

City of Pomona

Pomona, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2018



**City of Pomona
Single Audit Report
For the Year Ended June 30, 2018**

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**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***

Independent Auditors' Report

To the Honorable Mayor and the Members of City Council
of the City of Pomona
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, California (the "City") as of and for the year ended June 30, 2018, 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, 2018.

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 limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that were not identified.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 20, 2018



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Pomona, California's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 to 2018-005. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings 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.

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 Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as discussed, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 to 2018-005 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Honorable Mayor and the Members of City Council
of the City of Pomona
Pomona, California
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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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated December 20, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The PwC Group, LLP

Santa Ana, California

February 12, 2019, except for the Schedule of Expenditures of Federal Awards, which is as of December 20, 2018.

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City of Pomona
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Passed through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures	Amounts provided to Subrecipients
U.S. Department of Housing and Urban Development:				
<i>Direct Programs:</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0527	\$ 613,329	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-06-0527	335,771	-
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-06-0527	441,140	-
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-06-0527	1,031,769	103,082
Community Development Block Grants/Entitlement Grants	14.218	Program Income	346,693	-
Neighborhood Stabilization Program 1	14.218	Program Income	615,672	-
Neighborhood Stabilization Program 3	14.218	Program Income	372,218	-
CDBG - Entitlement Grants Cluster Subtotal			<u>3,756,592</u>	<u>103,082</u>
Emergency Solutions Grants Program	14.231	E-17-MC-060527	50,826	8,122
Emergency Solutions Grants Program Subtotal			<u>50,826</u>	<u>8,122</u>
			-	-
Shelter Plus Care Program	14.238	CA0462L9D001609	783,031	-
Shelter Plus Care Program	14.238	CA0462L9D001710	269,067	39,366
Shelter Plus Care Program Subtotal			<u>1,052,098</u>	<u>39,366</u>
			-	-
HOME Investment Partnerships Program	14.239	M-14-MC-06-0528	38,670	-
HOME Investment Partnerships Program	14.239	M-15-MC-06-0528	28,651	-
HOME Investment Partnerships Program	14.239	M-16-MC-06-0528	8,882	-
HOME Investment Partnerships Program	14.239	M-17-MC-06-0528	37,405	-
HOME Investment Partnerships Program	14.239	Program Income	286,683	-
HOME Investment Partnerships Program Subtotal			<u>400,291</u>	<u>-</u>
Housing Voucher Cluster:				
Section 8 Housing Choice Voucher Program	14.871	CA123VO	12,107,827	-
Housing Voucher Cluster Subtotal			<u>12,107,827</u>	<u>-</u>
Lead Paint Hazard Control Grant	14.900	CALHB0626-16	469,014	-
Healthy Homes Grant	14.900	CALHB0626-16	44,053	-
Lead-Based Paint Hazard Control in Privately-Owned Housing Program Subtotal			<u>513,067</u>	<u>-</u>
<i>Passed through Los Angeles Homeless Service Authority:</i>				
Street Outreach Program	14.267	CA0358L9D001609	237,208	170,677
Pomona Operations Porchlight-Rapid Rehousing Program	14.267	CA1507L9D001500	165,579	-
Pomona Operations Porchlight-Rapid Rehousing Program	14.267	CA1507L9D001601	194,780	-
Continuum of Care Program Subtotal			<u>597,567</u>	<u>170,677</u>
Total U.S. Department of Housing and Urban Development			<u>18,478,268</u>	<u>321,247</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Pomona
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2018

