

# City of Pomona

Pomona, California

*Single Audit Reports*

*For the year ended June 30, 2005*

**C&L**  
Caporicci & Larson  
Certified Public Accountants

City of Pomona  
Single Audit Report  
For the year ended June 30, 2005

Table of Contents

---

	<u>Page</u>
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 .....	2
Schedule of Expenditures of Federal Awards .....	4
Notes to the Schedule of Expenditures of Federal Awards .....	6
Schedule of Findings and Questioned Costs .....	7



INDEPENDENT AUDITORS' 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 City Council  
of the City of Pomona  
Pomona, California

We have audited the basic financial statements of the City of Pomona (City) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 23, 2005. We conducted our audit in accordance with generally accepted auditing standards in the United States 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 the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Caporicci & Larson*

Costa Mesa, California  
November 23, 2005

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
3184-D Airway Avenue  
Costa Mesa, California 92626

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND  
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH  
OMB CIRCULAR A-133

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

**Compliance**

We have audited the compliance of the City of Pomona (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, 2005. The City's major federal programs are identified in the summary of the auditors' 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 generally accepted auditing standards in the United States; 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, *Audit 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, 2005.

**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.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
3184-D Airway Avenue  
Costa Mesa, California 92626

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

To the Honorable Mayor and Members of City Council  
of the City of Pomona  
Pomona, California  
Page 2

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, 2005, and have issued our report thereon dated November 23, 2005. 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 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole.

This report is intended for the information of the City Council, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Capricci & Carson*

Costa Mesa, California  
November 23, 2005

City of Pomona  
 Single Audit Report  
 Schedule of Expenditures of Federal Awards  
 For the year ended June 30, 2005

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number		Agency or Pass-Through Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development:</b>				
Direct Program:				
Community Development Block Grant 99/00 <i>through</i>	14.218	*	B-02-MC-06-0527 <i>through</i>	
Community Development Block Grant 02/03	14.218	*	B-04-MC-06-0527	\$ 3,736,820
Home Investment Partnership Programs:				
Home Investment Partnership Program 98/99 <i>through</i>	14.239		M-02-MC-06-0528 <i>through</i>	
Home Investment Partnership Program 02/03	14.239		M-04-MC-06-0528	2,283,191
Emergency Shelter Grant	14.231		S-04-MC-06-0527	113,765
Supportive Housing Program	14.235		CA16C1000040	40,293
Shelter Plus Care	14.238		CA16C931148	282,497
Section 8 - HVAP	14.855	*	CALHB0284-04	7,724,795
Lead Paint Hazard Control Grant	14.238		CA16C931148	255
<b>Total U.S. Department of Housing and Urban Development</b>				<b>14,181,616</b>
<b>U. S. Department of Transportation:</b>				
Passed through State of California:				
OTS Pedestrian Grant	20.600		PS0414	54,140
<b>Total U.S. Department of Transportation</b>				<b>54,140</b>
<b>U. S. Department of Justice:</b>				
Direct Programs:				
Local Law Enforcement Block Grant	16.592		2002-LB-BX-0124	366
Asset Forfeiture Program	16.000		N/A	1,128,271
<b>Total Direct Programs</b>				<b>1,128,637</b>
Passed through County of Los Angeles				
Homeland Security Grant	97.004	*	2003-167	164,322
Homeland Security Grant	97.004	*	2004-45	164,031
<b>Total Passed Through Programs</b>				<b>328,353</b>
<b>Total U.S. Department of Justice</b>				<b>1,456,990</b>
			Balance carried forward	<b>\$ 15,692,746</b>

\* Denotes Major Program

**City of Pomona**  
**Single Audit Report**  
**Schedule of Expenditures of Federal Awards, Continued**  
**For the year ended June 30, 2005**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Balance carried over from previous page			<u>\$ 15,692,746</u>
<b>U. S. Department of Health and Human Services:</b>			
Passed through County of Los Angeles:			
Title III-C Nutrition	93.045	42177	<u>130,420</u>
<b>Total U. S. Department of Education</b>			<u>130,420</u>
<b>U.S. Department of Agriculture:</b>			
Passed through County of Los Angeles:			
Nutrition Program for the Elderly	10.570	42177	<u>25,073</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<u><u>\$ 15,848,239</u></u>

\* Denotes Major Program

# City of Pomona

## Single Audit Report

### Notes to the Schedule of Expenditures of Federal Awards, Continued

For the year ended June 30, 2005

---

#### 1. REPORTING ENTITY

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) Codification, consists of the primary government, which is the City of Pomona (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The Redevelopment Agency of the City of Pomona
- The Pomona Public Financing Authority
- The Housing Authority of the City of Pomona
- The Canon Water Company

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

Funds received under the various grant programs have been recorded within special revenue and capital projects funds of the City. The City utilizes the modified accrual method of accounting for special revenue and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

##### Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the City. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California and the County of Los Angeles is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position, changes in fund balance, or results of operations of the City.



