



City of El Monte, California
Single Audit Report
As of and for the Year Ended June 30, 2021
with Independent Auditor's Report

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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 Mayor and Members of the City Council
City of El Monte
El Monte, 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 El Monte, California (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, and have issued our report thereon dated December 22, 2021.

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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questions costs as finding FS2021-001 to be a material weakness.



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. We consider the deficiencies described in the accompanying schedule of findings and questions costs as findings FS2021-002 and FS2021-003 to be significant deficiencies.

The City's responses to the findings identified in our audit is 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 it.

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 financial statements. 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California
December 22, 2021**



**Independent Auditor’s Report on Compliance for Each Major Federal Program,
on Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

**The Honorable Mayor and Members of the City Council
City of El Monte, California
El Monte, California**

Report on Compliance for Each Major Federal Program

We have audited the City of El Monte’s (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 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.

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, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding F2021-001. Our opinion on each major federal program is not modified with respect to this matter.

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

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.

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

We have audited the financial statements of the government 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 22, 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 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 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.

Glendale, California

March 31, 2022 (except for the Schedule of Expenditures of Federal Awards, as to which the date is December 22, 2021)

City of El Monte
Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity/Grantor's Number	Passed Through to Subrecipients	Federal Award Expenditures
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Community Development Block Grants/Entitlement Grants	14.218	Various	\$ 386,119	\$ 3,108,959
Home Investment Partnerships Program	14.239	Various	-	181,036
Emergency Solutions Grant Program	14.231	Various	334,094	1,058,990 *
Total U.S. Department of Housing and Urban Development			<u>720,213</u>	<u>4,348,985</u>
U.S. Department of Justice				
Direct Assistance				
Equitable Sharing Program	16.922	CA0192200	-	1,203,672
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0870	-	24,372
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0920	-	1,176
Passed through State of California,				
Board of State and Community Corrections:				
Edward Byrne Memorial Justice Assistance Grant Program - Mental Health Training Grant	16.738	BSCC 1132-18-MH	-	873
Total U.S. Department of Justice			<u>-</u>	<u>1,230,093</u>
U.S. Department of Transportation				
Passed through State of California,				
Office of Traffic Safety:				
State and Community Highway Safety	20.600	PT 21114	-	23,784
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT 21114	-	47,932
State and Community Highway Safety	20.600	PT 20041	-	20,204
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT 20041	-	54,449
Highway Planning and Construction	20.205	STPL-5210(025)	-	800,523 *
Total U.S. Department of Transportation			<u>-</u>	<u>946,892</u>
U.S. Department of Health and Human Services				
Passed through the County of Los Angeles,				
Department of Community and Senior Services:				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	ENP-202104	-	102,573
Nutrition Services Incentive Program	93.053	ENP-202104	-	11,671
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	SSP-192002	-	45,900
Total U.S. Department of Health and Human Services			<u>-</u>	<u>160,144</u>
U.S. Department of Homeland Security				
Passed through the County of Los Angeles:				
Homeland Security Grant Program	97.067	HSGP 2018	-	62,000
Total U.S. Department of Homeland Security			<u>-</u>	<u>62,000</u>
U.S. Department of the Treasury				
Passed through State of California,				
Department of Finance:				
Coronavirus Relief Fund	21.019	N/A	-	715,609 *
Passed through State of California,				
Department of Housing and Community Development:				
Coronavirus Relief Fund	21.019	20-HK-00140 & 145	-	14,351,213 *
Passed through the County of Los Angeles:				
Workforce Development, Aging and Community Services				
Coronavirus Relief Fund	21.019	ENP-202104	-	170,270 *
Coronavirus Relief Fund	21.019	SSP-192002	-	3,713 *
Total U.S. Department of the Treasury			<u>-</u>	<u>15,240,805</u>
U.S. Environmental Protection Agency				
Direct Assistance				
Congressionally Mandated Projects	66.202	99T55201	-	10,763
Total Environmental Protection Agency			<u>-</u>	<u>10,763</u>
Total Expenditures of Federal Awards			<u>\$ 720,213</u>	<u>\$ 21,999,682</u>

* Major Programs

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Scope of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of El Monte, California (City). For purposes of this schedule, financial awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized, if any, or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting, which is defined in Note 1 to the City's basic financial statements. 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. Expenditures reported include any property or equipment acquisitions incurred under the federal programs.

