</li> </ol>	<p><u>Lead</u> – Assistant City Clerk</p> <p><u>Support</u> – All Departments</p>	<p><b>This objective is complete.</b></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 <b>Purchasing Policy</b> (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 21<sup>st</sup>. The new ordinance took effect July 21, 2022.</p> <p>The Municipal Code is <a href="#">available online</a>.</p>
<p><b>3.</b> 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>	<ol style="list-style-type: none"> <li>1. Economic Development Office to track all land sales and report as to use of proceeds of sales</li> <li>2. Finance Department to estimate City portion of each land sale</li> </ol>	<p>Review, update and publish list of City of West Covina land <a href="#">held for resale</a> assets – June 2021</p>	<p><u>Lead</u> – City Manager’s Office</p> <p><u>Support</u> – Successor Agency staff</p>	<p><b>This objective is complete.</b></p> <p>Land held for resale has been identified and is reflected in the City’s <a href="#">Annual Comprehensive Financial Report</a> (Note 5).</p>

State Auditor Objective No.	Action Steps	Expected Completion Date	Responsible Staff (Lead/Support)	Status Report (June 2024)																												
<p><b>4.</b> 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 <del>December 2021</del> August 2022</p> <p>3. 100% of corrective actions completed by <del>December 2023</del> September 2024</p>	<p><u>Lead</u> – Human Resources &amp; Risk Management Director</p> <p><u>Support</u> – All Departments</p>	<p>Steps 1, 2 and 3 are complete.</p> <p><b>Step 4 is pending. In June, staff met with the CJPIA Risk Manager to review the outstanding public works and human resource items. Staff have since begun to make drafts on the applicable policies and programs. All remaining items are anticipated to be addressed in the next couple of months as well.</b></p> <p>All Action Items on the Initial Risk Management Evaluation have been started and 76% are Complete.</p> <table border="1" data-bbox="1419 787 1969 1385"> <thead> <tr> <th>Row Labels</th> <th>Count of Item</th> </tr> </thead> <tbody> <tr> <td><b>All Departments</b></td> <td><b>3</b></td> </tr> <tr> <td>Completed</td> <td>3</td> </tr> <tr> <td><b>Community Development</b></td> <td><b>2</b></td> </tr> <tr> <td>Completed</td> <td>2</td> </tr> <tr> <td><b>Fire Department</b></td> <td><b>4</b></td> </tr> <tr> <td>Completed</td> <td>4</td> </tr> <tr> <td><b>HR - Risk Management</b></td> <td><b>26</b></td> </tr> <tr> <td>Completed</td> <td>23</td> </tr> <tr> <td>In Work</td> <td>3</td> </tr> <tr> <td><b>Public Services</b></td> <td><b>28</b></td> </tr> <tr> <td>Completed</td> <td>16</td> </tr> <tr> <td>In Work</td> <td>12</td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>63</b></td> </tr> </tbody> </table>	Row Labels	Count of Item	<b>All Departments</b>	<b>3</b>	Completed	3	<b>Community Development</b>	<b>2</b>	Completed	2	<b>Fire Department</b>	<b>4</b>	Completed	4	<b>HR - Risk Management</b>	<b>26</b>	Completed	23	In Work	3	<b>Public Services</b>	<b>28</b>	Completed	16	In Work	12	<b>Grand Total</b>	<b>63</b>
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<p><b>5. Address the excessive cost currently incurred providing fire and emergency medical services</b></p>	<ol style="list-style-type: none"> <li>1. Evaluate current Fire Department deployment model</li> <li>2. Document reasons for absences causing OT</li> <li>3. Develop viable alternatives for fire and emergency management services</li> <li>4. Discuss alternative plans with appropriate stakeholders</li> </ol>	<ol style="list-style-type: none"> <li>1. Analyze current deployment – April 1, 2021</li> <li>2. Analyze alternatives – May 1, 2021</li> <li>3. Meet with stakeholders – June 1, 2021</li> </ol>	<p><u>Lead</u> – Fire Chief</p> <p><u>Support</u> – Finance Director and Human Resources Director</p>	<p><b>The action steps under this objective have been completed. No new updates.</b></p> <p>Negotiations with the Firefighters Association were finalized in September 2022 and City Council approved a new <a href="#">Memorandum of Understanding</a> October 4, 2022 for July 1, 2022 through June 30, 2025. 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 2021. In May 2021, staff received and evaluated the final report (WCFD Service Delivery Review).</p> <p>In 2020, the City had an external audit done by Van Lant &amp; Fankhanel, LLP on the personnel expenditures in the City’s Fire Department, including overtime pay.</p>
<p><b>6. Prepare financial analyses that evaluate both the short-term and long-term financial implications</b></p>	<ol style="list-style-type: none"> <li>1. Use a multiyear forecast to quantify the impact of decisions on the city’s financial condition</li> </ol>	<ol style="list-style-type: none"> <li>1. Prepare and annually update the forecast to include all projected revenue and expenditures,</li> </ol>	<p><u>Lead</u> – Finance Director</p>	<p><b>This objective is complete.</b></p> <p>The multi-year forecast was last updated in March 2024 and available on the City’s website:</p>

