

# SINGLE AUDIT REPORT

# 2020



**FISCAL YEAR ENDED JUNE 30, 2020**

[WWW.OXNARD.ORG](http://WWW.OXNARD.ORG)



# CITY OF OXNARD

## CONTENTS

JUNE 30, 2020

	PAGE
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> . . . . .	1
Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance . . . . .	3
Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs	
Schedule of Expenditures of Federal Awards . . . . .	7
Notes to the Schedule of Expenditures of Federal Awards . . . . .	10
Schedule of Findings and Questioned Costs . . . . .	11
Schedule of Prior Audit Findings . . . . .	13



**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable City Council  
City of Oxnard  
Oxnard, California



**Eadie + Payne, LLP**

3880 Lemon St., Ste. 300  
Riverside, CA 92501

P.O. Box 1529  
Riverside, CA 92502-1529

Office: 951-241-7800

[www.eadiepaynellp.com](http://www.eadiepaynellp.com)

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 Oxnard, California (City), as of and for the year ended June 30, 2020, 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 9, 2020. Our report includes a reference to other auditors who audited the financial statements of Oxnard Housing Authority, as described in our report on the City's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

### **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*.

### **City's Response to Findings**

The City of Oxnard's responses to the audit findings are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Eddie and Payne HP*

Riverside, California  
December 9, 2020



**Eadie + Payne, LLP**

3880 Lemon St., Ste. 300  
Riverside, CA 92501

P.O. Box 1529  
Riverside, CA 92502-1529

Office: 951-241-7800

[www.eadiepaynellp.com](http://www.eadiepaynellp.com)

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

The Honorable City Council  
City of Oxnard  
Oxnard, California

**Report on Compliance for Each Major Federal Program**

We have audited City of Oxnard's (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, 2020. 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.

The City's basic financial statements include the operations of the Oxnard Housing Authority, which expended \$25,470,172 in Federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of the Oxnard Housing Authority, because it engaged other auditors to perform an audit in accordance with the Uniform Guidance.

***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; and 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* (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, 2020.

### ***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 the 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.

*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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **City's Response to Findings**

The City's responses to the prior audit findings are described in the accompanying schedule of findings and questioned costs – schedule of prior audit findings. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Schedule of Expenditures of Federal Awards**

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 9, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for the purposes of additional analysis as required by the 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 additional 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 expenditures of Federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Eddie and Payne HP*

Riverside, California  
February 10, 2021

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF OXNARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal Catalog Number</b>	<b>Program Identification Number</b>	<b>Total Program Expenditures</b>	<b>Total Amount Provided to Subrecipients</b>
<b>U.S. Department of Housing and Urban Development</b>				
<b>CDBG - Entitlement Grants Cluster</b>				
<i>Direct Program</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-06-0534	\$ 1,445,185	\$ 62,724
		B-18-MC-06-0534	653,244	3,767
		B-17-MC-06-0534	25,794	-
		B-16-MC-06-0534	93,023	-
		B-14-MC-06-0534	1	-
			<u>2,217,247</u>	<u>66,491</u>
<b>Total CDBG - Entitlement Grants Cluster</b>			<u>2,217,247</u>	<u>66,491</u>
<i>Direct Program</i>				
Emergency Solutions Grants Program	14.231	E-19-MC-06-0535	91,768	83,998
		E-18-MC-06-0534	50,958	50,958
		E-17-MC-06-0534	555	555
			<u>143,281</u>	<u>135,511</u>
<i>Direct Program</i>				
HOME Investment Partnership Program	14.239	M-19-MC-06-0526	113,936	-
		M-18-MC-06-0526	172,499	-
		M-17-MC-06-0526	30,980	-
			<u>317,415</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>2,677,943</u>	<u>202,002</u>
<b>U.S. Department of Homeland Security</b>				
<i>Passed through the County of Ventura</i>				
FY 2017 HOMELAND SECURITY GRANT PROGRAM	97.067	2017-0083-111-00000	6,673	-
FY 2017 HOMELAND SECURITY GRANT PROGRAM		2017-0083-111-00000	10,076	-
FY 2017 HOMELAND SECURITY GRANT PROGRAM		2017-0083-111-00000	9,395	-
FY 2018 HOMELAND SECURITY GRANT PROGRAM		2018-0054	2,669	-
FY 2019 HOMELAND SECURITY GRANT PROGRAM		2018-0054	25,349	-
			<u>54,162</u>	<u>-</u>
<i>Passed through the County of Ventura</i>				
Emergency Management Performance Grant	97.042	2019-0003	42,050	-
			<u>42,050</u>	<u>-</u>
<i>Passed through the California Office of Emergency Services</i>				
Hazard Mitigation Grant - Emergency Backup Generator at Oxnard Shores	97.039	HMGP#4344-460-120R	54,452	-
			<u>54,452</u>	<u>-</u>
<i>Direct Program</i>				
FEMA-Assistance to Firefighters Grant FY2018-19	97.044	EMW-2017-FO-05281	31,343	-
FEMA-Assistance to Firefighters Grant FY2019-20		EMW-2018-FO-03109	7,661	-
			<u>39,004</u>	<u>-</u>
<i>Passed through the County of Ventura</i>				
Assistance to Firefighters Grant APR FY17		EMW-2017-FR-00154	10,743	-
			<u>10,743</u>	<u>-</u>
			<u>49,747</u>	<u>-</u>
<i>Passed through the California Office of Emergency Services</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMA 4482-DR-CA-COVID-19 Pandemic	84,571	-
			<u>84,571</u>	<u>-</u>
<b>Total U.S. Department of Homeland Security</b>			<u>284,982</u>	<u>-</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards required by the Uniform Guidance.