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports for the year ended June 30, 2021, which have been submitted to grantor agencies, will, in some cases, differ from the amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

NOTE 3 RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

In accordance with the Governmental Accounting Standards Board's Statement No. 61, *Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No.14*, activities relating to all federal financial assistance programs are blended in the City's financial statements as special revenue funds.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes – FS2021-001
• Significant deficiency(ies) identified?	Yes – FS2021-002 and FS2021-003
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	Yes – F2021-001

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.231	Emergency Solutions Grant Program
20.205	Highway Planning and Construction
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding FS2021-001: Noncompliance with Procurement and Bid Policies and Procedures

Condition:

During the test on the City's procurement and bid process, we noted the following exceptions:

City Manager's Office

- a) For Change order B-000118, purchases were made in February and April 2021 from a vendor, totaling \$8,176, but the change order form was not submitted to Finance Department until June 2021 together with the invoices.
- b) For interim professional services agreement with a contractor amounting to \$30,000 for the period from January 1, 2021 to May 31, 2021, we noted:
 1. The contract was not signed by the vendor until July 26, 2021 and was not dated when the City Manager signed it.
 2. The invoices for the months of November 2020, January 2021, February 2021, April 2021, and May 2021 were not submitted to Finance Department until July 2021. In addition, change order or a new purchase order was not prepared for this interim contract.
 3. The invoice (# 16466) for March 2021 was charged to a wrong purchase order.

Economic Development Department

- a) For the contract with a contractor, we noted that the invoices related to the Emergency Shelter Grant for the months of April, May and June 2021, with a total amount of \$41,206, were not submitted to Finance Department until September 2021. These invoices were not liquidated properly from the purchase order due to the late submission.
- b) For the contract with a contractor which amounted to \$30,000, we noted:
 1. The contract has an effective date of April 7, 2021 but the term is commencing from September 1, 2019 through December 31, 2023.
 2. Invoices for the months of August 2020, September 2020, November 2020 and March 2021, were not submitted to Finance Department until May 2021.
 3. The purchase order was not set up until April 2021.
- c) The City awarded the security service contract for the Homekey Project to a vendor, a company that the City's Chief of the Police Department acted as the Chief of Operations. The conflict of interest was not disclosed prior to the approval of the contract.

Police Department

- a) During our review of the vendor purchase requisition, we noted that it did not contain the required three quotes as stipulated in the City's Purchasing Policy and Procedures Manual. The vendor was the only bidder and was awarded the purchase requisition for \$5,000.
- b) During our review of the purchases with a vendor, we noted the following:
 - 1. The purchase requisition for the vendor which amounted to \$7,500 did not contain the required three quotes as stipulated in the City's Purchasing Policy and Procedures Manual.
 - 2. A change order which amounted to \$5,000 was submitted on March 10, 2021 to cover expenditures already incurred in December 2020, January 2021, and February 2021. These invoices were not submitted to Finance Department until March 2021.
 - 3. Total expenditures incurred by the department for this vendor in FY21 is \$22,433, which is above the sum of the original PO amount and change order.
- c) During our review of contract with a vendor, we noted that invoices for services rendered for the months of March, April, May and June totaling \$12,920, were not submitted to the Finance Department until September 2021. In addition, there was no purchase order noted for the service provided because the purchase requisition was not prepared timely.

Public Works Department

- a) For the contract for HVAC system and equipment services with a vendor, the change order form covering invoices for the months of September and October 2020 services was not submitted to Finance Department until November 2020.

Cause:

The City does not follow the policies and procedures and lacks controls over the procurement and bid process.

Effect:

Failure to follow the policies and procedures and lack of controls over the procurement and bid process increases the likelihood of fraud, waste, and abuse of the City's fund. It also may increase the likelihood of findings in subsequent Single Audits due to a lack of inadequate internal controls.

Recommendation:

We recommend that the departments of the City strengthen their internal controls over procurement and bid processing and follow the purchasing guidance. The purchase requisition and change order should be prepared and submitted in a timely manner in advance of invoice processing and ideally prior to engaging vendor services. This should promote more timely processing of vendor invoices and ensure that these transactions are recorded in the City's books in the correct period.

We also recommended that the City explore establishing a centralized purchasing/procurement department to ensure that policies and procedures are being followed and enforced throughout the City. If not feasible, the City should consider having a Contracts Manager within the Finance

Department who will be responsible for reviewing the City's contracts for compliance with the policies and procedures of the City.

