

# City of Pomona

Compliance Reports and Other Financial Information  
June 30, 2003

**McGladrey & Pullen**  
Certified Public Accountants

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City of Pomona, California

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2003

Grantor/Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number/ Program Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through County of Los Angeles:			
Special Programs for the Aging—Title III, Part C	93.045	41021	\$ 132,605
U.S. Department of Agriculture:			
Passed through County of Los Angeles:			
Nutrition Program for the Elderly	10.570	41021	26,867
U.S. Department of Housing and Urban Development:			
Direct Programs:			
HOME Investment Partnership Act	14.239	M00-MC-06-0528	1,076,850
Community Development Block Grant	14.218	B-00-MC-06-0527	3,402,774
Emergency Shelter Grants Program	14.231	S-00-MC-06-0527	121,147
Supportive Housing Program	14.235	CA16A150524	76,038
Shelter Plus Care	14.238	CA16C931148	217,717
Section 8—Housing Assistance Voucher Program	14.855*	CA123VO	6,089,858
Total U.S. Department of Housing and Urban Development			10,984,384
U.S. Department of Justice:			
Direct Programs:			
Local Law Enforcement Block Grant	16.592	Various	493,706
Asset Forfeiture	16.000*	N/A	469,451
Passed through California State Library:			
School Truancy Grant	16.710	CA-01955	13,935
Passed through Governor's Office of Emergency Services:			
State Domestic Preparedness Equipment	16.007	2002-88,OES#037-00000	44
Total U.S. Department of Justice			977,136
<b>Total federal awards expended</b>			<b>\$ 12,120,992</b>

\* Denotes major program  
N/A = Not Applicable

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Pomona

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2003

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Pomona, California, (the City) and is presented on the modified-accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

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<u>Program Title Provided</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Community Development Block Grant	14.218	\$ 438,611
Emergency Shelter Grants Program	14.231	104,474
Home Investment Partnership Act	14.239	6,285
Supportive Housing Grant	14.235	74,075

**Note 3. Loan Outstanding**

The City had the following loan balances outstanding at June 30, 2003. The loan balances outstanding are also included in the federal expenditures presented in the schedule of expenditures of federal awards.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 1,500,000

**Independent Auditor's Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial Statements Performed  
in accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Members of the City Council  
City of Pomona  
Pomona, California

We have audited the financial statements of the City of Pomona, California, (the City) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. 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.

### **Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item RC 03-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts, which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Finance Committee, City Council, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Irvine, California  
December 5, 2003

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance in accordance with OMB Circular A-133 and the Schedule of Federal Awards

To the Honorable Mayor and  
Members of the City Council  
City of Pomona  
Pomona, California

### Compliance

We have audited the compliance of the City of Pomona, California, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

### Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the City as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Finance Committee, City Council, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Irvine, California  
December 5, 2003



Schedule of Findings and Questioned Costs  
Year Ended June 30, 2003

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I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	<u>  X  </u>	No
Reportable condition(s) identified that are not considered to be material weaknesses?	<u>  X  </u>	Yes	_____	None Reported
Noncompliance material to financial statements noted?	_____	Yes	<u>  X  </u>	No

Federal Awards

Internal control over major program:

Material weakness(es) identified?	_____	Yes	<u>  X  </u>	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____	Yes	<u>  X  </u>	None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.855	Housing Assistance Programs Section 8 Voucher
16.000	Asset Forfeiture

Dollar threshold used to distinguish between type A and type B programs: \$363,630

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

Schedule of Findings and Questioned Costs, Continued  
Year Ended June 30, 2003

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II. Findings Relating to the Financial Statement Audit as Required to be Reported in accordance with Generally Accepted Government Auditing Standards

A. Reportable Conditions

RC 03-1 Fixed Assets:

The City's fixed asset system and the general ledger do not reconcile at year end. Additionally, the fixed asset software does not calculate depreciation amounts consistently. Although the City was able to materially reconcile the fixed asset system to the general ledger, we recommend that the City consider the need to implement more reliable fixed asset software that is integrated with the City's general ledger system.

**Management's response:** The City is in the process of implementing the fixed asset system that is integrated with the City's general ledger system. It is anticipated the new system will be completely implemented by December 31, 2003.

B. Compliance Findings

None noted.

III. Findings and Questioned Costs for Federal Awards

A. Reportable Conditions

See RC 03-1 above.

B. Compliance Findings

None noted.

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2003

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**RC 02-1 Lack of Monitoring and Accounting for Decentralized Cash Receipts**

The City uses prenumbered Transaction Receipts (TR) for various City departments that collect cash. These TRs are then routed to the Treasury Office in order to record the cash receipts. Although these TRs are prenumbered by the Central Printing Division at the City, the Treasury Office has no policies or procedures established to account for missing or voided TRs. The lack of accountability for such receipts exposes the City to misappropriation of cash receipts and exposure to lost revenue, as well as unauthorized use and potential abuse of the City's cash collection system. We recommend that the City produce a TR tracking system in order to account for cash collected through the use of TRs.

**Management's response:** The accounting technician responsible for review and daily reconciliation of all activity passing through the revenue system has been recording and tracking TRs for nearly two years. The method being used to do so, however, was not particularly effective as a means to identify missing and/or voided TRs. We have subsequently modified the existing procedures in order to more accurately track TRs from all departments and will follow up with the appropriate persons from those departments whenever a sequential gap is identified.

**RC 02-2 Fixed Assets**

The City's fixed asset system and the general ledger do not reconcile at year end. Additionally, the fixed asset software does not calculate depreciation amounts consistently. Although the City was able to materially reconcile the fixed asset system to the general ledger, we recommend that the City consider the need to implement more reliable fixed asset software that is integrated with the City's general ledger system.

**Management's response:** The City is in the process of implementing the fixed asset system that is integrated with the City's general ledger system. It is anticipated the new system will be completely implemented by December 31, 2003.

# McGladrey & Pullen

Certified Public Accountants

## Independent Accountant's Report on Applying Agreed-upon Procedures

To the Honorable Mayor and  
Members of the City Council  
City of Pomona  
Pomona, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Calculation of the City of Pomona, California, (the City) for the year ended June 30, 2003. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City's management is responsible for the Appropriations Limit Calculation.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed internal calculations and compared the limit and annual adjustment factors included in those calculations to the limit and annual adjustment factors that were adopted by a resolution of the City Council. We also compared the population and inflation options included in the aforementioned calculations to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Calculation, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Calculation to the supporting calculations described in item 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year Appropriations Limit presented in the accompanying Appropriations Limit Calculation to the prior year Appropriations Limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Calculation of the City. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by Article XIII B of the California Constitution.

This report is intended solely for the information and use of the City Council and management of the City of Pomona, California, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*McGladrey & Pullen, LLP*

Irvine, California  
December 5, 2003

City of Pomona, California

Appropriations Limit Calculation  
Year Ended June 30, 2003

	Amount	Source
A. Last year's limit	\$ 131,362,947	
B. Adjustment factors:		
1. Population change	1.0177	State Finance
2. Per capita change	0.9873	State Finance
<b>Total adjustment [(1 x 2)-1.0000]</b>	<u>0.0048</u>	
C. Annual adjustment	<u>627,286</u>	(B x A)
D. Other adjustments:		
1. Lost responsibility (-)	-	
2. Transfer to private (-)	-	
3. Transfer to fees (-)	-	
4. Assumed responsibility (+)	-	
<b>Subtotal</b>	<u>-</u>	
E. Total adjustments	<u>627,286</u>	(C + D)
F. This year's limit	<u>\$ 131,990,233</u>	(A + E)