

CITY OF POMONA, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2013

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CITY OF POMONA

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INDEPENDENT AUDITORS' 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pomona (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2013.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Solt & Lingham, LLP

Brea, California
December 20, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Pomona's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.



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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002. Our opinion on each major federal program is not modified with respect to this matter.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified significant deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002.

Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

We have audited the financial statements of the City of Pomona as of and for the year ended June 30, 2013, and have issued our report thereon dated December 20, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the



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

financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Brea, California
December 20, 2013

CITY OF POMONA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant			
Community Development Block Grant - Program Income	14.218	B-11-MC-06-0527	\$ 2,238
Community Development Block Grant - Program Income	14.218	B-12-MC-06-0527	82,207
Community Development Block Grant	14.218	B-10-MC-06-0527	557,523
Community Development Block Grant	14.218	B-11-MC-06-0527	2,507,433
Community Development Block Grant	14.218	B-12-MC-06-0527	391,690
ARRA - Community Development Block Grant	14.253	B-09-MC-06-0527	220,653
Total Community Development Block Grant*			<u>3,761,744</u>
Emergency Solutions Grant Program			
Emergency Shelter Grant	14.231	E-11-MC-06-0527	80,329
Emergency Shelter Grant	14.231	E-12-MC-06-0527	142,757
Total Emergency Solutions Grant Program			<u>223,086</u>
Supportive Housing Program			
Supportive Housing Program	14.235	CA0436B9D001104	90,008
Supportive Housing Program	14.235	CA0436L9D001205	26,574
Total Supportive Housing Program			<u>116,582</u>
Shelter Plus Care			
Shelter Plus Care	14.238	CA0462C9D001104	447,196
Shelter Plus Care	14.238	CA0462L9D001205	226,351
Total Shelter Plus Care			<u>673,547</u>
Home Investment Partnership Program			
Home Investment Partnership Program - Program Income	14.239	M-10-MC-06-0528	2,978
Home Investment Partnership Program - Program Income	14.239	M-11-MC-06-0528	165,271
Home Investment Partnership Program	14.239	M-09-MC-06-0528	63,211
Home Investment Partnership Program	14.239	M-10-MC-06-0528	429,508
Home Investment Partnership Program	14.239	M-11-MC-06-0528	8,931
Total Home Investment Partnership Program			<u>669,899</u>
Neighborhood Stabilization Program - HERA			
Neighborhood Stabilization - HERA	14.256	B-08-MN-06-0516	8,492
Neighborhood Stabilization - HERA - Program Income	14.256	B-08-MN-06-0516	304,224
Neighborhood Stabilization - III	14.256	B-11-MN-06-0516	852,796
Total Neighborhood Stabilization - HERA*			<u>1,165,512</u>
ARRA - Homeless Prevention and Rapid Re-Housing Program			
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257	S-09-MY-06-0527	29,716
ARRA - Homeless Prevention and Rapid Re-Housing Program - Program Income	14.257	S-09-MY-06-0527	1,000
Total ARRA - Homeless Prevention and Rapid Re-Housing Program*			<u>30,716</u>
Section 8 Housing Choice Vouchers	14.871	CA-1230014-0028	<u>10,643,325</u>
Lead-Based Paint Hazard Control			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.907	CALHB0493-11	333,492
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.907	CALHB0493-11	8,756
Total Lead-Based Paint Hazard Control			<u>342,248</u>

CITY OF POMONA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Passed through Los Angeles Homeless Service Authority:			
Street Outreach Program	14.235	CA035L9D001205	\$ 1,004
Street Outreach Program	14.235	CA0358B9D001104	136,951
Total Street Outreach Program			<u>137,955</u>
Total U.S. Department of Housing and Urban Development			<u>17,764,614</u>
<u>U.S. Department of Justice</u>			
Direct Programs:			
Justice Assistance Grant (JAG) Program			
Justice Assistance Grant (JAG) Program	16.738	2010-DJ-BX-0401	69,738
Justice Assistance Grant (JAG) Program	16.738	2011-DJ-BX-2404	34,973
Justice Assistance Grant (JAG) Program	16.738	2012-DJ-BX-0795	6,230
Total Justice Assistance Grant (JAG) Program*			<u>110,941</u>
Public Safety Partnership and Community Policing Grant			
COPS Hiring Recovery Program Grant*	16.710	2009RJWX0013	<u>789,396</u>
Federal Equitable Sharing	16.922	-	<u>1,918,834</u>
Passed through the City of Los Angeles:			
Justice Assistance Grant (JAG) Program			
Justice Assistance Grant (JAG) Program	16.738	-	80
ARRA - Justice Assistance Grant (JAG)			
Program / Grants to Units of Local Government	16.804	-	<u>131,395</u>
Total Justice Assistance Grant (JAG) Program*			<u>131,475</u>
Passed through the County of Los Angeles:			
State Domestic Preparedness Equipment Support Program			
State Homeland Security Grant	97.004	-	<u>115,968</u>
Total U.S. Department of Justice			<u>3,066,614</u>
<u>U.S. Department of Transportation</u>			
Passed through the California Department of Transportation:			
Highway Planning and Construction Grant			
Surface Transportation Program Local	20.205	STPLN-5070(009)	293,435
Highway Program, A Legacy of Users, Local	20.205	HPLUL-5070(019)	178,163
Demo T	20.205	DEMO5LN-5070(013)	123,233
Highway Safety Improvement Program	20.205	HSIPL-5070(025)	101,021
Highway Safety Improvement Program	20.205	HSIPL-5070(027)	82,586
Total Highway Planning and Construction Grant			<u>778,438</u>
State Highway Operation and Protection Program	20.500	07-LA-60	<u>807</u>
Passed through the County of Los Angeles Department of			
Public Works:			
Roadway Improvement Project Grant			
Surface Transportation Program Local	20.205	LAOG616	1,424,071
Demo - TEA 21	20.205	LAOG616	326,524
Total Roadway Improvement Project Grant			<u>1,750,595</u>
Total U.S. Department of Transportation			<u>2,529,840</u>
<u>U.S. Department of Treasury</u>			
Direct Program:			
Federal Equitable Sharing	21.000	-	<u>339,575</u>
Total U.S. Department of Treasury			<u>339,575</u>