**CITY OF OXNARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal Catalog Number</b>	<b>Program Identification Number</b>	<b>Total Program Expenditures</b>	<b>Total Amount Provided to Subrecipients</b>
<b>U.S. Department of Justice</b>				
<i>Direct Program</i>				
Equitable Sharing	16.922	CA0560400-NCIC	91,831	-
			<u>91,831</u>	<u>-</u>
<i>Direct Program</i>				
FY16 Edward Byrne Justice Assistance Grant (JAG)	16.738	2016-DJ-BX-0611	4,829	-
FY17 Edward Byrne Justice Assistance Grant (JAG)		2017-DJ-BX-0957	102,011	42,576
			<u>106,840</u>	<u>42,576</u>
<i>Passed through the County of Ventura Sheriff Department</i>				
VCISO FY19 Edward Byrne Justice Assistance Grant (JAG)	16.738	BSCC 655-19	823	-
			<u>823</u>	<u>-</u>
			<u>107,663</u>	<u>42,576</u>
<i>Direct Program</i>				
COVID-19 FY2020 Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-0321	110,523	-
			<u>110,523</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<u><b>310,017</b></u>	<u><b>42,576</b></u>
<b>U.S. Department of Transportation</b>				
<b>Highway Planning and Construction Cluster</b>				
<i>Passed through the State of California Department of Transportation</i>				
Rice Ave. & 5th Street Grade Separation	20.205	STPL-5129(084)	416,769	-
Bicycle Facilities in Northeast Specific Plan		CML-5129 (086)	6,706	-
C Street Bicycle Facilities		CML-5129 (087)	22,604	-
Westside of Rose Ave. Between Auto Ctr. & E. Collins		CML-5129 (079)	910	-
Northside Vta Blvd. Between Balboa & Rose Avenue		CML-5129 (078)	2,559	-
Channel Island Blvd over Mandalay Bay - Bridge		BHLS-5129(069)	169	-
Cross Walk Beacon Phase II		CML-5129(091)	452,174	-
Traffic Signal Various Locations		HSIPL 5129 (093)	68,845	-
Vineyard Av Resurf PW 16-12		FERSTPL-5129(092)	250,740	-
OXNARD BLVD BIKE LANE 2017		ATPCML-5129(090)	69,467	-
City Wide Signal Mod		HSIPL 5129 (095)	163,719	-
			<u>1,454,662</u>	<u>-</u>
<b>Total Highway Planning and Construction Cluster</b>			<u><b>1,454,662</b></u>	<u><b>-</b></u>
<i>Passed through the California Department of Transportation, Division of Rail and Mass Transportation (DRMT)</i>				
Railroad Development Rice Ave & 5th Street Grade Separation	20.314	75A0501	1,498,085	-
			<u>1,498,085</u>	<u>-</u>
<b>Federal Transit Cluster</b>				
<i>Passed through the Ventura County Transportation Commission</i>				
Federal Transit Formula Grant Route 23 Bus Stop Install	20.507	CA2019-039-00	442,650	-
<b>Total Federal Transit Cluster</b>			<u><b>442,650</b></u>	<u><b>-</b></u>
<b>Highway Safety Cluster</b>				
<i>Passed through the State of California Office of Traffic Safety</i>				
OTS TRAFFIC ENFORCEMENT - 2019	20.600	PT19084	64,155	-
OTS TRAFFIC ENFORCEMENT - 2020		PT20098	60,685	-
<b>Total Highway Safety Cluster</b>			<u><b>124,840</b></u>	<u><b>-</b></u>
<i>Passed through the State of California Office of Traffic Safety</i>				
FY2019 Minimum Penalties for Repeat Offender for Driving While Intoxicated	20.608	PT19084	58,225	-
FY2020 Minimum Penalties for Repeat Offender for Driving While Intoxicated		PT20098	135,934	-
			<u>194,159</u>	<u>-</u>
<i>Passed through the State of California Office of Traffic Safety</i>				
FY2019 National Priority Safety Programs	20.616	PT19084	2,060	-
			<u>2,060</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u><b>3,716,456</b></u>	<u><b>-</b></u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards required by the Uniform Guidance.

**CITY OF OXNARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal Catalog Number</b>	<b>Program Identification Number</b>	<b>Total Program Expenditures</b>	<b>Total Amount Provided to Subrecipients</b>
<b>Corporation for National and Community Service</b>				
<i>Direct Program</i>				
Retired and Senior Volunteer Program FY19-20	94.002	19SRPCA007	<u>50,150</u>	-
<b>Total Corporation for National and Community Service</b>			<u><b>50,150</b></u>	-
<b>U.S. Department of Health and Human Services</b>				
<b>Aging Cluster</b>				
<i>Passed through the County of Ventura Area Agency on Aging</i>				
Special Programs for the Aging, Senior Nutrition Services	93.045	3500FY20-05	<u>143,716</u>	-
<b>Total Aging Cluster</b>			<u><b>143,716</b></u>	-
<b>Total U.S. Department of Health and Human Services</b>			<u><b>143,716</b></u>	-
<b>U.S. Department of Treasury</b>				
<i>Passed through the State of California</i>				
COVID-19 Coronavirus Relief Fund	21.019	CARES ACT CRF	2,547,855	-
<i>Passed through the County of Ventura</i>				
COVID-19 Coronavirus Relief Fund		Ventura County COVID-19 Cities Assistance Program	<u>1,379,570</u>	-
<b>Total U.S. Department of the Treasury</b>			<u><b>3,927,425</b></u>	-
Total Direct Program			3,076,291	244,578
Total Pass Through			<u>8,034,398</u>	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>\$ 11,110,689</b></u>	<u><b>\$ 244,578</b></u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards required by the Uniform Guidance.

# CITY OF OXNARD

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards (Schedule) includes the Federal award activity of City of Oxnard (City) under programs of the Federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. It does not include the Federal award activity of Oxnard Housing Authority, a blended component unit of the City, which expended \$25,470,172 in Federal awards.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### 3. INDIRECT COST RATE

The City has not elected to use the 10% de minimis indirect cost rate.

### 4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the Schedule agree, in all material respects, with amounts reported in the basic financial statements of the City of Oxnard. The following presents a reconciliation of Federal expenditures to those reported in the financial statements:

	AMOUNT
Total expenditures per the schedule of expenditures of federal awards	\$ 11,110,689
Add: Expenditures of nonfederal awards	204,093,946
<b>TOTAL GOVERNMENTAL FUNDS EXPENDITURES PER THE FINANCIAL STATEMENTS</b>	<b>\$ 215,204,635</b>

### 5. FEDERALLY-FUNDED LOANS

The City administers loans, primarily forgivable loans, made from funds provided by the following Federal programs for the year ended June 30, 2020:

FEDERAL PROGRAMS	LOANS OUTSTANDING
Community Development Block Grants (CFDA #14.218)	\$ 3,857,069
HOME Investment Partnership Program (CFDA #14.239)	11,575,496

**CITY OF OXNARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?
- Significant deficiencies identified?

<u>      </u>	Yes	<u>  x  </u>	No
<u>  x  </u>	Yes	<u>      </u>	None reported

Noncompliance material to financial statements noted:

<u>      </u>	Yes	<u>  x  </u>	No
---------------	-----	--------------	----

***Federal Awards***

Internal control over major programs:

- Material weaknesses identified?
- Significant deficiencies identified?