<p>of significant spending decisions</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>adding information on new assumptions, unanticipated costs, and cost-saving actions – July 2022  2. Prepare a financial evaluation template – <del>August 2021</del> April 2022  3. Staff training – <del>September 2021</del> January 2023  4. Include fiscal impact in Council agenda actions – December <del>2021</del> 2022</p>	<p><i>Support</i> – All Departments</p>	<p><a href="https://www.westcovina.org/departments/finance/budget-finance-reports/annual-budget">https://www.westcovina.org/departments/finance/budget-finance-reports/annual-budget</a></p> <p>The Fiscal Impact of each item is now included on every City Council Agenda. Templates have been shared with staff and AgendaQuick training was completed in August 2023. Meeting agendas are available on the City’s website: <a href="https://www.westcovina.org/departments/city-clerk/agendas-and-meetings/current-meetings-and-agendas">https://www.westcovina.org/departments/city-clerk/agendas-and-meetings/current-meetings-and-agendas</a></p>
<p><b>7.</b> Implement a formal process for development of reasonable budget projections</p>	<p>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.</p> <p>2. Track quarterly building and planning activity</p> <p>3. Incorporate HdL sales tax information into quarterly, mid-year and annual budget estimates</p> <p>4. Budget for risk management costs based upon actual loss experience</p>	<p>1. Meet quarterly with Directors to review activity and trends – March, June, September, and December</p> <p>2. Use HdL data to support revenue projections for sales, property tax, transient occupancy tax, business license fees – May 1, 2021</p>	<p><i>Lead</i> – Finance Director</p> <p><i>Support</i> – Assistant City Manager</p>	<p><b>This objective is complete.</b></p> <p>The budget process is formalized with Budget Preparation Instructions and standardized forms. The budget is available on the City’s website: <a href="https://www.westcovina.org/departments/finance/budget-finance-reports/annual-budget">https://www.westcovina.org/departments/finance/budget-finance-reports/annual-budget</a></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. These reports are available on the City’s website: <a href="https://www.westcovina.org/departments/finance/budget-finance-reports/financial-reports">https://www.westcovina.org/departments/finance/budget-finance-reports/financial-reports</a></p> <p>Additionally, staff meets with HdL quarterly to review sales tax estimates. The public version of these reports are available on the City’s website: <a href="https://www.westcovina.org/departments/finance/budget-finance-reports/sales-tax-updates">https://www.westcovina.org/departments/finance/budget-finance-reports/sales-tax-updates</a></p>
<p><b>8.</b> 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</p>	<p>1. Meet and confer process starts – April 2021</p>	<p><i>Lead</i> – Human Resources Director</p>	<p><b>This objective is complete.</b></p> <p>All labor groups are currently under contract.</p>