Federal Grantor/Passed through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures	Amounts provided to Subrecipients
U.S. Department of Justice:				
<i>Direct Program:</i>				
Equitable Sharing Program	16.922	CA0195500	668,731	-
Edward Byrne Memorial Justice Assistance Grant:				
<i>Direct Program:</i>				
2015 Justice Assistance Grant	16.738	2016-DJ-BX-0092	7,839	-
Total Edward Byrne Memorial Justice Assistance Grant			<u>7,839</u>	<u>-</u>
Total U.S. Department of Justice			<u>676,570</u>	<u>-</u>
U.S. Department of Transportation:				
Highway Planning and Construction Cluster:				
<i>Passed through State of California Department of Transportation:</i>				
ATPL Cycle 1 Grant	20.205	ATPL-5070(032)	1,654,689	-
Surface Transportation Program Local (STP-L)	20.205	STPL-5070(033)	860,000	-
Total Highway Planning and Construction Cluster			<u>2,514,689</u>	<u>-</u>
Minimum Penalties for Offenders for Driving While Intoxicated:				
<i>Passed through State of California Office of Traffic Safety:</i>				
Selective Traffic Enforcement Program - FY16-17	20.608	PT1793	111,440	-
Selective Traffic Enforcement Program - FY17-18	20.608	PT18117	266,253	-
Total Minimum Penalties for Offenders for Driving While Intoxicated			<u>377,693</u>	<u>-</u>
Highway Safety Cluster:				
<i>Passed through State of California Office of Traffic Safety:</i>				
Selective Traffic Enforcement Program - FY16-17	20.600	PT1793	5,641	-
Selective Traffic Enforcement Program - FY17-18	20.600	PT18117	65,632	-
Subtotal - 20.600			<u>71,273</u>	<u>-</u>
Seat Belt Grant - FY 16/17	20.616	OP1706	41,931	-
Seat Belt Grant - FY 15/16	20.616	OP18013	101,463	-
Subtotal - 20.616			<u>143,394</u>	<u>-</u>
Total Highway Safety Cluster			<u>214,667</u>	<u>-</u>
Total U.S. Department of Transportation			<u>3,107,049</u>	<u>-</u>
U.S. Department of Health and Human Services:				
Aging Cluster:				
<i>Passed through County of Los Angeles Department of Aging and Adult Services</i>				
Special Programs for the Aging--Title III, Part C--Nutrition Services	93.045	AAA-ENP-162009	135,375	-
Special Programs for the Aging--Title III, Part C--Nutrition Services	93.045	Program Income	25,631	-
Total Aging Cluster			<u>161,006</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>161,006</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 22,422,893</u>	<u>\$ 321,247</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Pomona
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 – Reporting Entity

The financial reporting entity consists of the primary government, City of Pomona, California (the “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:

- City of Pomona Housing Authority
- City of Pomona Public Financing Authority
- Canon Water Company of Pomona
- Fiduciary Component Unit:
 - Successor Agency of the Former Redevelopment Agency of the City of Pomona

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue and capital projects funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City’s basic financial statements.

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 assistances passed through the State of California, Los Angeles Homeless Service Authority, and the County of Los Angeles, are included in the Schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

Indirect Cost Rate

The City did not elect to use the 10% de minimis cost rate.

City of Pomona
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Types of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? 2018-001 and 2018-002
- Significant deficiency(ies) identified? 2018-003 to 2018-005

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
14.871	Housing Voucher Cluster	\$ 12,107,827
16.922	Federal Equitable Sharing	668,731
20.205	Highway Planning and Construction Cluser	2,514,689
Total Expenditures of All Major Federal Programs		<u>\$ 15,291,247</u>
Total Expenditures of Federal Awards		<u>\$ 22,422,893</u>
Percentage of Total Expenditures of Federal Awards		<u>68.19%</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee under 2 CFR 500.520? No

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statements Findings

A. Current Year Findings and Questioned Costs – Financial Statement Findings

No current year findings were noted.

B. Prior Year Findings and Questioned Costs – Financial Statement Findings

2017-001 – Internal control over the inventory process

Condition:

The Water Department's software and lack of an Inventory Procedures Manual limited the ability to produce the necessary reports to manage inventory and to provide guidance to properly train the Department's personnel. Furthermore, the Water Department did not have formal internal controls procedures to track, monitor, reconcile, and safeguard inventory records and access. There was no full-time employee working in the Warehouse. Field employees were filling their own work orders and are responsible for returning unused items to inventory. No one was consistently monitoring approvals and coding.

Recommendation:

We recommend the Water Department to take the following actions:

- Work closely with the City to update the Inventory Management System Software.
- Work closely with the City to design, implement and maintain its system of internal controls over inventory management.
- The Water Department needs to have a full-time product knowledgeable employee monitoring and administering these policies to ensure the inventory is properly safeguarded, labeled, located and coded into the system.
- Since Work Orders are approved a day before the items are pulled, we recommend that Warehouse employees pull the items prior to pick-up by field employees. Doing so would also allot time for the Material Requests to be properly approved and corrected coded and limit the amount of employees who will have access to the inventory. Unused items should be restocked by warehouse employees.
- Non-stock items should be monitored and any obsolete items should be annually reviewed and properly liquidated.
- The City develop an Inventory Procedures Desk Manual that would set the guidelines for recording and tracking of significant transactions in the inventory software.
- Personnel should assist the third party performing inventory counts to ensure all items are included in the annual count.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statements Findings (Continued)

B. Prior Year Findings and Questioned Costs – Financial Statement Findings (Continued)

2017-001 – Internal control over the inventory process (Continued)

Recommendation (Continued):

- The Water Department hire a full-time employee with product knowledge necessary to manage the warehouse. Access to inventory should be restricted to only warehouse employees. Work orders should only be filled by warehouse employees who can ensure proper approval and proper coding. Unused items should be properly restocked only by warehouse employees.