<u>      </u>	Yes	<u>  x  </u>	No
<u>      </u>	Yes	<u>  x  </u>	None reported

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

Unmodified

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

<u>      </u>	Yes	<u>  x  </u>	No
---------------	-----	--------------	----

Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
20.314	Railroad Development

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

<u>      </u>	Yes	<u>  x  </u>	No
---------------	-----	--------------	----



**CITY OF OXNARD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**INDEX**

**CURRENT YEAR**

**MAJOR FEDERAL AWARD PROGRAMS**

None

**FINANCIAL STATEMENTS**

Information Technology (IT) General Controls 2020-001

**PRIOR YEAR**

**MAJOR FEDERAL AWARD PROGRAMS**

Preparation of the Schedule of Expenditures of Federal Awards 2019-001

Indirect Cost 2017-005

**FINANCIAL STATEMENTS**

Bank Reconciliations 2019-002

Utility Billing Rates 2019-003

Inventory Control 2019-004

On-call Consultants 2019-005

Retirement Enhancement Plan Eligibility 2019-006

Use of Credit Cards 2019-007

Journal Entries 2019-008

Payroll Records 2019-009

Vendor Master Files 2019-010

General Liability and Workers' Compensation Allocation 2019-011

Properties Held for Sale 2018-009

Cash Receipts 2018-014

Lease Agreements 2018-015

Pension Plans 2018-016

Year-end Closing Process 2018-017

Information Technology General Controls 2018-018 to 2018-037

Clearing Funds 2017-013

Information Technology General Controls 2017-016

I Control Environment 2015-005 to 2015-009

II Risk Assessment 2015-011

III Control Activities 2015-012 to 2015-017

H Accounts Receivable 2015-052 & 2015-054

I Grants Management 2015-061

J Notes Receivable 2015-065 & 2015-068

L Capital Assets and Construction in Progress 2015-079 to 2015-083

N Long-Term Debt 2015-090 to 2015-091

R Municipal Golf Course 2015-100 & 2015-102

IV Information and Communication 2015-105

V Monitoring Activities 2015-106 & 2015-107

CITY OF OXNARD  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
FOR THE YEAR ENDED JUNE 30, 2020

**FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENTS**

**2020-001 – Information Technology (IT) General Controls (SD)**

**Criteria:** IT general controls (ITGC) are basic controls applied to IT systems. The objectives of ITGC are to ensure the integrity of data and processes that the IT systems support. ITGC have a pervasive effect on the City's system of internal control over financial reporting.

**Condition:** We evaluated the design and implementation of ITGCs and noted 12 findings. We communicated such findings to the IT Department. Because those findings reveal vulnerabilities to, or otherwise increase the potential for an attack on, the information technology systems of the City, the details of the findings will not be published in this document. They will, however, be communicated to the City Council via a separate confidential written report.

**Repeat of a Prior-Year Finding:** 5 out of 12 were repeat findings

**Recommendation:** Our recommendations will be communicated to the City Council via a separate confidential written report.

**City's Response:** The City's corrective action plan will be communicated to the City Council via a separate confidential written report. The auditors will follow up on the City's implementation of its corrective action plan in the next audit.

CITY OF OXNARD  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
FOR THE YEAR ENDED JUNE 30, 2020

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS**

**2019-001 – Preparation of the Schedule of Expenditures of Federal Awards**

**CFDA Title and Number:** 16.922 Equitable Sharing Program  
**Name of Federal Agency:** U.S. Department of Justice  
**Compliance Requirement:** Auditee Requirements

**Criteria:** CFR 200.510(b) states that the auditee must prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with §200.502 Basis for determining federal awards expended. CFR 200.502 states that the determination of when a federal award is expended must be based on when the activity related to the federal award occurs. Generally, the activity pertains to events that require the non-federal entity to comply with federal statutes, regulations, and the terms and conditions of federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force.

**Condition:** The amount reported as expended related to Equitable Sharing Program included approximately \$180,000 in funds received but not expended.

**Cause:** The staff member who prepared the SEFA was unaware of the criteria noted above.

**Effect or Potential Effect:** The SEFA is the basis of the auditor's identification of major programs. Our determination of major programs was impacted by the overstatement of expenditures.

**Questioned Cost:** None.

**Context:** The errors were corrected during the audit.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** We recommend the City provide additional training to staff members who are responsible for preparing the SEFA.

**E+P's Comment 2020:** Complete.

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2017-005 - Indirect Cost (SD)**

**CFDA Title and Number:** 14.218 - Community Block Grants

**Name of Federal Agency:** Department of Housing and Urban Development

**Internal Control over Compliance:** Allowable Cost

**Criteria:** 2 CFR Part 200.414 requires that governmental entities support indirect costs with a cost allocation plan or an indirect cost proposal prepared in accordance with the Uniform Guidance. 2 CFR Part 200 Appendices III-VII contain the requirements for the development and submission of indirect cost rate proposals and cost allocation plans. A non-Federal entity that has never received a negotiated indirect cost rate, may elect to charge a de minimis rate of 10% of modified total direct costs.

**Condition:** The City does not have a cost allocation plan or an indirect cost proposal prepared in accordance with the Uniform Guidance. The City has not elected to use the 10% de minimis rate either. The City charged \$76,912 of indirect costs to Fund 285 based on a City cost allocation plan.

**Cause:** The Finance Department was not aware of the requirements of the Uniform Guidance for indirect cost, and allocated cost to CDBG and posted the entry without consulting the grants administrator.

**Effect or Potential Effect:** Any indirect costs charged to the CDBG program are not eligible for reimbursement.

**Questioned Cost:** None

**Context:** The Housing Department discovered the error and did not claim reimbursement for the amount. The amount was not included in the Schedule of Expenditures of Federal Awards.