	<p>market competitiveness on a total compensation basis including base salary, differentials, medical, pensions, and OPEB</p>	<p>2. Regular Closed session updates to City Council</p> <p>3. Meet &amp; confer process completed – <del>July</del> October 2022</p>	<p><u>Support</u> – Finance Director and City Manager</p>	<p>Negotiations with the Firefighters Association were finalized in September and City Council approved a new Memorandum of Understanding (MOU) October 4, 2022. 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. All MOUs are available on the City’s website: <a href="https://www.westcovina.org/departments/human-resources-risk-management/memorandum-of-understanding-employee-contracts">https://www.westcovina.org/departments/human-resources-risk-management/memorandum-of-understanding-employee-contracts</a></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 – <del>October 2021</del> 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><b>This objective is complete.</b></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 21<sup>st</sup>. The new ordinance took effect July 21, 2022.</p> <p>The Municipal Code is <a href="#">available online</a>.</p>



## AGENDA STAFF REPORT

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City of West Covina

**DATE:** 07/30/2024  
**TO:** Audit Committee  
**FROM:** Stephanie Sikkema, Finance Director  
**SUBJECT:** MEASURE W AUDIT REPORT

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### RECOMMENDATION:

It is recommended that the Audit Committee receive and file the Measure W Audit Report for the years ended June 30, 2021, 2022, and 2023.

### BACKGROUND:

The Safe, Clean Water Program (SCW Program) provides local, dedicated funding to increase regional water supply, improve water quality, and enhance communities throughout Los Angeles County. The SCW Program is organized into three sub-programs, each of which allow for Municipalities to interact and participate in different ways:

- The Municipal Program receives forty percent (40%) of the funding from the SCW Program that is allocated to cities as local return. Cities receive direct funding from the Los Angeles County Flood Control District via the Municipal Program proportional to the revenues generated within its boundaries. The Municipal Program is designed to maximize the ability of local governments to address local stormwater and urban runoff challenges and opportunities.
- The Regional Program receives fifty percent (50%) of the funding from the SCW Program for the implementation of multi-benefit projects and programs that will increase water supply, improve water quality, and provide community enhancements. Within the Regional Program, there is an Infrastructure Program (receives not less than 85% of the Regional Program funds), a Technical Resources Program (not more than 10% of the Regional Program funds), and a Scientific Studies Program (not more than 5% of the Regional Program funds). Municipalities can apply, and are encouraged to collaborate with other potential applicants, for Regional Program funds. Watershed Coordinators are funded through the Technical Resources Program and are available to Municipalities to connect Regional Program applicants with technical resources and build inclusion and meaningful engagement in pursuit of SCW Program Goals.
- The District Program receives ten percent (10%) of the funding from the SCW Program for administration and for implementation of the District Education Program which includes, but is not limited to, public education and community engagement (including a sustained education and engagement program for disadvantaged communities), local workforce job training, and schools' education and curriculum programs. The District coordinates and provides support for Municipalities related to administration and adaptive management of the SCW Program. The District Education Program is District-wide and provides resources and services for Municipalities and other stakeholders.

More information is available on the program website:

<https://safecleanwaterla.org/about-us/municipal-program/>

**DISCUSSION:**

Municipalities under the program are subject to an independent audit of their use of the SCW Program funds not less than once every three (3) years. Audits of Municipalities shall be funded with Municipal Program funds. Thus, the City engaged its external auditors, Van Lant & Fankhanel, LLP, to perform the audit.

They 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 Measure W Special Revenue Fund, as of and for the years ended June 30, 2021, 2022, and 2023, and the related notes to the financial statements, which collectively comprise the Fund’s basic financial statements, and have issued their report thereon dated June 5, 2024.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund’s financial statements are free from material misstatement, the auditors performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of the City’s Transfer Agreement with the Los Angeles County Flood Control District, and Section 18.06 of the Los Angeles County Code of Ordinances, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

The results of their tests disclosed two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the report's schedule of findings and questioned costs as items 2023-001 and 2023-002 (Attachment No. 2 - Measure W Audit Report). The City acknowledges these instances and will establish measures to ensure future compliance.