Status:

The finding was resolved during the year ended June 30, 2018.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Awards Findings

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

2018-001 Allowable Costs/Cost Principles– Internal Control and Compliance over Payroll Expenditures

Identification of the Federal Program:

Catalog of Federal Domestic Assistance (CFDA”) Number:	14.871
CDFA Title:	Section 8 housing Choice Vouchers
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA123VO – FY 15-16

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):

Total salaries charged to Federal awards (including extra service pay) are subject to the Standards of Documentation as described by 2 Code of Federal Regulations (“CFR”) §200.430(i). Per this section, salaries and wages charged to Federal awards must be based on records that accurately reflect the work performed. These records must:

- Be incorporated into the organization’s official records;
- Reasonably reflect the total activity for which the employee is compensating across all grant related and non-grant related activities (100% effort);
- Support the distribution of employee salary across multiple activities or cost objectives (for example, effort spent on multiple federal awards, spent on general/or administrative activities, vacation, sick leave, leave without pay, etc.); and
- Utilize an "after-the-fact" review of the employee’s actual hours worked during the reporting period for identifying and correcting significant changes (as defined by the organization’s written policies).

Condition:

We determined the City did not comply with federal requirements for direct payroll charges. Payroll costs for all three employees tested were allocated to programs based on percentages provided by management. These allocations were not supported by approved time samples or updated cost allocation methods/plan, nor were they reconciled to actual time spent on the various programs. Employee timesheets did not record the actual labor efforts expended on this grant.

Cause:

The City did not have policies and procedures for ensuring employees’ salaries charged to federal programs were supported by time records or an after-the-fact review of employees’ actual time worked on federal programs.

Effect or Potential Effect:

The City did not comply with the program’s requirements for allowable costs. There is an increased risk that employees’ compensation charged to the program may not have represented an actual time and/or effort expended on the program’s activities.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Award Findings (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2018-001 Allowable Costs/Cost Principles– Internal Control and Compliance over Payroll Expenditures (Continued)

Questioned Costs:

Cannot be reasonably determined.

Context:

During our testing of payroll expenditures, 15 of the 40 payroll charges sampled were based on “2014-15 full time salary allocation”.

Identification as a Repeat Finding, If Applicable:

It is a repeat finding from prior year finding 2017-002.

Recommendation:

We recommend the City comply with federal regulation requiring that any employee funded by federal grant document the actual time they spend working on the grant’s objectives. Documentation must reflect “actual” time spent by employees on awards being charged. The City should develop and implement policies and procedures that ensure that employees’ compensation charged to federal programs reflect a contemporaneous or after-the-fact distribution of employees’ actual time and effort expended on federal programs.

View of Responsible Officials:

The City’s prior policy/methodology for time and payroll distribution before the current FY 18/19 was based on budgeted allocations. Questioned costs for the Housing Choice Voucher Program were allowable based on observation of work completed by staff. Effective as of the City’s pay period beginning July 1, 2018, time sheets were codified based on actual time and effort expended on federal programs. Additionally, the City’s current policies and procedures regarding time distribution and codifications of timesheets will be revised to include “actual time” requirements. Since July 1, 2018, all employees who work in federal programs have to account for their actual hours spent working in those programs.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Award Findings (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2018-002 Equipment/Real Property Management – Internal Control and Compliance over Physical Inventory of Equipment

Identification of the Federal Program:

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	N/A

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):

Pursuant to CFR Title 2, Chapter II, Section 200.313 Equipment, (2) a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years and (3) a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

Condition:

During our testing of equipment management, we noted that there was no documentation of the inventory count and reconciliation to the property records performed for equipment purchased with Equitable Sharing Program.

Cause:

The City does not have formal policies or procedures in place to ensure that the physical inventory for equipment purchased with Equitable Sharing Program is being properly tracked and reconciled to property records.

