



CITY OF
OXNARD
CALIFORNIA

SINGLE AUDIT REPORT

FISCAL YEAR ENDED JUNE 30, 2021

CITY OF OXNARD
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JUNE 30, 2021

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**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



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, 2021, 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 30, 2021. 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.

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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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 30, 2021



**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, 2021. 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 \$26,990,557 in Federal awards during the year ended June 30, 2021. 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.

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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, 2021.

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 2021-001 through 2021-002. 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 are 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 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, and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-002 that we consider 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 subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2021, 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
April 15, 2022

**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, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Program Identification Number	Total Program Expenditures	Total Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
<i>Direct Program</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-06-0534	\$ 1,022,702	\$ 59,771
		B-19-MC-06-0534	647,804	-
		B-18-MC-06-0534	273,418	-
		B-17-MC-06-0534	297,637	670
		B-16-MC-06-0534	204,801	3,751
COVID-19 Community Development Block Grants CARES Act	14.218	B-20-MW-06-0534	744,459	127,770
			<u>3,190,821</u>	<u>191,962</u>
			<u>3,190,821</u>	<u>191,962</u>
Total CDBG - Entitlement Grants Cluster				
<i>Direct Program</i>				
Emergency Solutions Grants Program	14.231	E-20-MC-06-0534	87,947	80,000
		E-19-MC-06-0534	120,593	114,063
COVID-19 Emergency Solutions Grants - CARES Act	14.231	E-20-MW-06-0534	1,255,967	1,234,249
			<u>1,464,507</u>	<u>1,428,312</u>
<i>Direct Program</i>				
HOME Investment Partnership Program	14.239	M-19-MC-06-0526	156,667	-
		M-17-MC-06-0526	100,397	-
			257,064	-
			<u>4,912,392</u>	<u>1,620,274</u>
Total U.S. Department of Housing and Urban Development				
U.S. Department of Homeland Security				
<i>Passed through the County of Ventura</i>				
Homeland Security Grant Program	97.067	2019-0035	15,902	-
		2018-0054	2,285	-
		2018-0054	2,574	-
		2018-0054	31,294	-
			<u>52,055</u>	<u>-</u>
<i>Passed through the County of Ventura</i>				
Emergency Management Performance Grant	97.042	2019-0003	5,520	-
			<u>5,520</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 #4407-431-079R	20,385	-
		HMGP#4344-460-120R	1,451	-
			<u>21,836</u>	<u>-</u>
<i>Direct Program</i>				
Assistance to Firefighters Grant FY19	97.044	EMW-2019-FG-09826	178,006	71,461
		EMW-2019-FG-09714	12,002	-
		EMW-2018-FO-03109	284,157	-
			<u>474,165</u>	<u>71,461</u>
<i>Passed through the California Office of Emergency Services</i>				
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4482-DR-CA-COVID-19 Pandemic	43,864	-
			<u>43,864</u>	<u>-</u>
			<u>597,440</u>	<u>71,461</u>
Total U.S. Department of Homeland Security				