Management Response and Corrective Action Plan:

City Manager's Office

- a) The expenditures related to this matter were for the purchase of computers (laptops) for the use of employees who were authorized to work remotely due to COVID-19 restrictions. The purchases had to be expedited to ensure the workflow of employees. The timely processing of the change order was an oversight by staff.

Corrective Action Plan:

- 1) Staff will coordinate all purchases/purchase orders/change orders through the Senior Project Manager.
- 2) The Senior Project Manager will work with Finance staff to ensure the timely submission of change orders and invoices.

Responsible Party: Senior Project Manager (City Manager's Office)

Estimated Completion Date: June 30, 2022

- b) In January 2021, the contract extended on a month-to-month basis. At the May 4, 2021 regular meeting of the City Council, the City Manager was directed to negotiate a one (1) year contract with the awarded vendor to include federal lobbying efforts. There was discussion between staff and the City Attorney's Office about the best course of action to capture the "month-to-month" services that were being provided by the vendor. The item was considered and approved at the City Council meeting of June 1, 2021. It was not until staff received past invoices that it was determined that the contract amendment was not completed.

Corrective Action Plan:

- 1) Improved contract management
- 2) One staff member and one back up staff member have been assigned to manage this contract to ensure the timely payment of invoices.
- 3) The primary staff member assigned to the management of this contract will work with Finance staff to ensure that the Purchase Order is current/valid.

Responsible Party: Senior Project Manager (City Manager's Office)

Estimated Completion Date: June 30, 2022

Economic Development Department

- a) The awarded vendor has multiple purchase orders under different departments (i.e. Economic Development and Public Works). The awarded vendor has a contract with Economic Development under three different purchase orders utilizing different funding sources depending on the program. The Homekey Program is a new program with multiple funding sources for two different project sites. The vendor is assisting with the management of the Programs. It can be paid through ESG-CV administration funds for the Budget Inn site only as it is being used as an emergency shelter and PLHA administration funds for the Budget Inn and M Motel sites. Due to the state and federal funding sources involved, City staff wanted to ensure that the correct funding sources were utilized for the appropriate activities, therefore there was a delay in the processing of the invoices.

Corrective Action Plan:

For the Mid-year budget, staff is creating specific administration accounts for each funding source to ensure that the correct funding sources are utilized for vendors. This will assist with the timely processing of invoices. The Director has assigned a point person to capture invoices to ensure a net 30 payment.

Responsible Party: Economic Development Director

Estimated Completion Date: June 30, 2022

- b) The vendor is utilized by different departments as they are the sole vendor that provides translation services for City public meetings and community events. Staff was unclear as to which department was responsible for the contract and discovered that there was no contract for this vendor. Therefore, a contract was approved under the City Manager's \$30,000 authority to include services utilized by the Economic Development Department and the City Manager's Office.

Corrective Action Plan:

- 1) Ensure that all services approaching the City Manager's spending limit be flagged for contract administration with the City Manager's, City Attorney's and City Clerk's Office (for City Council consideration and approval).
- 2) Hire a Contract Manager for situations similar to this to ensure that contracts are properly established.

Responsible Party: Economic Development Director

Estimated Completion Date: June 30, 2022

- c) The original security service contract was procured through obtaining three written quotes per the City's Purchasing Policy and Procedures Manual for services under \$150,000. The three written quotes received did not include a Conflict of Interest Disclosure. Staff was unaware of the Police Chief's conflict of interest. Additionally, the awarded contractor provided security services for the City in the past. Upon discovery of the Conflict of Interest, staff terminated the contract and made directed efforts to move the funding source from Federal grant funds to avoid grant findings. The replacement firm was selected from the second lowest bidder to provide interim services while the City solicited competitive proposals through the formal RFP process. For the current Homekey Program security services, the City procured the services through a formal RFP process where a Conflict of Interest Disclosure was required.

Corrective Action Plan:

All future contracts/agreements, presented for City Council consideration, will contain a "Conflict of Interest" clause to prevent conflicts.

Responsible Party: Economic Development Director
Estimated Completion Date: June 30, 2022

Police Department

- a) The finding is noted. We did prepare the PO requests for the vendor along with a Change Order in what was assumed to be an acceptable practice. These types of requests were approved in the past. Due to many factors, the PD's mechanic may have to send vehicles to a few different repair shops. These cars need to be repaired by a trusting source that can do the work quickly and have the vehicles placed back into operations as soon as possible. The PD tries to stay with vendors that are within the city limits. However, the choice to go with a particular vendor is more than just seeking the lowest bid as the lowest bidder cannot always facilitate the PD's needs so the vehicle is sent to repair shop that can. The PD presently uses several repair shops for this reason.

