

SINGLE AUDIT REPORT

2022



CITY OF
OXNARD
CALIFORNIA

FISCAL YEAR ENDED JUNE 30, 2022

CITY OF OXNARD


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JUNE 30, 2022

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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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 19, 2023. 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. 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.


Eadie and Payne, LLP

Riverside, California
January 19, 2023



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE; 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 identified as subject to audit 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, 2022. 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 \$26,175,745 in Federal awards during the year ended June 30, 2022 which is not included in the City's schedule of expenditures of Federal awards. 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.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 19, 2023, 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 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 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.

Eadie and Payne, LLP

Riverside, California
March 13, 2023

**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, 2022

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-21-MC-06-0534	\$ 918,409	\$ 53,376
		B-19-MC-06-0534	49,749	-
		B-17-MC-06-0534	187,640	-
COVID-19 Community Development Block Grants CARES Act	14.218	B-20-MW-06-0534	306,101	90,187
Total CDBG - Entitlement Grants Cluster			<u>1,461,899</u>	<u>143,563</u>
<i>Direct Program</i>				
Emergency Solutions Grants Program	14.231	E-21-MC-06-0534	34,052	24,000
		E-20-MC-06-0534	133,136	124,512
COVID-19 Emergency Solutions Grants - CARES Act	14.231	E-20-MW-06-0534	2,876,608	2,875,913
			<u>3,043,796</u>	<u>3,024,425</u>
<i>Direct Program</i>				
HOME Investment Partnership Program	14.239	M-21-MC-06-0526	134,191	-
			<u>134,191</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>4,639,886</u>	<u>3,167,988</u>
U.S. Department of Housing and Community Development				
<i>Passed through California Department of Housing and Community Development</i>				
Emergency Rental Assistance Round 1 (Administrative Cost)	21.023	21-ERAP-10003	89,751	-
			<u>89,751</u>	<u>-</u>
Total U. S. Department of Housing and Community Development			<u>89,751</u>	<u>-</u>
U.S. Department of Homeland Security				
<i>Passed through the County of Ventura</i>				
Homeland Security Grant Program	97.067	2019-0035	40,684	-
		19-SHSGP	4,976	-
			<u>45,660</u>	<u>-</u>
<i>Passed through the County of Ventura</i>				
Emergency Management Performance Grant FY20	97.042	2019-0006	46,604	-
			<u>46,604</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	40,324	-
			<u>40,324</u>	<u>-</u>
<i>Direct Program</i>				
Assistance to Firefighters Grant	97.044	EMW-2019-FG-09826	132,037	117,839
		EMW-2019-FG-09714	36,936	-
		EMW-2020-FG-13213	162,452	-
FEMA-FY2020 Fire Prevention and Safety (FPS)	97.044	EMW-2020-FF-01126	201,292	-
FEMA-FY2020 Staffing for Adequate Fire and Emergency Response	97.044	EMW-2020-FP-00777	141,191	-
			<u>673,908</u>	<u>117,839</u>
<i>Passed through the County of Ventura</i>				
Assistance to Firefighters Grant FY19	97.044	EMW-2019-FG-10771	24,545	-
			<u>24,545</u>	<u>-</u>
			<u>698,453</u>	<u>117,839</u>
Total U.S. Department of Homeland Security			<u>831,041</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, 2022

Federal Grantor/Pass-through Grantor/Program Title	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	85,188	-
			<u>85,188</u>	<u>-</u>
<i>Direct Program</i>				
Edward Byrne Justice Assistance Grant (JAG)	16.738	2020-DJ-BX-0781	21,289	21,289
		2018-DJ-BX-0852	23,350	-
			<u>44,639</u>	<u>21,289</u>
<i>Passed through the County of Ventura Sheriff Department</i>				
FY21 National Sexual Assault Kit Initiative(SAKI)	16.833	VTA CO SHERIFF-VSCO SAKI	698	-
			<u>698</u>	<u>-</u>
<i>Direct Program</i>				
COVID-19 FY2020 Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-0321	8,778	-
			<u>8,778</u>	<u>-</u>
Total U.S. Department of Justice			<u>139,303</u>	<u>21,289</u>
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
<i>Passed through the State of California Department of Transportation</i>				
C Street Bicycle Facilities	20.205	CML-5129 (087)	59,044	-
Northside Vta Blvd. Between Balboa & Rose Avenue	20.205	CML-5129 (078)	1,171	-
Traffic Signal Various Locations	20.205	HSIPL 5129 (093)	188	-
City Wide Signal Mod	20.205	HSIPL 5129 (095)	22,089	-
Total Highway Planning and Construction Cluster			<u>82,492</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	4,353	-
OTS Pedestrian & Bicycle Safety Program-2022	20.600	PS22009	13,893	-
OTS Traffic Enforcement - 2021	20.600	PT21094	24,366	-
OTS Traffic Enforcement - 2020	20.600	PT20098	78,423	-
Total Highway Safety Cluster			<u>121,035</u>	<u>-</u>
<i>Passed through the State of California Office of Traffic Safety</i>				
OTS Traffic Enforcement - 2021	20.608	PT21094	68,555	-
OTS Traffic Enforcement - 2022	20.608	PT20098	134,875	-
			<u>203,430</u>	<u>-</u>
<i>Passed through the State of California Office of Traffic Safety</i>				
OTS Child Passenger Safty - 2020	20.616	OP21013	2,678	-
			<u>2,678</u>	<u>-</u>
Total U.S. Department of Transportation			<u>409,635</u>	<u>-</u>
Corporation for National and Community Service				
<i>Direct Program</i>				
Retired and Senior Volunteer Program FY21-22	94.002	19SRPCA007	65,774	-
Retired and Senior Volunteer Program FY20-21	94.002	19SRPCA007	4,450	-
Total Corporation for National and Community Service			<u>70,224</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, 2022