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, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Program Identification Number	Total Program Expenditures	Total Amount Provided to Subrecipients
U.S. Department of Justice				
<i>Direct Program</i>				
Equitable Sharing Program	16.922	CA0560400-NCIC	86,817	-
			<u>86,817</u>	<u>-</u>
<i>Direct Program</i>				
Edward Byrne Justice Assistance Grant (JAG)	16.738	2020-DJ-BX-0781	3,316	-
		2017-DJ-BX-0957	5,101	-
		2018-DJ-BX-0852	13,171	11,206
			<u>21,588</u>	<u>11,206</u>
<i>Passed through the County of Ventura Sheriff Department</i>				
FY19 Edward Byrne Justice Assistance Grant (JAG)	16.738	BSCC 655-19	6,974	-
			<u>6,974</u>	<u>-</u>
			<u>28,562</u>	<u>11,206</u>
<i>Direct Program</i>				
COVID-19 FY2020 Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-0321	59,161	-
			<u>59,161</u>	<u>-</u>
Total U.S. Department of Justice			<u>174,540</u>	<u>11,206</u>
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
<i>Passed through the State of California Department of Transportation</i>				
Rice Ave. & 5th Street Grade Separation	20.205	STPL-5129(084)	-	-
Bicycle Facilities in Northeast Specific Plan	20.205	CML-5129 (086)	41	-
C Street Bicycle Facilities	20.205	CML-5129 (087)	1,476	-
Westside of Rose Ave. Between Auto Ctr. & E. Collins	20.205	CML-5129 (079)	2,385	-
Northside Vta Blvd. Between Balboa & Rose Avenue	20.205	CML-5129 (078)	8,369	-
Channel Island Blvd over Mandalay Bay - Bridge	20.205	BHLS-5129(069)	-	-
Channel Island Blvd over Edison Canal - Bridge	20.205	BHLS-5129(070)	-	-
Cross Walk Beacon Phase II	20.205	CML-5129(091)	-	-
Traffic Signal Various Locations	20.205	HSIPL 5129 (093)	62,666	-
Vineyard Av Resurf PW 16-12	20.205	FERSTPL-5129(092)	-	-
Oxnard Blvd Bike Lane 2017	20.205	ATPCML-5129(090)	30,533	-
City Wide Signal Mod	20.205	HSIPL 5129 (095)	70,343	-
			<u>175,813</u>	<u>-</u>
			<u>175,813</u>	<u>-</u>
Total Highway Planning and Construction Cluster			<u>175,813</u>	<u>-</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	69A36518500220STECA/ 75A0501	1,914	-
			<u>1,914</u>	<u>-</u>
Highway Safety Cluster				
<i>Passed through the State of California Office of Traffic Safety</i>				
OTS Pedestrian & Bicycle Safety Program-2020	20.600	PS21024	10,910	-
OTS Traffic Enforcement - 2021	20.600	PT21094	79,216	-
OTS Traffic Enforcement - 2020	20.600	PT20098	42,405	-
Total Highway Safety Cluster			<u>132,531</u>	<u>-</u>
<i>Passed through the State of California Office of Traffic Safety</i>				
OTS Traffic Enforcement - 2021	20.608	PT21094	146,797	-
FY2020 Minimum Penalties for Repeat Offender for Driving While Intoxicated	20.608	PT20098	115,230	-
			<u>262,027</u>	<u>-</u>
<i>Passed through the State of California Office of Traffic Safety</i>				
OTS Child Passenger Safty - 2020	20.616	OP21013	6,405	-
OTS Traffic Enforcement - 2021	20.616	PT21094	35,349	-
			<u>41,754</u>	<u>-</u>
Total U.S. Department of Transportation			<u>614,039</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, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Program Identification Number	Total Program Expenditures	Total Amount Provided to Subrecipients
Corporation for National and Community Service				
<i>Direct Program</i>				
Retired and Senior Volunteer Program FY19-20	94.002	19SRPCA007	21,391	
Retired and Senior Volunteer Program FY20-21	94.002	19SRPCA007	<u>65,089</u>	-
Total Corporation for National and Community Service			<u>86,480</u>	-
U.S. Department of Health and Human Services				
Aging Cluster				
<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>172,884</u>	-
Total Aging Cluster			<u>172,884</u>	-
Total U.S. Department of Health and Human Services			<u>172,884</u>	-
Total Direct Program			5,640,603	1,702,941
Total Pass Through			<u>917,172</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,557,775</u>	<u>\$ 1,702,941</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, 2021

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, 2021. 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 \$26,990,557 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:

	<u>AMOUNT</u>
Total expenditures per the schedule of expenditures of federal awards	\$ 6,557,775
Add: Expenditures of nonfederal awards	<u>221,081,383</u>
TOTAL GOVERNMENTAL FUNDS EXPENDITURES PER THE FINANCIAL STATEMENTS	<u>\$ 227,639,158</u>

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, 2021:

<u>FEDERAL PROGRAMS</u>	<u>LOANS OUTSTANDING</u>
Community Development Block Grants (CFDA #14.218)	\$ 3,807,569
HOME Investment Partnership Program (CFDA #14.239)	10,770,657