Corrective Action Plan:

The City will create open purchase orders with bench list firms to be able to respond quickly to the Police Department's expedited automotive repair needs. Specific parts will be noted and price lists provided.

Responsible Party: Chief of Police/Administrative Captain
Estimated Completion Date: June 30, 2022

- b) The finding is noted. The Police Department did prepare the PO requests for the vendor along with a Change Order in what was assumed to be an acceptable practice. These types of requests were approved in the past. Due to many factors, the PD's mechanic may have to send vehicles to a few different repair shops. These cars need to be repaired by a trusting source that can do the work quickly, securely and have the vehicles placed back into operations as soon as possible. The PD tries to patron vendors that are within the city limits.

However, in this case the choice to go with a particular vendor is more than just seeking the lowest bid as the lowest bidder cannot always facilitate the PD's needs so the vehicle is sent to repair shop that can. The PD presently uses several repair shops for this reason.

Corrective Action Plan:

The City will create open purchase orders with bench list firms to be able to respond quickly to the Police Department's expedited automotive repair needs. Specific parts will be noted and price lists provided.

Responsible Party: Chief of Police / Administrative Captain

Estimated Completion Date: June 30, 2022

- c) The awarded vendor is one of several vendors that submit invoices long after services have been rendered (up to 90 days) due to quarterly invoicing practices. The Police Department and the Finance Clerk also had some issues originally setting up this vendor as confirmation from the business owner regarding the actual name that the business would use for invoicing purposes. Upon resolve of payable matters, the vendor began to catch up on invoicing by routing via email. The Police Department will reach out to this vendor and request that invoices be billed monthly rather than every 3 months.

Corrective Action Plan:

The Department will require monthly, versus quarterly, billing from the vendor.

Responsible Party: Chief of Police / Administrative Captain

Estimated Completion Date: June 30, 2022

Public Works Department

- a) The Heating, Ventilation, and Air Conditioning (HVAC) System at City Hall East and West, portions of the Police Department, and at the City Yard is managed by the company, a proprietary system managed by the awarded contractor. Each year, the City pays an annual fee of roughly \$5,000 to keep the system running and up-to-date. When issues occur City staff or the City's contracted HVAC contractor makes repairs. This fiscal year however, many of the HVAC issues were beyond the scope of City Staff and the HVAC contractor. This required the contractor to either make repairs, or diagnose the issue for repair. The change orders have been a result of the quick response needed to restore air conditioning or heating, and a historical lack of need for the contractor.

Corrective Action Plan:

Staff will prepare for future issues by dedicating an appropriate budget for the awarded contractor. Other HVAC contractors will still be able to take care of 98% of all issues; however, staff understands the awarded contractor will be a pivotal piece going forward.

Responsible Party: Public Works / Utilities Director

Estimated Completion Date: June 30, 2022

City Wide

The City will implement the following corrective actions:

- 1) Require mandatory Purchasing & Procurement refresher training for all Executives, Managers and Supervisors which will focus on:
 - a. Purchasing and Procurement Policy review
 - b. Bid process
 - c. Conflict of Interest
 - d. Proper accounting processes
- 2) All personnel who attend the course will sign a roster and a Certificate of Completion will be issued and maintained in the employee's personnel file
- 3) Recruit/hire a Contract/Purchasing Manager during the mid-year budget to provide a centralized contract management and procurement review, including conflict of interest matters.

Responsible Party: HR/RM, CAO, Finance
Estimated Completion Date: June 30, 2022

Finding FS2021-002: Timely recording of loans

Condition:

During our review of subsequent cash collections, we noted that one of the collection amounting to \$130,313 pertains to a loan that was not recorded. The loan was entered into by the City in January 2009 but was not included in the loan schedule maintained by the Economic Development Department.

Cause:

The Housing Division staff missed to add the loan to the schedule.

Effect:

The accounting for this transaction was not performed timely, completely, and accurately.

Recommendation:

We recommend that the Economic Development Department of the City should strengthen internal controls over the loans processing and communicating loan issuance to Finance Department. The City should develop adequate detailed written procedures that would ensure that all loans are recorded timely. In addition, the City should establish controls that require monitoring and periodic review of the outstanding loans listing to ensure that the financial information provided is complete and accurate.