**Repeat of a Prior-Year Finding:** 2015-060

**Recommendation:** The City should establish a cost allocation plan or an indirect cost proposal. Without a cost allocation plan or indirect cost proposal prepared in accordance with the Uniform Guidance, no indirect cost should be charged to Federal grants.

**City's Response 2020:** Staff in the Finance Department is developing an indirect cost allocation plan in accordance with OMB's Uniform Guidance. Development is proceeding first with the Internal Service Funds (ISF) which were completed for the FY2020-2021 budget and will be further refined in the FY2021-2022 budget. The indirect cost allocation plan is in progress with various plan alternatives being considered. The anticipated implementation date is still for use in the FY2021-2022 budget, however there is a chance this may slip into early FY2021-2022. In the meantime, some progress is being made with grantees requesting the de minimis reimbursement, notably in Public Works grants.

**Planned Implementation Date:** ISFs completed prior to July 1, 2020, Indirect Cost Allocations by July 1, 2021

**Responsible Person:** Financial Analyst II Jim Costello

**E+P's Comment 2020:** In progress.

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS**

#### **2019-002 – Bank Reconciliations (SD)**

**Criteria:** The City has a policy to reconcile the General Checking bank statement to the City's general ledger monthly.

**Condition:** The General Checking bank reconciliation process sometimes takes up to 3 months to complete. The General Checking bank reconciliation for June 30, 2019 was completed more than 3 months after the end of the month.

**Cause:** The use of pooled cash batches is making the process very labor intensive and time consuming. Cash transactions are pooled in batches of the accounting system's various modules: (1) accounts payable, (2) accounts receivable, (3) payroll, and (4) cash receipts. In the process of reconciling bank statements, staff has to unravel these batches to identify reconciling items.

**Effect or Potential Effect:** The current manual bank reconciliation process results in significant delays in closing the City's books and preparation of financial statements.

**Repeat of a Prior-Year Finding:** 2015-029

**Recommendation:** We recommend the City to improve timeliness of bank reconciliation process by providing additional training and resources.

**E+P's Comment 2020:** Complete.

#### **2019-003 – Utility Billing Rates (SD)**

**Criteria:** Bills are generated and recorded using current authorized rates and prices.

**Condition:** Out of the 40 utility bills examined, we noted 1 customer was charged a fee that was lower than the current rate billed to other customers. Upon further inquiry with City staff, the customer was billed at a lower fixed fee, instead of a usage-driven rate, for at least 7 years when the tiered rate structure was implemented. City staff has performed a system-wide query to review other customer accounts and have identified 5 total having a similar issue.

**Cause:** The City does not have a regular process in place to verify that customer billing rates are current. Lack of internal controls over the regular review on the maintenance of the master bill rates used on all customers.

**Effect or Potential Effect:** Loss on utility revenue on customers being under billed.

**Repeat of a Prior-Year Finding:** No

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

**Recommendation:** We recommend the City to review the billing master file periodically. During the review process, the file should be compared to current effective billing rates and be reviewed by authorized supervisory personnel.

**E+P's Comment 2020: Complete.**

### **2019-004 – Inventory Control (SD)**

**Criteria:** Having appropriate inventory control is essential in safeguarding the City's assets. Inventory control involves the process of initiating and approving purchases, receiving the goods purchased, tracking what's used (taking items off inventory), cost accounting, and physical inventory.

**Condition:** The City did not maintain appropriate inventory control at Fleet Division. The contractor was able to purchase and store parts and supplies with no checks and balances from Division staff. The Division could not produce purchase orders, receiving reports, or shipping documents. There was no indication of inventory counts.

**Cause:** Lack of policies and procedures over inventory. The Division relied on the contractor to maintain the inventory.

**Effect or Potential Effect:** The lack of documentation resulted in a dispute with the contractor over how much inventory remained when the contract was terminated. There is also potential for fraud, waste and abuse.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** The City should establish and implement policies and procedures including segregation of duties and periodic inventory counts.

**E+P's Comment 2020: Complete.**

### **2019-005 – On-Call Consultants (SD)**

**Criteria:** The City has a number of consultants who provide on-call services to the Public Works Department. The City has a policy that requires the issuance of a task order that is properly approved by the department head prior to commencement of each project.

**Condition:** It came to our attention that the approval process is not always followed. There have been instances when the department head only became aware that services were provided by an on-call consultant after the project had been completed and when the invoice was received.

**Cause:** This is caused either by lack of awareness by staff or lack of communication by management of the policy.

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

**Effect or Potential Effect:** This practice could result in City staff circumventing the City's standard bidding process and could also result in bills that exceed the contract maximum amounts.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** We recommend strict enforcement of the City's approved policy, including imposing disciplinary action when necessary.

**E+P's Comment 2020:** Complete.

### **2019-006 – Retirement Enhancement Plan Eligibility (SD)**

**Criteria:** City benefits should only be granted and provided to City employees meeting eligibility requirements to ensure fairness and to protect City funds.

**Condition:** We noted one employee enrolled in the City's Retirement Enhancement Plan who does not meet the eligibility requirements.

**Cause:** Unknown. Employee in question shows multiple hire dates in employee plans, which might have led to confusion during the enrollment process.

**Effect or Potential Effect:** Enrolling ineligible employees results in the City providing benefits and expensing City funds that are not the City's obligation.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** We recommend that the City periodically review and monitor its plan census data to ensure accuracy and detect any errors as early as possible. We also recommend that the City consider its action plan regarding the employee that is ineligible but currently enrolled in the plan.

**E+P's Comment 2020:** Complete.

### **2019-007 – Use of Credit Cards (BP)**

**Criteria:** City staff may use City-issued credit cards (procurement cards) to pay for supplies and equipment purchased for the City and for City-related training and travel. The use of such procurement cards are governed by the Procurement Card Manual. The Manual states that the cardholder's department head or his/her designee must complete a procurement card request form to close the account as soon as notice of the employee's departure is given and obtain the procurement card from the departing employee.

In addition, the monthly statement of account shall be reviewed and approved by the cardholder's supervisor and department head prior to being submitted to accounts payable by the 10<sup>th</sup> day of the month.



## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

**Condition:** During our testing in June 2019, we noted one active procurement card account for an employee that was terminated in December 2018. In addition, we noted that 11 out of the 35 procurement card statements were received late (after the 10<sup>th</sup> of the following month) and two out of 35 statements that were lacking either cardholder or manager signatures.

**Cause:** City did not actively enforce the procurement card policies and procedures.

**Effect or Potential Effect:** Failing to deactivate procurement cards when cardholder leaves the City could result in unauthorized use of City funds. Failing to review and approve transactions in a timely manner could result in invalid and unauthorized charges getting paid.

**Repeat of a Prior-Year Finding:** 2015-095 and 2015-096

**Recommendation:** We recommend that the City reinforce the policy by providing continuing training. The City should also effectively communicate to City procurement cardholders that they will be held accountable for any consequences caused by noncompliance with the policy.

**E+P's Comment 2020: Complete.**

### **2019-008 – Journal Entries (BP)**

**Criteria:** Manual journal entries are prepared on a consistent internal process with appropriate backup to the authorized supervisory personnel for review and are entered into the journal entry log on a timely basis.

**Condition:** The City is not consistent in documenting journal entries using the journal voucher form template. In our review of 40 manual journal entries, 2 did not have the approved date, and 1 did not have the approver's name filled out. In addition, we noted 3 instances in which the City was delayed for more than 20 days in reviewing and approving a journal entry and 1 instance for 72 days.

**Cause:** Lack of implementation on the completeness of required fields on the journal voucher form documentation procedures over the manual journal entry preparation process. Lack of internal controls on the timely review of journal entries.

**Effect or Potential Effect:** Allowing journal vouchers to be entered into the accounting system despite required missing field information such as the approver's name on the journal voucher form template exposes the City in the processing of invalid journal entries. Financial statements could be misstated due to incorrect journal entries.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** We recommend the City to only accept fully filled out and reviewed journal entry forms being entered into the accounting system.

**E+P's Comment 2020: Complete.**

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2019-009 – Payroll Records (BP)**

**Criteria:** All employers are required to keep records of employment taxes, including W-4, for at least four years after filing the 4<sup>th</sup> quarter report for the year. In addition, the City should ensure that payroll paid and recorded are accurate based on actual hours worked by City employees.

**Condition:** Out of 40 employee files examined, we noted two W-4 Forms missing. In addition, out of 40 timesheets requested, one was unavailable for review.

**Cause:** City missed these errors due to the volume of transactions on a periodic basis.

**Effect or Potential Effect:** The missing W-4 results in incomplete Human Resources/Payroll documentation. The missing timesheet could potentially result in inaccurate payroll and abuse of funds.

**Repeat of a Prior-Year Finding:** 2018-012

**Recommendation:** For the missing W-4, the City has a policy in place that states a default election as single with zero exemptions if employees don't complete a W-4 Form. However, we recommend that the City ensure all required employment tax forms are obtained and maintained for best practices. For the missing timesheet, we recommend that payroll is only processed with sufficient documentation that the hours entered are valid and authorized and that such documentation is filed in an easily-retrievable manner.

**E+P's Comment 2020:** Complete.

### **2019-010 – Vendor Master Files (BP)**

**Criteria:** The City has a policy to maintain an accurate database of vendor master files. Access to master vendor database is restricted to authorized personnel, and all changes are reviewed and approved by a supervisor. Vendors without transactions posted against them in a two-year period are flagged for deactivation.

**Condition:** A formal process has been made effective in the current year. However, out of 25 vendor information examined during the audit, we identified 3 vendors that did not have forms W-9 and 1099 on file. In addition, out of the total 3,073 vendor information scanned on their last transaction, we noted 8 vendors had been inactive for over 2 years but had not been deactivated.

**Cause:** Lack of thorough review of the existing vendor master files.

**Effect or Potential Effect:** Unauthorized and potentially fictitious vendors may exist.

**Repeat of a Prior-Year Finding:** No

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

**Recommendation:** We recommend the City to review the vendor master files periodically. During the review process, the file should be compared to vendor W-9 forms, addresses compared to employees' addresses, and inactive vendors removed.

**E+P's Comment 2020: Complete.**

### **2019-011 – General Liability and Workers' Compensation Allocation (BP)**

**Criteria:** Governmental and business-type activities should accurately reflect transactions that occurred during the period. Business-type activities should be allocated a portion of general liability and workers' compensation liability for which they are responsible.

**Condition:** The City does not allocate the accrued liabilities and related expenses for general liability and workers' compensation between governmental and business-type activities.

**Cause:** A more complex methodology is necessary to determine the portion to be allocated to business-type activities rather than governmental activities.

**Effect or Potential Effect:** Passing on allocating accrued liabilities and related expenses for general liability and workers' compensation results in an understatement of expenses and liabilities in the business-type activities and an overstatement in governmental activities.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** We recommend that the City consider the need to establish a methodology to allocate accrued liabilities and related expenses for general liability and workers' compensation to business-type activities.

**E+P's Comment 2020: Complete.**

### **2018-009 - Properties Held for Sale (MW)**

**Criteria:** The City acts as the successor agency of the former RDA (CDC). The net position and activities of CDC are reported as a private purpose trust fund of the City. Therefore, the Finance Department is responsible for accounting for and reporting the fiduciary net position and activities of the CDC.

**Condition:** The Finance Department lacks internal control procedures over properties held by the CDC. A transfer of a building from the CDC to the City during the fiscal year 2017-2018 was not recorded until 5 months after the year ended.

**Cause:** The Finance Department does not have proper procedures in place to record transactions by the CDC completely and timely.

**Effect or Potential Effect:** Misstatement of fiduciary funds and City funds.

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

**Repeat of a Prior-Year Finding:** 2017-011

**Recommendation:** The Finance Department should strengthen internal controls over the CDC transactions. This could be accomplished by assigning a liaison from the Finance Department to the CDC and improving communications between the two departments.

**E+P's Comment 2020:** Complete.

### **2018-014 - Cash Receipts (SD)**

**Criteria:** Cash is received in various locations within the City organization. Internal audits of cash receipts should be performed to determine whether internal controls over cash handling are properly designed and operating effectively.

**Condition:** There were no written procedures in place to perform internal audits of cash receipts in various locations within the City organization.