Effect or Potential Effect:

Without a formal inventory count process resulted in the City not in compliance for the Equitable Sharing Program. This could also result in accounting for the replacement of the equipment and proceeds from sale of equipment purchased with Equitable Sharing Program incorrectly.

Questioned Costs:

None noted.

Context:

See condition above for context of the finding.

Identification as a Repeat Finding, If Applicable:

Not applicable.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Award Findings (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2018-002 Equipment/Real Property Management – Internal Control and Compliance over Physical Inventory of Equipment (Continued)

Recommendation:

We recommend the City establish and follow appropriate internal control procedures of requiring knowledgeable staff perform, review and sign off the physical inventory count and reconciliation to ensure that the equipment purchased with the Equitable Sharing Program are fully accounted for.

View of Responsible Officials:

The City currently maintains a listing of items purchased with asset forfeiture funds but understands now that additional information is required to be tracked to be compliant with the federal guidelines. The process is already underway for the City to correct the finding. The Police Department Staff has implemented procedures that will maintain an inventory listing of all items purchased with federal funds and inspect the inventory according to federal guidelines.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Award Findings (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2018-003 Procurement and Suspension, and Debarment – Internal Control and Compliance over Verification Against the System for Award Management (“SAM”)

Identification of the Federal Program:

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	N/A

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):

Suspension and Debarment, Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (Note: The OMB guidance at 2 CFR part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition:

During our audit, we noted that the City did not perform and maintain documentation on verifying the vendors against the SAM to ensure that they were not suspended or debarred from federally-funded purchases.

Cause:

The City does not have a formal policy to require departments to perform and maintain documentation on the suspension or debarment check over vendors that provide goods or services to the City’s federally-funded programs.

Effect or Potential Effect:

Without verifying whether vendors are suspended or debarred from working on federally-funded projects, the City could be contracting with vendors that are prohibited from providing goods or services to federally-funded programs.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Award Findings (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2018-003 Procurement and Suspension, and Debarment – Internal Control and Compliance over Verification Against the System for Award Management (“SAM”) (Continued)

Questioned Costs:

None noted.

Context:

See condition above for context of the finding.

Identification as a Repeat Finding, If Applicable:

Not applicable.

Recommendation:

We recommend that the Program establish proper internal control procedures to verify vendors against the SAM in order to ensure vendors are not suspended or debarred from federally-funded purchases.

View of Responsible Officials:

The City’s Purchasing code Sec 2-976 requires the checking of debarred vendors prior to using federal funds. Currently, the Housing Department within the City is registered with SAM and does perform and maintain documentation on the suspension or debarment check of vendors for all Federal Housing Grants; however the City will create additional procedures to educate all other program administrators Citywide of this requirement going forward.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Award Findings (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2018-004 Reporting – Internal Control and Compliance over Reporting

Identification of the Federal Program:

Catalog of Federal Domestic Assistance (CFDA”) Number:	16.922
CFDA Title:	Equitable Sharing Program
Federal Agency:	Department of Justice
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	N/A

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):

In accordance with the Guide to Equitable Sharing for State & Local Law, the grantee shall have reporting controls in place to ensure 1) maintain a record of all expenditures from the revenue account or account code, 2) the expenditures must be in accordance with eligible items, 3) issue quarterly and yearly reports that detail the actual amounts and uses of the federal asset sharing funds and property within their jurisdictions, and 4) submit annual Equitable Sharing Agreement and Certification form.

Condition:

During our testing, we noted that the beginning and ending balances from the Equitable Sharing Agreement and Certification (the “Certification”) does not agree to the general ledger. The beginning and ending balances on the Certification were higher than the general ledger \$50,297 and \$12,550, respectively. In addition, the expenditure did not reconcile to the Certification in the amount of \$27,553, in which the Certification has higher amount.

Cause:

The City does not have a policy in place to review the reconciliation of the Certification to the general ledger.

Effect or Potential Effect:

The beginning and ending Equitable Sharing Fund balances reported on the Certification may be inaccurate due to cumulative effects carried over from prior years.

Questioned Costs:

\$27,553

Context:

See condition above for context of the finding.

Identification as a Repeat Finding, If Applicable:

Not applicable.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Award Findings (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2018-004 Reporting – Internal Control and Compliance over Reporting (Continued)

Recommendation:

We recommended the City develop policies and procedures on reconciling all the amounts reported in the Certification to the general ledger and have knowledgeable City staff review the Certification and reconciliation to ensure the accuracy.