Management Response and Corrective Action Plan:

Prior to 2017 Economic Development did not have a loan database and only had hardcopy files of loans. In 2017, Economic Development was provided with a “Deferred Loans Receivables Listing” from Finance that includes all the loan agreements that Finance is aware of. Economic Development discovered that there are loans that are not on the City’s list. This loan in particular was not on the list and was discovered when the City received a request for payoff. Economic Development Housing Division is currently maintaining the list with annual updates.

Corrective Action Plan:

- 1) Recommendation to procure a loan management software system for all Economic Development loans.
- 2) Scan all hardcopy loan files into the loan management software system to ensure that all loans are accounted for and managed properly.
- 3) Communicate Loan issuance and supporting documents to the Finance Department timely

Responsible Party: Economic Development Director/Housing Manager
Estimated Completion Date: June 30, 2022

Finding FS2021-003: Follow timekeeping requirements

Condition:

During our test of controls, we noted that there are 15 non-exempt employees out of our 20 samples and 5 out of the 15 non-exempt employees did not follow the timekeeping requirement of clocking in and out by using the clock on their desktop or within the department linked to the Kronos Workforce software. There is no clock in and out for two police dispatchers, one police officer, one sergeant, and one shift supervisor.

Cause:

The noncompliance was due to the pandemic.

Effect:

Failure to follow the policies and procedures and lack of controls over timekeeping increases the likelihood of fraud and inaccurate payroll records.

Recommendation:

We recommend that the City implement a process to determine if the non-exempt employees are consistently following the timekeeping requirement of clocking in and out via the Kronos Workforce software. The City can encourage the employees to set up email reminders to avoid noncompliance. The City may also want to consider accountability measures such as disciplinary actions for those employees that repeatedly do not follow the timekeeping requirement. This will allow the City to ensure that the employees are paid for actual hours of work.

Management Response and Corrective Action Plan:

The recommendations made are reasonable and appropriate. There has been poor compliance because of the COVID-19 pandemic. The Department has discouraged employees from physically clocking in and out on the general use time clocks throughout the station. The Police Department has recently set up a committee with the Accounting Manager to help use the Kronos time keeping system to its full potential. This includes providing mobile access to all police personnel. Once this is achieved, the City can reasonably begin to hold personnel accountable for these mistakes.

Corrective Action Plan:

- 1) Written policy related to the use of the City's timekeeping system (Kronos) needs to be established by the Finance Department.
- 2) Departmentwide Training of the updated Kronos policy needs to be implemented by the Finance and Human Resources Departments.
- 3) The City will have recourse for holding employees accountable for timekeeping mistakes.

Responsible Party: Chief of Police / Administrative Captain

Estimated Completion Date: June 30, 2022

Section III – Federal Award Findings

F2021-001: Special Tests and Provisions – Payment to Subrecipients

<i>Federal Catalog Number:</i>	14.231
<i>Federal Program Name:</i>	Emergency Shelter Grant Program
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	Volunteers of America of Los Angeles
<i>Federal Award Number and Award Year:</i>	E-20-MC-06-0517 – FY 20-21

Criteria:

The recipient must pay each subrecipient for allowable costs within 30 days after receiving the subrecipient's complete payment request. This requirement also applies to each subrecipient that is a unit of general-purpose local government (24 CFR Section 576.203).

Condition

During our tests of controls and compliance over special tests and provisions pertaining to payments to subrecipients, we noted that 4 out of 7 subrecipient reimbursement requests tested were paid beyond the 30 days requirement.

Cause

The Housing Division of the City was experiencing a staff shortage due to the Covid-19 pandemic. The division did not have adequate monitoring controls in place to ensure that the payments to subrecipients were processed timely.

Effect

The City is not paying its subrecipients on a timely basis and is not in compliance with laws and regulations related to special tests and provisions – payment to subrecipients.

Questioned Costs

Not Applicable.

Recommendation

We recommend the City strengthen its controls and provide appropriate training to the staff to ensure that payments to subrecipients are made timely and in accordance with the federal requirements.

Views of Responsible Officials and Planned Corrective Action

Due to the staff turnover in the Housing Division and VOALA as well as the negative impacts of Covid-19 these invoices were not processed timely. Moving forward, the Housing Division will ensure that complete subrecipient invoices will be paid within 30 days of receipt, as per 24 CFR Section 576.203.

**City of El Monte
Summary Schedule of Prior Audit Findings
Year ended June 30, 2021**

There were no audit findings reported in prior year.



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