**Prepared by:** Stephanie Sikkema, Finance Director

**Additional Approval:**

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**Fiscal Impact**

**FISCAL IMPACT:**

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

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**Attachments**

Attachment No. 1 - Measure W Audit Conclusion Letter

Attachment No. 2 - Measure W Audit Report

June 5, 2024

City Council  
City of West Covina  
West Covina, CA

We have audited the financial statements of the Measure W Fund (Fund) of the City of West Covina for the years ended June 30, 2021, 2022, and 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 29, 2024. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We did not note any significant estimates in the preparation of the Fund's financial statements to report at this time.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not note any significant and sensitive disclosure affecting the financial statements to report at this time.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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#### **Van Lant & Fankhanel, LLP**

29970 Technology Drive, Suite 105 A  
Murrieta, CA 92563  
909.856.6879

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. As a result of audit procedures, no such adjustments were proposed and communicated to management.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 5, 2024.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Restrictions on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Van Lant + Fankhaed, LLP*

***CITY OF WEST COVINA  
MEASURE W  
SPECIAL REVENUE FUND***

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

Years Ended June 30, 2021, 2022, and 2023



**City of West Covina  
Measure W Special Revenue Fund  
Years Ended June 30, 2021, 2022, and 2023**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Measure W Special Revenue Fund (Fund) of the City of West Covina, California (City), as of and for the years ended June 30, 2021, 2022, and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2021, 2022, and 2023, and the respective changes in financial position, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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#### **Van Lant & Fankhanel, LLP**

29970 Technology Drive, Suite 105 A  
Murrieta, CA 92563  
909.856.6879

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Funds' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the budgetary schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not present fairly the financial position of the City, as of June 30, 2021, 2022, and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 5, 2024 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters related to the Fund. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and on compliance.

*Van Lant & Fankhaed, LLP*

June 5, 2024

## **BASIC FINANCIAL STATEMENTS**

**City of West Covina  
Measure W Special Revenue Fund  
Balance Sheet  
June 30, 2021, 2022, and 2023**

	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>ASSETS</b>			
Cash and Investments	\$ 1,158,725	\$ 880,191	\$ 4,645,601
Due from Other Funds	44,994	99,249	100,060
Due from Other Agencies		1,353,210	1,347,540
	<hr/>		
Total Assets	<u>\$ 1,203,719</u>	<u>\$ 2,332,650</u>	<u>\$ 6,093,201</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 28,608	\$ 16,752	\$ 23,842
Due to Other Funds	-	-	1,259,987
	<hr/>		
Total Liabilities	<u>28,608</u>	<u>16,752</u>	<u>1,283,829</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	-	1,353,210	1,347,540
	<hr/>		
	-	1,353,210	1,347,540
	<hr/>		
<b>FUND BALANCES (Deficits)</b>			
Restricted	<u>1,175,111</u>	<u>962,688</u>	<u>3,461,832</u>
	<hr/>		
Total Fund Balances (Deficits)	<u>1,175,111</u>	<u>962,688</u>	<u>3,461,832</u>
	<hr/>		
Total Liabilities and Fund Balances	<u>\$ 1,203,719</u>	<u>\$ 2,332,650</u>	<u>\$ 6,093,201</u>

The accompanying notes are an integral part of this statement.

**City of West Covina**  
**Measure W Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Years Ended June 30, 2021, 2022, and 2023**

	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>REVENUES</b>			
Taxes	\$ 1,328,840	\$ -	\$ 2,706,375
Investment Income	1,133	2,394	51,119
	<u>1,329,973</u>	<u>2,394</u>	<u>2,757,494</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	<u>154,862</u>	<u>214,817</u>	<u>258,350</u>
	<u>154,862</u>	<u>214,817</u>	<u>258,350</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,175,111</u>	<u>(212,423)</u>	<u>2,499,144</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,175,111	(212,423)	2,499,144
Fund Balance, Beginning of Year	<u>-</u>	<u>1,175,111</u>	<u>962,688</u>
Fund Balance, End of Year	<u>\$ 1,175,111</u>	<u>\$ 962,688</u>	<u>\$ 3,461,832</u>

The accompanying notes are an integral part of this statement.

**City of West Covina  
Measure W Special Revenue Fund  
Notes to Financial Statements  
Years Ended June 30, 2021, 2022, and 2023**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

On July 17, 2018, the Los Angeles County Board of Supervisors (Board) approved a resolution calling for and giving notice of an election on a measure to impose a special tax upon parcels located within the Los Angeles County Flood Control District (District), to fund projects and programs to increase stormwater capture and reduce stormwater and urban runoff pollution. During the November 6, 2018 election, more than two-thirds of voters approved Measure W, which required the Board to adopt an ordinance to establish and implement the Safe, Clean Water (SCW) Program.