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

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? _____ Yes x No
- Significant deficiencies identified? _____ Yes x None reported

Noncompliance material to financial statements noted:

_____ Yes x No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes x No
- Significant deficiencies identified? _____ Yes x 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)?

 x Yes No

Identification of major programs:

CFDA No.	Name of Federal Program or Cluster
14.218	CDBG-Entitlement Grants Cluster
14.231	Emergency Solutions Grants Program

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

\$750,000

Auditee qualified as low-risk auditee?

 x Yes No

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2021

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CURRENT YEAR

MAJOR FEDERAL AWARD PROGRAMS

Indirect Cost Allocation	2021-001
CDBG HUD Findings	2021-002

FINANCIAL STATEMENTS

None

PRIOR YEAR

MAJOR FEDERAL AWARD PROGRAMS

Indirect Cost	2017-005
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FINANCIAL STATEMENTS

Information Technology General Controls	2020-001
Lease Agreements	2018-015
Pension Plans	2018-016
Information Technology General Controls	2018-018 to 2018-037
Information Technology General Controls	2017-016
Notes Receivable	2015-068

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS

2021-001 – Indirect Cost Allocation (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 \$22,573 of liability insurance costs to Fund 285 based on a City cost allocation plan.

Cause: The City has not completed the indirect cost study that will comply with requirements of the Uniform Guidance for indirect cost.

Effect or Potential Effect: Indirect costs charged to the CDBG program may not eligible for reimbursement.

Questioned Cost: None, since the amount charged was less than 10% of the total cost.

Repeat of a Prior-Year Finding: 2017-005

Recommendation: The City should complete the central service cost allocation plan (as indicated in the Corrective Action for prior year finding 2017-005). It should include the cost allocation plan for indirect costs, including liability insurance, as required by Uniform Guidance.

City's Response 2021: The City continues making progress on developing the central service cost allocation plan that will include a cost allocation method for indirect costs, such as liability insurance, in accordance with OMB's Uniform Guidance.

Planned Implementation Date: The central service cost allocation plan will be completed by September 2022 and will be implemented with the FY 23-24 budget.

Responsible Person: Jim Costello, Financial Analyst III; Beth Vo, Assistant CFO

(SD – Significant Deficiency)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

2021-002 – CDBG HUD Findings (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: Recipients of CDBG grants are required to be in compliance with all requirements imposed by the U.S. Department of Housing and Urban Development at all times.

Condition: The City received fifteen findings and two concerns from the U.S. Department of Housing and Urban Development as part of the Fiscal Year 2021 Remote Monitoring Report for the Community Development Block Grant (CDBG) Program. HUD conducted the remote monitoring in order to assess the City's performance and compliance with applicable requirements. This report covered grants B-18-MC-06-0534 and B-19-MC-06-0534 for \$2,502,719 and \$2,516,091, respectively.

A finding is a deficiency in program performance based on a violation of a statutory or regulatory requirement. A concern is a deficiency in program performance that is not based on a statutory or regulatory requirement but is brought to the City's attention.

The following summarizes the findings:

- 1) Fair Housing Eligibility – The City did not provide sufficient documentation to support a subrecipient's eligibility and national objective.
- 2) Fire Station Equipment and Vehicles – Fire station generators is an ineligible use of CDBG funds.
- 3) Citywide Homebuyer Loan Program – The City provided all participants a standard loan of \$30,000 instead of limiting the amount of the loan to 50% of the required down payment as specified in CDBG regulations.
- 4) Conflict of Interest – The City provided a homeowner loan to a City employee and there was no evidence that the City determined whether a conflict of interest existed.
- 5) Time and Activity Sheets – The City did not provide documentation associating staff costs charged to specific CDBG program with eligible housing activities carried out.
- 6) Lead-Based Paint – The City's rehabilitation program relies solely on a form signed by the City inspector indicating that the home was built after 1978 to determine when a property requires lead-based paint inspection, assessment and correction.
- 7) Procurement Written Policies and Procedures – The City's purchasing policy manual did not address if cost plus a percentage of cost and percentage of construction cost methods of contracting were prohibited.
- 8) Procurement History – The City's documentation was not sufficient to detail the procurement history to identify the rationale for the method of procurement, the selection of contract type, contract selection or reject, or the basis for the cost or price of the contract.
- 9) Procurement Procedures for Housing Services Programs and Fire Department – The City did not have policies to guarantee that environmental consultants are procured for based on qualifications. There was no evidence provided for the procurement of select fire department equipment and vehicles.