View of Responsible Officials:

The City has specific procedures in place to create the Annual Certification. The City will incorporate into the procedures a secondary level of review that reconciles the Annual Certification to the General Ledger so errors can be caught prior to submission.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

2018-005 Special Tests and Provision – Internal Control and Compliance over Housing Quality Standards Enforcement

Identification the Federal Program:

Catalog of Federal Domestic Assistance (CFDA”) Number:	14.871
CDFA Title:	Section 8 housing Choice Vouchers
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	CA123VO – FY 15-16

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):

Pursuant to the Uniform Guidance April 2017 Compliance Supplement, Housing Voucher Cluster, Housing Quality Standards (“HQS”) Enforcement:

For units under Housing Assistance Payment (“HAP”) contract that fail to meet HQS, the Public Housing Agency (“PHA”) must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family’s failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

Condition:

During our audit, we noted that 1 of 5 samples selected for life threatening deficiencies testing did not meet the 24 hours correction requirement. We also noted that 6 of 35 samples selected for all other HQS deficiencies did not meet the 30 calendar days correction requirement.

Cause:

The City did not have sufficient monitoring control over the HQS Enforcement compliance requirement.

Effect or Potential Effect:

The City was not in compliance with the HQS Enforcement compliance requirement. In addition, there could be no corrections of the HQS deficiencies and the City could have continued paying the HAP to those recipients failed to meet HQS.

Questioned Costs:

\$4,767 know questioned costs and the projected questioned costs were \$112,263 based on the total units receiving rents (942) divided by 40 samples tested times \$4,767 known costs.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

2018-005 Special Tests and Provision – Internal Control and Compliance over Housing Quality Standards Enforcement (Continued)

Context:

See condition above for context of the finding.

Identification as a Repeat Finding, If Applicable:

Not applicable.

Recommendation:

We recommended the City establish a comprehensive policies and procedures to meet the HQS compliance requirements.

View of Responsible Official:

Pomona Housing Authority (“PHA”) policy allowed exceptions to the required time frames for correcting the violation(s), if the PHA determines that an extension is appropriate. The PHA may grant an extension on a case by case basis where the PHA has determined that the owner has made a good faith effort to correct the deficiencies and is unable to for reason beyond the owner’s control. The total extension period cannot exceed 60 days. In reviewing inspections protocols and discussing Housing Quality Standards (HQS) requirements with staff, it was staff’s interpretation that the policy allowed them to grant extensions whether or not the owner made a good faith effort to correct the deficiencies. Since November 2018, all inspectors were retrained on HQS enforcement requirements. Staff will ensure that if an owner fails to maintain the dwelling unit in accordance with HQS, the PHA will take prompt and vigorous action to enforce the owner obligations.

City of Pomona
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III – Federal Award Findings (Continued)

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

2017-002 Reporting – Internal Control and Compliance over Payroll Expenditures

Federal Programs:

Catalog of Federal Domestic Assistance (CFDA”) Number: 14.231
CFDA Title: Emergency Solutions Grants Program (ESG)
Federal Agency: Department of Housing and Urban Development
Pass-Through Entity: N/A
Federal Award Number and Award Year: E-16-MC-060527 – FY 16-17

Catalog of Federal Domestic Assistance (CFDA”) Number: 14.238
CFDA Title: Shelter Plus Care Program
Federal Agency: Department of Housing and Urban Development
Pass-Through Entity: N/A
Federal Award Number and Award Year: CA0462L9D001508 – FY 16-17

Catalog of Federal Domestic Assistance (CFDA”) Number: 14.871
CFDA Title: Housing Choice Voucher (HCV) Cluster
Federal Agency: Department of Housing and Urban Development
Pass-Through Entity: N/A
Federal Award Number and Award Year: CA123VO – FY 15-16

Condition:

We determined the City did not comply with federal requirements for direct payroll charges. Payroll costs for all three employees tested were allocated to programs based on percentages provided by management. These allocations were not supported by approved time samples or updated cost allocation methods/plan, nor were they reconciled to actual time spent on the various programs. Employee timesheets did not record the actual labor efforts expended on this grant.

Recommendation:

We recommend the City comply with federal regulation requiring that any employee funded by federal grant document the actual time they spend working on the grant’s objectives. Documentation must reflect “actual” time spent by employees on awards being charged. The City should develop and implement policies and procedures that ensure that employees’ compensation charged to federal programs reflect a contemporaneous or after-the-fact distribution of employees’ actual time and effort expended on federal programs.

Current Status:

See current year finding 2018-001.

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