The adopted ordinance amended the District's Code by adding Chapter 16, establishing the Los Angeles Region, SCW Program and imposing a special parcel tax within the District to provide for increased stormwater and urban runoff capture and reduced stormwater and urban runoff pollution, as authorized by Section 2, subsections 8a-8c of the Los Angeles County Flood Control Act. The District also adapted Chapter 18 of the LAC FCDC to establish additional criteria and procedures related to the implementation of the SCW Program. Chapter 18 describes the various functions the District is responsible for performing as part of the implementation of the SCW Program including administration of the SCW Program, collection of Special Parcel Tax and distribution of funds; administration of credit and tax relief program or incentive programs; review of budgets, and conducting independent audits to ensure compliance with requirements of the SCW Program.

As part of the adaptation of Chapters 16 and 18 of the LAC FCDC, the District is responsible for allocating 40% of the revenues derived from the Special Parcel Tax to municipalities within the District in the same proportion as the amount of revenues collected within each municipality, to be expended by those cities within the cities' respective jurisdictions and by the County within the unincorporated areas that are within the boundaries of the District, for the implementation, operation and maintenance, and administration of Projects and Programs. The City of West Covina participates in this "Municipal Program."

The following is a summary of the significant accounting policies of the City as they pertain to the Fund. Only the Fund information is included in these financial statements. Therefore, these financial statements do not purport to represent the financial position or results of operations of the City.

**Basis of Accounting and Measurement Focus**

The Fund is accounted for using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the liability is incurred, if measurable.



**City of West Covina  
Measure W Special Revenue Fund  
Notes to Financial Statements  
Years Ended June 30, 2021, 2022, and 2023**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Use of Estimates in the Preparation of the Financial Statements**

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

**Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources are transactions that result in the consumption of assets in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position. Deferred inflows of resources are transactions that result in the acquisition of assets in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

The Fund does not currently report any deferred outflows of resources. The Fund reports deferred inflows for certain items under the modified accrual basis of accounting, for unavailable revenues related to receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**2) CASH AND INVESTMENTS**

Cash at June 30, 2021 consisted of the following:

Equity in City Cash and Investment Pool	\$ 1,158,725
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Cash at June 30, 2022 consisted of the following:

Equity in City Cash and Investment Pool	\$ 880,191
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Cash at June 30, 2023 consisted of the following:

Equity in City Cash and Investment Pool	\$ 4,645,601
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The City follows the practice of pooling cash and investments for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

For more information on the City's cash and investments as of June 30, 2021, 2022, and 2023, please see the City's Annual Comprehensive Financial Reports.

**City of West Covina**  
**Measure W Special Revenue Fund**  
**Notes to Financial Statements**  
**Years Ended June 30, 2021, 2022, and 2023**

**3) FUND BALANCE**

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Fund considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Fund considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. A City's Council Ordinance or Resolution is the formal action that would effectively commit fund balances for a particular purpose. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by a government itself, using the highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned Fund Balance - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the fund.

Unassigned Fund Balance - These are either residual positive net resources of the Fund in excess of what can properly be classified in one of the other four categories, or negative balances.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first. When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

As of June 30, 2021, 2022, and 2023, the fund balances of the Fund are restricted for Public Works purposes.