(SD – Significant Deficiency)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

- 10) Financial Standards -- HUD was unable to determine the account codes assigned to specific CDBG activities, CFDA title and grant number within the City's accounting records. Without these, HUD was unable to identify the source and application of the CDBG award.
- 11) Source Documentation – Source documentation did not support all expenditure costs of select vouchers reviewed.
- 12) Record Retention and Access Policy – The City's record retention and access policy did not comply with 2 CFR Part 200 requirements.
- 13) Protected Personally Identifiable (PII) Information – The City did not provide written documentation to support an internal control self-assessment nor measures to safeguard PII information.
- 14) Audit Costs – HUD was unable to determine if measures are in place to ensure HUD awards are charged no more than a reasonably proportionate share of the audit costs.
- 15) Equipment Records – The City's equipment records do not comply with all requirements of 2 CFR Part 200.

Cause: The deficiencies were attributed by HUD to various causes including:

- Not having updated policies and procedures for the CDBG programs
- The procurement policies and procedures needing to be revised to comply with 2 CFR Part 200
- Not having the appropriate accounting codes to keep track of CDBG costs by activity/program/grant number
- Not keeping complete documentation to support costs charged to CDBG.

Effect or Potential Effect: Various

Questioned Cost: None for current year. For prior years: \$470,000 for Finding #2; \$5,137.16 for Finding #11

Context: The U.S. Department of Housing and Urban Development conducted a routine monitoring assessment over a selection of CDBG grants administered by the City during program years 2018 and 2019, and determined that the City had fifteen findings which would require corrective actions, and two concerns for which they provided recommended actions.

Repeat of a Prior-Year Finding: No.

Recommendation: We recommend that the City continue to follow up with the U.S. Department of Housing and Urban Development in order to sufficiently meet the required corrective action plan.

City's Response 2021: The City continues to follow up with the U.S. Department of Housing and Urban Development (HUD) in order to sufficiently complete its Corrective Action Plan detailed in the City's response to Fiscal Year 2021 Remote Auditing letter to HUD dated February 8, 2022.

Planned Implementation Date: Corrective Action completion dates vary by finding, with all Corrective Actions to be completed by May 9, 2022.

Responsible Person: Andrea Palmer, Grants Manager

CITY OF OXNARD
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

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 in fiscal year 2016-2017 \$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 complete the central service cost allocation plan (as indicated in the Corrective Action for prior year finding 2017-005). It should include the cost allocation plan for indirect costs, including liability insurance, as required by Uniform Guidance.

City's Response 2021: The City continues making progress on developing the central service cost allocation plan that will include a cost allocation method for indirect costs, such as liability insurance, in accordance with OMB's Uniform Guidance.

Planned Implementation Date: The central service cost allocation plan will be completed by September 2022 and will be implemented with the FY 23-24 budget.

Responsible Person: Jim Costello, Financial Analyst III; Beth Vo, Assistant CFO

(SD – Significant Deficiency)

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

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.

EP's Comment 2021: In progress

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.

Repeat of a Prior-Year Finding: 2015-074

(SD – Significant Deficiency)

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

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.

EP's Comment 2021: Complete.

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

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

EP's Comment 2021: Complete.

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.

(SD – Significant Deficiency)

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

City's Response 2021: 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.

EP's Comment 2021: In progress.

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 2021: 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.

EP's Comment 2021: In progress.

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.

EP's Comment 2021: Complete.

(SD – Significant Deficiency)