CITY OF POMONA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Energy</u>			
Direct Program:			
Energy Efficiency and Conservation Block Grant			
ARRA - Energy Efficiency and Conservation Block Grant*	81.128	DE-SC0001464	\$ 38,377
Total U.S. Department of Energy			<u>38,377</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the County of Los Angeles:			
Special Programs for the Aging - Tittle III, Part C - Nutrition Services			
U.S. Department of Agriculture	93.045	AAA-ENP-1216-012	22,114
Title III-C Nutrition	93.045	AAA-ENP-1216-012	132,405
Total U.S. Department of Health and Human Services			<u>154,519</u>
<u>National Endowment for the Arts</u>			
Direct Program:			
Promotion of the Arts-Grants to Organizations and Individuals	45.024	12-5900-7020	10,000
Total National Endowment for the Arts			<u>10,000</u>
Total Federal Expenditures			<u><u>\$23,903,539</u></u>

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There are no federal awards expended in the form of noncash assistance, insurance in effect or loans or loan guarantees during the year.

Note c: Amounts provided to subrecipients were as follows:

Homeless Prevention and Rapid Re-Housing	\$ 4,703
Community Development Block Grant	50,201
Emergency Shelter Grant	109,985
Supportive Housing Program	73,240

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Pomona, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

CITY OF POMONA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2013-001:

Significant Deficiency

Procurement, Suspension and Debarment

- Federal Programs:
Federal Agency: U.S. Department of Housing and Urban Development
CFDA Number: 14.256
Title: Neighborhood Stabilization Program
Grantor Number: B-08-MN-06-0516 & B-11-MN-06-0516
- Criteria or specific requirement:
OMB guidance 2 CFR § 180.300 requires a participant who enters into a covered transaction with another person to verify that the person with whom it intends to do business is not excluded or disqualified by (a) checking the EPLS; or (b) collecting a certification from that person if allowed by the Federal agency responsible for the transaction; or (c) adding a clause or condition to the covered transaction with that person.
- Condition:
Subcontractors used by the City on covered transactions did not check the EPLS, collect a certification from their vendors, or add a clause or condition to the covered transactions.
- Cause:
Subcontractors were unaware of the compliance requirement at the time the contract was approved.
- Effect:
The City was unable to substantiate its compliance with this requirement.
- Questioned cost:
None. For the items tested, we verified the vendors' names in the EPLS database and no exceptions were noted.
- Recommendation:
We recommend that the City have subcontractors include the clause in their standard contracts or implement procedures to ensure the EPLS website is checked prior to awarding the contract.
- Management's Response:
Section 2-976 of the City's Purchasing Code states that the City will check the Federal Excluded Parties List System website to ensure that parties receiving Federal funds are not debarred or suspended from receipt of such funds. In response to this finding, departments will be required to verify vendor status prior to contract award by the City Council and the Finance Department will require proof of such prior to issuing a purchase order.

CITY OF POMONA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2013-002:

Material Weakness

Procurement, Suspension and Debarment

- Federal Programs:
Federal Agency: U.S. Department of Energy
CFDA Number: 81.128
Title: ARRA – Energy Efficiency and Conservation Block Grant
Grantor Number: DE-SC0001464
- Criteria or specific requirement:
OMB guidance 2 CFR § 180.300 requires a participant who enters into a covered transaction with another person to verify that the person with whom it intends to do business is not excluded or disqualified by (a) checking the EPLS; or (b) collecting a certification from that person if allowed by the Federal agency responsible for the transaction; or (c) adding a clause or condition to the covered transaction with that person.
- Condition:
The City did not maintain documentation showing that the verification was performed and did not include a clause or condition to the covered transaction.
- Cause:
Program employees were unaware of the compliance requirement at the time the contract was approved.
- Effect:
The City was unable to substantiate compliance with this requirement.
- Questioned cost:
None. For the items tested, we verified the vendors' names in the EPLS database and no exceptions were noted.
- Recommendation:
We recommend that the City keep documentation showing that the EPLS website was checked prior to awarding the contracts, obtain certification from the vendor or include the clause in their standard contracts.
- Management's Response:
Section 2-976 of the City's Purchasing Code states that the City will check the Federal Excluded Parties List System website to ensure that parties receiving Federal funds are not debarred or suspended from receipt of such funds. Staff believes the contractors funded by this grant were checked in accordance to this code section however, the Code does not name the designated position responsible for this and no documentation can be located. In response to this finding, departments will be required to verify vendor status prior to contract award by the City Council and the Finance Department will require proof of such prior to issuing a purchase order.

CITY OF POMONA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.