**City of West Covina  
Measure W Special Revenue Fund  
Notes to Financial Statements  
Years Ended June 30, 2021, 2022, and 2023**

**4) SELF INSURANCE**

The City (and the Fund) is exposed to various risks of loss related to its operation, including losses associated with errors and omissions, injuries to employees and members of the public. For more information on how the City addresses this exposure, please see the City's Annual Comprehensive Financial Reports.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of West Covina  
Measure W Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive/ (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,370,000	\$ 1,370,000	\$ 1,328,840	\$ (41,160)
Investment Income	-	-	1,133	1,133
Total Revenues	<u>1,370,000</u>	<u>1,370,000</u>	<u>1,329,973</u>	<u>(40,027)</u>
<b>EXPENDITURES</b>				
Public Works	<u>1,000,000</u>	<u>1,290,152</u>	<u>154,862</u>	<u>1,135,290</u>
Total Expenditures	<u>1,000,000</u>	<u>1,290,152</u>	<u>154,862</u>	<u>1,135,290</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>370,000</u>	<u>79,848</u>	<u>1,175,111</u>	<u>1,095,263</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	370,000	79,848	1,175,111	1,095,263
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 370,000</u></u>	<u><u>\$ 79,848</u></u>	<u><u>\$ 1,175,111</u></u>	<u><u>\$ 1,095,263</u></u>

**City of West Covina  
Measure W Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive/ (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,370,000	\$ 1,370,000	\$ -	\$ (1,370,000)
Investment Income	-	-	2,394	2,394
Total Revenues	<u>1,370,000</u>	<u>1,370,000</u>	<u>2,394</u>	<u>(1,367,606)</u>
<b>EXPENDITURES</b>				
Public Works	<u>1,210,200</u>	<u>1,210,200</u>	<u>214,817</u>	<u>995,383</u>
Total Expenditures	<u>1,210,200</u>	<u>1,210,200</u>	<u>214,817</u>	<u>995,383</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>159,800</u>	<u>159,800</u>	<u>(212,423)</u>	<u>(372,223)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	159,800	159,800	(212,423)	(372,223)
Fund Balance, Beginning of Year	<u>1,175,111</u>	<u>1,175,111</u>	<u>1,175,111</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,334,911</u></u>	<u><u>\$ 1,334,911</u></u>	<u><u>\$ 962,688</u></u>	<u><u>\$ (372,223)</u></u>

**City of West Covina  
Measure W Special Revenue Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive/ (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,397,400	\$ 1,397,400	\$ 2,706,375	\$ 1,308,975
Investment Income	900	900	51,119	50,219
Total Revenues	<u>1,398,300</u>	<u>1,398,300</u>	<u>2,757,494</u>	<u>1,359,194</u>
<b>EXPENDITURES</b>				
Public Works	290,200	1,209,011	258,350	950,661
Total Expenditures	<u>290,200</u>	<u>1,209,011</u>	<u>258,350</u>	<u>950,661</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,108,100</u>	<u>189,289</u>	<u>2,499,144</u>	<u>2,309,855</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	1,108,100	189,289	2,499,144	2,309,855
Fund Balance, Beginning of Year	<u>962,688</u>	<u>962,688</u>	<u>962,688</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 2,070,788</u></u>	<u><u>\$ 1,151,977</u></u>	<u><u>\$ 3,461,832</u></u>	<u><u>\$ 2,309,855</u></u>

**City of West Covina  
Measure W Special Revenue Fund  
Notes to Required Supplementary Information  
Years Ended June 30, 2021, 2022, and 2023**

**BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for governmental funds. The City's budget ordinance requires that in June of each year the City Manager to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June of the fiscal year. After adoption of the final budget, transfers of appropriations within the general fund departments may be done by the City Manager. Budget transfers within a department/fund may be done by department heads. Budget modifications between funds and increases or decreases to a fund's overall budget must be approved by the City Council. Numerous properly authorized amendments are made during the fiscal year.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting (e.g. purchase orders) is employed by the City.





**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 Measure W Special Revenue Fund (Fund) of the City of West Covina (City), as of and for the years ended June 30, 2021, 2022, and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 5, 2024.

**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) 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

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**Van Lant & Fankhanel, LLP**

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of the City's Transfer Agreement with the Los Angeles County Flood Control District, and Section 18.06 of the Los Angeles County Code of Ordinances, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002.