**Cause:** Weakness in design of internal control over cash receipts at offsite locations.

**Effect or Potential Effect:** Lack of internal control over cash handling exposes the City to the risk of fraud.

**Repeat of a Prior-Year Finding:** 2015-041

**Recommendation:** To adopt written procedures to perform internal audits of cash receipts in various locations within the City organization.

**E+P's Comment 2020:** Complete.

### **2018-015 – Lease Agreements (SD)**

**Criteria:** The City routinely enters into lease agreements. Lease agreements should be identified and evaluated by the Finance Department to determine proper accounting and ensure that they are properly reported in the City's financial reports.

**Finding:** The City has not implemented a process to identify and evaluate all lease agreements. In March 2018, the City entered into two capital lease agreements in the amount of \$5 million each, however the transaction was only recorded in September 2018 during audit fieldwork. In addition, one of the agreements was misclassified under the Wastewater Fund; instead of Environmental Resource Fund.

**Cause:** The Finance Department does not have a process to identify and evaluate all lease agreements.

**Effect or Potential Effect:** Misstatement of assets and liabilities.

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **Repeat of a Prior-Year Finding: 2015-074**

**Recommendation:** Assign a member of the Finance Department who has sufficient knowledge and skills to identify and evaluate all lease agreements to ensure that they are properly reported in the financial statements and related disclosures. Communication should be made with those entering into agreements. The process should be documented in writing.

**City's Response 2020:** The City engaged an external accounting firm to provide assistance with the implementation of GASB 87. The firm conducted several training sessions in 2020 with department heads and other managers and staff involved with purchasing activities to educate them on how to identify when a contract may qualify as a lease for accounting purposes. The consultants also conducted a survey of all departments to identify contracts currently in place that require review for lease accounting criteria. In addition, a lease accounting checklist has been provided to the City's Purchasing Division to be used in conjunction with the contracting process. All contracts must go through the Purchasing Division prior to approval, so this is the best control point to flag potential leases for Accounting Division review. Although GASB 87 is not fully implemented yet, with the implementation of this checklist and completion of the training sessions, the City believes this corrective action plan addresses the finding and is ready for testing by the auditors.

**Planned Implementation Date:** Implemented.

**Responsible Person:** Assistant CFO, Donna Ventura

**E+P's Comment 2020:** To be tested.

### **2018-016 - Pension Plans (SD)**

**Criteria:** The City has four separate pension plans covering certain groups of employees.

The calculation of the City's net pension liability, deferred inflows and outflows of resources and pension expense is based to a large extent on the census data provided by the City to the actuaries. The City should review the census data and correct any errors on an annual basis.

**Condition:** Census data used by CalPERS and PARS to calculate the net pension liability was not reviewed. Discrepancies in demographic and compensation data were noted in current year as well as in prior years.

**Cause:** The City does not have a process in place to review the CalPERS and PARS census data.

**Effect or Potential Effect:** Potential misstatement of the net pension liability, deferred inflows and outflows of resources related to pension, and pension expense.

**Repeat of a Prior-Year Finding: 2015-092**

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

**Recommendation:** Review the census data used by actuaries in calculating the net pension liability and ensure that discrepancies are investigated and resolved appropriately.

**City's Response 2020:** Payroll creates the PARS census data using information from HTE and the bi-weekly contribution reports. The PARS report is sent to Human Resources for their review. The employee data such as service date, date of birth, name, address, status (e.g., leave without pay, injury leave, etc.), compensation is reviewed and approved by HR annually. Payroll downloads the CalPERS census data from My CalPERS. Employee data are then reviewed by Payroll using audit procedures that have been developed and will be implemented for the next cycle (by the end of September.)

**Planned Implementation Date:** Implemented

**Responsible Person:** Payroll Manager, Casey Clay

**E+P's Comment 2020:** To be tested.

### **2018-017 – Year-end Closing Process (MW)**

**Criteria:** The year-end closing process is crucial to the preparation of the City's financial statements and to the success of the City's audit. The goal is to ensure that all revenues and expenses are recorded in the proper time period under generally accepted accounting principles (GAAP). Among the steps to do this is to review subsequent receipts and disbursements, analyze recorded revenues and expenses by comparing to prior year and budget, analyze and reconcile balance sheet accounts, close-out temporary accounts, post adjusting entries and generate the adjusted trial balance.

**Condition:** The Finance Department's process for year-end closing took more than 3 months. Many adjustments were missed during the 3 month process, this resulting in many post-closing entries that necessitate changes to the adjusted trial balance which caused delays in the audit. Additionally, several temporary accounts were not closed out properly.

**Cause:** The year-end process was very disorganized. The City focused mainly on reconciling balance sheet accounts and not enough attention is given to analyzing revenues and expenses. In addition, the Finance Department waits until year-end to record adjusting entries many of which could be made during the month-end process.

**Effect or Potential Effect:** Potential misstatements in the financial statements.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** The Finance Department should design and establish a plan for month-end and year-end closing processes.

**E+P's Comment 2020:** Complete.

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2018-018 – 2018-037 –Information Technology (IT) General Controls (SD)**

**Criteria:** IT general controls (ITGC) are basic controls applied to IT systems. The objectives of ITGC are to ensure the integrity of data and processes that the IT systems support. ITGC have a pervasive effect on the City's system of internal control over financial reporting.

**Condition:** We evaluated the design and implementation of ITGCs and noted 20 findings. We communicated such findings to the IT department. Because those findings reveal vulnerabilities to, or otherwise increase the potential for an attack on, information technology systems of the City, the details of the findings will not be published in this document. They will however be communicated to the City Council via a separate confidential written report.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** Our recommendations will be communicated to the City Council via a separate confidential written report.

**City's Response 2020:** The City's corrective action plan will be communicated to the City Council via a separate confidential written report. The auditors will follow-up on the City's implementation of its corrective action plan in the next audit.

**E+P's Comment 2020:**

Findings in progress: 3

Findings complete: 17

### **2017-013 - Clearing Funds (SD)**

**Criteria:** Clearing funds are used by the Finance Department to accumulate costs that are allocated to various funds or reimbursed by City Corps and Housing Authority. They are temporary in nature and should be "zeroed out" periodically. In addition, balances remaining in the account due to timing differences should be reconciled to subsequent disbursements.