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 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	3500FY22-05	<u>127,334</u>	-
Total Aging Cluster			<u>127,334</u>	-
Total U.S. Department of Health and Human Services			<u>127,334</u>	-
U.S. Department of Treasury				
<i>Direct Program</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>27,007,177</u>	<u>565,000</u>
			<u>27,007,177</u>	<u>565,000</u>
<i>Passed through California Water Resources Control Board</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Water Arrearage Payment Program	21.027	CA5610007-01	1,026,077	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Wastewater Arrearage Payment Program	21.027	CA5610007-01	<u>256,044</u>	-
			<u>1,282,121</u>	-
			<u>28,289,298</u>	<u>565,000</u>
Total U.S. Department of Treasury			<u>28,289,298</u>	<u>565,000</u>
Total Direct Program			32,529,800	3,872,116
Total Pass Through			<u>2,066,672</u>	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 34,596,472</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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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 \$26,175,745 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. **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, 2022:

<u>FEDERAL PROGRAMS</u>	<u>LOANS OUTSTANDING</u>
Community Development Block Grants (CFDA #14.218)	\$ 3,752,569
HOME Investment Partnership Program (CFDA #14.239)	9,640,632

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2022

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)?

 Yes x No

Identification of major programs:

CFDA No.	Name of Federal Program or Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

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

\$1,037,894

Auditee qualified as low-risk auditee?

 x Yes No

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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CURRENT YEAR

MAJOR FEDERAL AWARD PROGRAMS

None

FINANCIAL STATEMENTS

None

PRIOR YEAR

MAJOR FEDERAL AWARD PROGRAMS

Indirect Cost Allocation 2021-001

CDBG HUD Findings 2021-002

Indirect Cost 2017-005

FINANCIAL STATEMENTS

Information Technology (IT) General Controls 2020-001

Information Technology (IT) General Controls 2018-018 - 2018-037

Information Technology (IT) General Controls 2017-016

CITY OF OXNARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS

None

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENTS

None

CITY OF OXNARD
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

2021-001 – Indirect Cost Allocation (SD)

CFDA Title and Number: 14.218 - Community Development 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 2022: The City has engaged the services of a consultant and has developed the central service cost allocation plan that includes a cost allocation method for indirect costs, such as liability insurance, in accordance with OMB's Uniform Guidance. The City plans to complete the indirect cost rate no later than April 2023.

Planned Implementation Date: The central service full cost allocation plan is complete and is being implemented with the FY 23-24 budget.

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

EP's Comment 2022: In Progress.

(SD – Significant Deficiency)

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2021-002 – CDBG HUD Findings (SD)

CFDA Title and Number: 14.218 - Community Development 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 PRIOR AUDIT FINDINGS (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 reasonable 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 2022: The City believes it has sufficiently completed its Corrective Action Plan detailed in the City's two responses to U.S. Department of Housing and Urban Development (HUD) dated February 8, 2022 and July 1, 2022, respectively, for Fiscal Year 2021 Remote Monitoring and continues to follow up with HUD to receive confirmation that they are in agreement that the Corrective Action Plan was sufficiently completed.

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

Responsible Person: Andrea Palmer, Grants Manager

EP's Comment 2022: Completed.

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

2017-005 - Indirect Cost (SD)

CFDA Title and Number: 14.218 – Community Development 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 2022: The City has engaged the services of a consultant and has developed the central service cost allocation plan that includes a cost allocation method for indirect costs, such as liability insurance, in accordance with OMB's Uniform Guidance. The City plans to complete the indirect cost rate no later than April 2023.

Planned Implementation Date: The central service full cost allocation plan is complete and is being implemented with the FY 23-24 budget.

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

EP's Comment 2022: In progress.

(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 2022: 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 2022: In progress

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 2022: 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 2022: In progress.
(SD – Significant Deficiency)

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

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 2022: 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 2022: In progress.

(SD – Significant Deficiency)