City of Pomona  
 Single Audit Report  
 Schedule of Findings and Questioned Costs  
 For the year ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Pomona.
2. No reportable conditions relating to the audit of the financial statements are reported in the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Pomona were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs were reported in the financial statements.
5. The auditors' report on compliance for the major federal award programs for the City of Pomona expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Pomona are reported in Part C of this Schedule.
7. The programs tested as major programs included:

Major Program	Expenditures
Community Development Block Grant	\$ 3,736,820
Section 8 - HVAP	7,724,795
Homeland Security	328,353
<b>Total Major Program Expenditures</b>	<b>\$ 11,789,968</b>
<b>Total Federal Award Expenditures</b>	<b>\$ 15,848,239</b>
<b>Percent of Total Federal Award Expenditures</b>	<b>74.39%</b>

8. The threshold for distinguishing Types A and B programs was \$475,447.
9. The City of Pomona was determined to be a high risk auditee.

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statement findings were noted.

City of Pomona  
Single Audit Report  
Schedule of Findings and Questioned Costs  
For the year ended June 30, 2005

---

**C. PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT**

**A. Reportable condition**

**RC 04-1 FIXED ASSETS**

Prior to the audit of the City's June 30, 2003 financial statements, the City's fixed assets detail did not agree to its general ledger fixed assets and accumulated depreciation balances, which resulted in a restatement of June 30, 2003 proprietary funds capital assets, net of accumulated depreciation of \$5,942,836. As noted during our audit of the City's capital assets during the 2004 audit, the City still uses Excel databases to track its capital assets activity, including the recording of depreciation. We believe using Excel spreadsheets instead of specialized capital asset software increases the risk that computational mistakes might occur and not be detected. Specialized capital asset software usually allows for exception reporting that would identify computation errors.

**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.

**Status:**

Implemented.

**D. CURRENT YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

No findings or questioned costs were noted on the City's major programs.

**E. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

**CF 04-1 Community Development Block Grant (CDBG) (CFDA# 14.218)**

The following is a finding noted during the U.S. Department of Housing and Urban Development's (HUD) Monitoring Report of March 4, 2004 which had not been cleared as of June 30, 2004.

CDBG Service-Area Determination (Finding One):

City of Pomona  
Single Audit Report  
Schedule of Findings and Questioned Costs  
For the year ended June 30, 2005

---

**E. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM  
AUDIT, Continued**

**Criteria:**

Pursuant to 24 CFR, grantees must determine and describe service areas (street boundaries) for projects meeting the low- and moderate-income area benefit national objective. A review of the files by HUD showed three patterns of regulatory noncompliance:

1. An Analysis of service areas and corresponding street boundaries was not undertaken for each individual project;
2. The City assumed that including a 1990 low- and moderate-income census tract map in the project docket file was sufficient to comply with the low- and moderate-income area benefit national objective; or
3. Project service areas were determined by City Council districts without a careful analysis of the low-income service area or ensuring implementation within those eligible low-income areas based on the nature and location of each individual project.

However, for these three projects, the benefits accrue to specific streets or property addresses; therefore, the service area should have been determined down to the low- and moderate-income block-group level.

**Effect:**

The net effect of this regulatory violation is that low- and moderate-income persons were not sufficiently targeted for these CDBG-funded programs in accordance with low- and moderate-income area benefit national objective pursuant to 24 CFR Part 570.208.

**Recommendation:**

HUD is disallowing the \$115,024 cost charged to the CDBG program during program year 2001 for the Street Lights District 5/Westmont Area project because the project was undertaken in an ineligible area and does not meet the low- and moderate income area benefit national objective. The City must submit accounting documentation verifying that the CDBG account was reimbursed for \$115,024 with nonfederal funds. The reimbursed funds must be committed and expended on a CDBG - eligible project(s) and should be reflected in the City's Program Year 2004 Action Plan.

**Corrective Action Plan:**

The City Council approved substitute funding for the program in question in the amount of \$115,024. The City will submit the required accounting documentation to HUD to verify that the CDBG account was reimbursed the \$115,024 with nonfederal funds.

**Status:**

Implemented