**Condition:** Clearing fund #542 is used to record payroll and other payroll related expenditures, including pension, vacation sick-pay and other health related benefits at each pay-period. As expenditures are allocated to various City funds, the clearing fund should have a zero balance. At June 30, 2017, there are various balances remaining in 20 accounts that total approximately \$564,000 that have not been reviewed and reconciled for proper clearing.

**Cause:** The balances have accumulated over the years because, in the past, the Finance Department did not regularly review the postings in the clearing funds and no adjustments have been made to allocate or refund the remaining amounts to the various funds. Because the balances have carried forward from 4 years ago or more, it has become increasingly difficult to correct the errors.



## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

**Effect or Potential Effect:** Misclassification of expenditures among funds. When balances remain in these funds, it means the General Fund has either overcharged/undercharged the other funds and/or has been over/under-reimbursed by City Corps or Housing Authority.

**Repeat of a Prior-Year Finding:** 2015-103

**Recommendation:** Spend more time to analyze the clearing fund balances and close-out clearing funds periodically, quarterly or at least annually.

**E+P's Comment 2020:** Complete.

### **2017-016 - Information Technology General Controls (SD)**

**Criteria:** The City should establish and implement comprehensive data security controls to protect sensitive data, mitigate risks to confidentiality, and ensure the integrity and availability of data in the City's information systems.

**Condition:** We found deficiencies in data security controls. We communicated such findings to the IT department. Because those findings reveal vulnerabilities to, or otherwise increase the potential for an attack on, information technology systems of the City, the details of the findings will not be published in this document. They will however be communicated to the City Council via a separate confidential written report.

**Recommendation:** Our recommendations will be communicated to the City Council via a separate confidential written report.

**City's Response 2020:** The City's corrective action plan will be communicated to the City Council via a separate confidential written report. The auditors will follow-up on the City's implementation of its corrective action plan in the next audit.

**E+P's Comment 2020:** In progress.

### **2015-005 - Control Environment (MW)**

**Finding:** The City adopted appropriate policies and new management established proper "tone at the top." However, there is need to establish procedures to communicate and enforce the policies as well as monitor and evaluate implementation.

**Recommendation:** Establish procedures to communicate and enforce the policies as well as to monitor and evaluate the implementation. Responsibilities of each department/division/individual should be detailed in the procedures manual. Internal controls are most effective when responsibility for a given task is assigned to an individual.

**E+P's Comment 2020:** Complete.

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2015-006 - Control Environment (MW)**

**Finding:** Performance evaluations were not performed timely at all levels of the City. The City needs to hold individuals accountable for their internal control responsibilities.

**Recommendation:** Establish a process to evaluate employees' performance and implement regularly.

**E+P's Comment 2020: Complete.**

### **2015-007 - Control Environment (MW)**

**Finding:** Employees in the Finance Department were not properly trained to perform their tasks.

**Recommendation:** Establish a training program to improve Finance Department employees' knowledge and skills.

**E+P's Comment 2020: Complete.**

### **2015-009 - Control Environment (MW)**

**Finding:** There was a severe lapse in the City's financial operations when key Finance Department personnel left due to a lack of qualified successors.

**Recommendation:** Develop a succession plan for the Finance Department.

**E+P's Comment 2020: Complete.**

### **2015-011 - Risk Assessment (SD)**

**Finding:** City performed Organizational Assessment during the year 2015 and plan to continue implementation of the 3-year process to address the issues. No risk assessment related to accounting and financial reporting has been performed. No fraud risk assessment has been performed.

**Recommendation:** Establish procedures to perform a risk assessment related to accounting and financial reporting. The risk assessment should include identifying types of accounting errors, policy violations, fraud, or noncompliance with agreements, contracts, laws and regulations, as well as a plan of action to mitigate risks.

**E+P's Comment 2020: Complete.**

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2015-012 - Control Activities (MW)**

**Finding:** The City's system of internal control is not designed to reduce the risk that accounting and financial reporting errors or fraud could occur and not be detected.

**Recommendation:** Develop an integrated system of internal control that defines control activities across the various departments, not just the Finance Department. Policies, procedures, and related internal controls should be documented, communicated to all affected members of City staff, and updated regularly. Implementation should be monitored closely.

**E+P's Comment 2020: Complete.**

### **2015-014 - Control Activities (MW)**

**Finding:** The City does not have properly-designed, implemented, and effective policies, procedures, processes and controls surrounding its financial reporting process to completely support beginning balance and year-end close-out related activity in its general ledger.

**Recommendation:** Refer to specific recommendations for findings: 2015-019 thru 029, 2015-049 thru 050 and 2015-055 thru 93.

**E+P's Comment 2020: Complete.**

### **2015-015 - Control Activities (MW)**

**Finding:** The City has ineffective controls affecting some key financial reporting processes including weaknesses in transactional and supervisory reviews over cash, receivables, capital assets, and construction in progress, accounts payable, and long-term liabilities.

**Recommendation:** Refer to specific recommendations for findings: 2015-019 thru 029, 2015-049 thru 050 and 2015-055 thru 93.

**E+P's Comment 2020: Complete.**

### **2015-016 - Control Activities (MW)**

**Finding:** The City was unable to effectively identify potential technical accounting issues, analyze the relevant facts and circumstances, and respond to auditor inquiries in a timely manner.

**Recommendation:** Refer to specific recommendations for findings: 2015-019 thru 029, 2015-049 thru 050 and 2015-055 thru 93.

**E+P's Comment 2020: Complete.**

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2015-017 - Control Activities (MW)**

**Finding:** The City does not have an effective general ledger system. The City uses HTE software, which was developed almost two decades ago. In addition, the City has 176 self- balancing funds and over 8,300 accounts in its chart of accounts; 1,600 of these are balance sheet accounts. This system has severe functional limitations contributing to the City's challenge of addressing systemic internal control weaknesses in financial reporting.

**Recommendation:** Establish new, or improve the existing, general ledger system to enable it to process, store, and report financial data in a manner that ensures accuracy, confidentiality, integrity, and availability of financial data without substantial manual intervention.

**E+P's Comment 2020: Complete.**

### **2015-052 - Accounts Receivable (MW)**

**Finding:** The review of aging and collections for utilities was not centralized in the Finance Department. Review is not tied into the postings to the general ledger.

**Recommendation:** The receivable aging/subledger reconciliation by Finance Department should include utilities receivable.