## **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 & Fankhaed, LLP*

June 5, 2024

**CITY OF WEST COVINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Years Ended June 30, 2021, 2022 and 2023**

***2023-001 Allocation of Costs to the Measure W Fund, Commingling of Funds, Accuracy of Annual Reports***

Condition:

While testing the Safe, Clean Water (SCW) Program Municipal Annual Reports (Annual Reports) submitted by the City to the Flood Control District (District), we noted the following: for each of the three fiscal years, there were variances between expenditures reported in the Annual Reports and expenditures recorded in the City's general ledger for the SCW (Measure W) Fund. Some of the variances were apparently due to ineligible expenditures being charged to the Measure W Fund. For example, in the 2020-21 fiscal year, the City posted \$44,994 in ineligible expenditures to the Measure W Fund, which were not listed in the Annual Report to the District. There were also timing differences in two of the fiscal years relating to the expenditures in the City's general ledger and amounts reported to the District. It should be noted that the City subsequently made adjustments to reimburse the Measure W Fund for any ineligible expenditures. For the 2021-22 fiscal year, approximately \$61,000 in expenditures were erroneously included in the Annual Report but were not actually charged to the Measure W Fund.

For the 2022-23 fiscal year, the City recorded approximately \$1.26 million in revenue from other sources in the Measure W Fund, which is not in compliance with the SCW Program guidelines (SCW Program payments should not be combined with other funds). Again, it should be noted the City subsequently made adjustments to segregate these other sources of revenue.

Also, for the 2021-22 and 2022-23 fiscal years, it appears the Annual Reports were not submitted within six months after the end of the City's fiscal year, as required by the SCW Program guidelines.

Criteria:

The City's management is responsible for establishing and maintaining effective internal controls over financial reporting of the Measure W Fund to help ensure that appropriate goals and objectives are met. This responsibility includes the selection and application of accounting principles, ensuring that financial information is reliable, timely and properly recorded, and evaluating and monitoring ongoing activities. Management is also responsible for establishing and maintaining effective internal controls over compliance with the various SCW Program requirements, including the determination of allowable expenditures, timely reporting, along with other requirements.

Cause of Condition:

It appears there was a lack of adequate communication among the City's personnel and consultants relating to the SCW Program requirements, and in determining and reporting on the eligible expenditures.

**CITY OF WEST COVINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Years Ended June 30, 2021, 2022 and 2023**

***2023-001 Allocation of Costs to the Measure W Fund, Commingling of Funds, Accuracy of Annual Reports - Continued***

Recommendation:

We recommend the City take steps to establish and maintain effective internal control over the Measure W reporting and compliance requirements. City management should ensure there is adequate and timely communication with any consultants involved in the SCW Program.

Views of Responsible Officials:

The City will take the following steps to establish and maintain effective internal control over the Measure W reporting and compliance requirements: moving forward, the City will ensure that the Measure W Annual Report is reviewed by the City's Finance Department prior to submitting before the deadline. Additionally, the Finance staff will reconcile the reported revenues and allowable expenditures on the Annual Report to the General Ledger. City management will also ensure there is adequate and timely communication with any consultants involved in the SCW Program.

***2023-002 Maintenance of Effort***

Condition:

Based on review of the project and program expenditures for the three-year period, it appears the City did not meet the Maintenance of Effort requirements as listed in Section 18.06 of the Los Angeles County Code of Ordinances (Code), for each of three years.

Criteria:

Section 18.06 of the Code requires a municipality to spend at least seventy percent (70%) of its Municipal Program funds annually on eligible expenses related to Projects or Programs implemented on or after November 6, 2018, which also includes operations and maintenance of Projects built to comply with the MS4 Permit, so long as the Project complies with Municipal Program requirements.

Up to thirty percent thirty percent (30%) of a Municipality's Municipal Program funds may be used to pay for costs and expenses incurred on or after November 6, 2018, related to the continuation of Programs implemented or the maintenance of Projects implemented prior to November 6, 2018.

Cause of Condition:

The City did not expend 70% of the municipal program funds on projects or programs implemented on or after November 6, 2018.

**CITY OF WEST COVINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Years Ended June 30, 2021, 2022 and 2023**

***2023-002 Maintenance of Effort - Continued***

Recommendation:

We recommend the City take necessary steps to ensure the Maintenance of Effort requirements are met in future fiscal years.

Views of Responsible Officials:

The City acknowledges the recommendation and will take necessary steps to ensure the Maintenance of Effort requirements is met.