**E+P's Comment 2020: Complete.**

### **2015-054 - Accounts Receivable (MW)**

**Finding:** There were no written accounting policies and procedures that specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.

**Recommendation:** Accounting policies and procedures must specify the correct treatment for estimating the allowance for uncollectible accounts and bad debt expense.

**E+P's Comment 2020: Complete.**

### **2015-061 - Grants Management (SD)**

**Finding:** There are no procedures in place to inform the Finance Department what items get capitalized and what items were donated.

**Recommendation:** Establish procedures for grant coordinators to communicate to the Finance Department when there are items that need to be capitalized and when capital assets are donated.

**E+P's Comment 2020: Complete.**

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2015-065 - Notes Receivable (SD)**

**Finding:** Notes receivable are not tracked and reconciled to the general ledger. Repayment of HOME and CDBG loans were not properly classified as program income.

**Recommendation:** Notes receivable should be reconciled to the general ledger periodically by Finance. To assist in the reconciliation, information should be obtained from the Housing Department and Economic Development Department relating to current activity.

**E+P's Comment 2020: Complete.**

### **2015-068 - Notes Receivable (SD)**

**Finding:** There are no procedures in place to collect payments from developers based on residual revenues.

**Recommendation:** Policies and procedures must be developed and implemented to collect payments from developers based on residual revenues.

**City's Response 2020:** Housing Department staff has implemented policies and procedures that are currently in place and have been submitted to the Finance Department along with this response. The Housing Department will continue to implement and utilize these policies and procedures until such time as we are able to contract with a consultant to assist in determining if the policies can be improved. If the Housing Department chooses to update the policies at that time Housing Department staff will notify Finance Department staff and solicit feedback regarding any updates to the existing policies and procedures. The Housing Department is estimating they will be ready to go to the City Council for approval to execute a contract with the selected consultant within the next two months.

**Planned Implementation Date:** Implemented

**Responsible Person:** Housing Director, Emilio Ramirez

**E+P's Comment 2020: To be tested.**

### **2015-079 - Capital Assets and Construction in Progress (CIP) (MW)**

**Finding:** The rate and method of application of indirect labor cost (Labor markup) to capital projects was dated back to 2012 amounts. Application to projects is currently done through manual entries. Manual entries leave room for error and are often not timely or efficient.

**Recommendation:** Review and update the process for indirect cost allocation for accuracy. Review is needed to ensure that projects are assigned the appropriate labor cost.

**E+P's Comment 2020: Complete.**

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2015-080 - Capital Assets and Construction in Progress (CIP) (MW)**

**Finding:** There is lack of sufficient controls to track asset acquisitions and compare actual costs incurred to approved capital budgets. CIP costs are allowed to exceed recorded capital budgets. Completed projects are not properly closed on a timely manner.

**Recommendation:** Establish policies and procedures to track asset acquisitions and construction and compare to approved capital budgets. Recorded capital budgets must be updated for approved change orders, otherwise CIP costs should not be allowed to exceed the approved capital budgets. Projects should be closed when completed. Additional costs must not be incurred on the project when it is complete.

**E+P's Comment 2020: Complete.**

### **2015-083 - Capital Assets and Construction in Progress (CIP) (MW)**

**Finding:** Project managers are designated to monitor construction projects; however, there was insufficient communication between the project managers and the finance department.

**Recommendation:** Establish policies and procedures relating to capital assets and CIP and communicate such policies and procedures to affected individuals in other departments. The finance department should lead the coordinated efforts of various departments to implement the policies and procedures.

**E+P's Comment 2020: Complete.**

### **2015-090 - Long-Term Debt (MW)**

**Finding:** No policies in procedures in place to capture new debt agreements and capital leases. Debt agreements and lease agreements are not reviewed for appropriate classification of outstanding debt and capitalization of assets on capital lease. Significant notes payable and capital leases were not recorded in the general ledger.

**Recommendation:** Procedures should be established to capture transactions that are infrequent or non-routine in nature on a timely basis. The Financial Resources Division should communicate to the Accounting Department activities such as issuance of debt or defeasance of debt.

**E+P's Comment 2020: Complete.**

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2015-091 - Long-Term Debt (MW)**

**Finding:** Compliance with debt covenants particularly rate covenants in the water and wastewater funds were not determined and reviewed in a timely manner.

**Recommendation:** Procedures should be improved to ensure that debt compliance determinations are prepared and reviewed timely.

**E+P's Comment 2020: Complete.**

### **2015-100 - Municipal Golf Course (SD)**

**Finding:** There is a lack of oversight over the service concession at the municipal golf course. The privately-owned operator currently controls all finance functions. Only a project manager, who is a City employee, is responsible for oversight. A joint bank account has not been set-up or utilized as stated in the agreement between the City and operator.

**Recommendation:** The City should create an oversight board to oversee the Municipal Golf Course. The oversight board should review and approve the annual business plan which includes the budgets as well as all monthly financial reports.

**E+P's Comment 2020: Complete.**

### **2015-102 - Municipal Golf Course (SD)**

**Finding:** The City did not bill the company for water used on the municipal golf course.

**Recommendation:** The City should bill the operator for use of any City services to operate the municipal golf course.

**E+P's Comment 2020: Complete.**

### **2015-105 - Information and Communication (SD)**

**Finding:** The various departments of the City operated in silos. Department heads were not actively involved in the budget and financial reporting process. Communication between the finance department and various departments was not encouraged.

**Recommendation:** Improve Communications among departments. The Finance Department should hold meetings with department heads periodically.

**E+P's Comment 2020: Complete.**

## **SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)**

### **2015-106 - Monitoring Activities (MW)**

**Finding:** There is a lack of written policies and procedures over monitoring of internal control over financial reporting.

**Recommendation:** Design and implement an integrated framework for internal control which includes monitoring of implementation of internal control and evaluating it on a regular basis.

**E+P's Comment 2020: Complete.**

### **2015-107 - Monitoring Activities (MW)**

**Finding:** Internal control over financial reporting was not sufficiently evaluated during FY 2015 and past years. Significant deficiencies were not communicated to senior management, Fiscal Policy Task Force, and City Council.

**Recommendation:** Design and implement an integrated framework for internal control, which includes monitoring of implementation of internal control and evaluating it on a regular basis.

**E+P's Comment 2020: Complete.**