

**Single Audit Report**  
**City of El Monte, California**  
***Year ended June 30, 2014***  
***with Report of Independent Auditors***

An Independently Owned Member  
**McGLADREY ALLIANCE**



 **VASQUEZ**  
**& COMPANY LLP**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

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**Report of Independent Auditors 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 City Council  
City of El Monte**

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 City of El Monte, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of El Monte's basic financial statements and have issued our report thereon dated December 29, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of El Monte'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 City of El Monte's internal control. Accordingly, we do not express an opinion on the effectiveness of City of El Monte's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as FS 2014-001 that we consider to be a significant deficiency.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of El Monte's financial statements are free of 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 an instance of noncompliance or other matters that is described in the accompanying schedule of findings and questioned costs as Finding FS 2014-002.

We noted certain other matters that we reported to management of the City of El Monte in a separate letter dated December 29, 2014.

## **City of El Monte's Response to Findings**

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

## **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.

*Vasquez + Company LLP*

**Los Angeles, California  
December 29, 2014**

**Report of Independent Auditors on Compliance For Each Major Federal Program,  
on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

**The Honorable Mayor and Members of City Council  
City of El Monte**

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

We have audited the compliance of the City of El Monte, California with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City of El Monte's major federal programs for the year ended June 30, 2014. City of El Monte'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of El Monte'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 City of El Monte'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 City of El Monte's compliance.

***Opinion on Each Major Federal Programs***

In our opinion, the City of El Monte, California 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, 2014.



### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items F2014-001 through F2014-010. Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control Over Compliance**

Management of the City of El Monte 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 City of El Monte'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 OMB Circular A-133, 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 City of El Monte'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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items F2014-001 through F2014-010 that we consider to be significant deficiencies.

The City of El Monte's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of El Monte's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the City of El Monte, California as of and for the year ended June 30, 2014, and have issued our report thereon dated December 29, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 financial statements or to the 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 financial statements as a whole.

*Vasquez + Company LLP*

**Los Angeles, California  
December 29, 2014**

**City of El Monte**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Award Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through the State of California,			
Department of Education:			
Summer Food Service Program for Children	10.559	8190-5V	\$ 134,362
<b>Total U.S. Department of Agriculture</b>			<u>134,362</u>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Assistance:			
Community Development Block Grant Program			
Entitlement Grant	14.218	Various	2,215,856 *
Section 108 Guaranteed Loan	14.248	Various	1,500
Home Investment Partnerships Program (Home)	14.239	Various	2,578,296 *
Emergency Shelter Grant	14.231	Various	99,577
<b>Total U.S. Department of Housing and Urban Development</b>			<u>4,895,229</u>
<b>U.S. Department of Justice</b>			
Direct Assistance			
Federal Asset Forfeiture Program	16.000		697,742 *
Passed through City of Los Angeles			
Edward Byrne Memorial Justice Assistance Grant (ARRA)	16.804	C-118751	39,961
<b>Total U.S. Department of Justice</b>			<u>737,703</u>
<b>U.S. Department of Transportation</b>			
Direct Assistance			
Rosemead - Telstar Intersection	20.600	HPLUL-5210(14)	7,162
Passed through State of California,			
Office of Traffic Safety:			
State and Community Highway Safety			
Sobriety Checkpoint Program	20.600	SCO 13125	21,867
Sobriety Checkpoint	20.600	SCO 14125	116,018
			<u>137,885</u>
Passed through Los Angeles County Metropolitan			
Transportation Authority			
Section 5316 Job Access and Reverse Commute			
Program	20.516	CA-37-X171	13,311
<b>Total U.S. Department of Transportation</b>			<u>158,358</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through the County of Los Angeles,			
Department of Community and Senior Services:			
Special Programs for Aging, Title III Older American Act			
Nutrition Services Incentive Program	93.053	AAA-ENP1-0809-007	146,335
Older American Act IIIB - ICM Supportive Services IIIB	93.044	SSP-1014-09	49,870
<b>Total U.S. Department of Health and Human Services</b>			<u>196,205</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,121,857</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 presents only the expenditures incurred by the City of El Monte (City) that are reimbursable under programs of federal agencies providing financial awards. For purposes of this schedule, financial awards include federal awards received directly from a federal agency, federal funds received indirectly by the City from a nonfederal agency or other organization. Only the portion of program expenditures reimbursable with such federal and selected state funds is reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other nonfederal 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. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal programs.

**Schedule of Expenditures of Federal Awards**

The Schedule of Expenditures of Federal Awards presented herein is prepared only from the accounts of the grant programs and, therefore, does not present the financial position or results of operations of the City of El Monte, California. The City's reporting entity is defined in Note 1 to the City's financial statements.

**Relationship to Financial Statements**

In accordance with the Governmental Accounting Standards Board's Statement Nos. 61 and 39, activities relating to all federal financial assistance programs are blended in the City's financial statements as special revenue funds.

**Relationship to Federal Financial Reports**

Grant expenditure reports as of June 30, 2014, which have been submitted to grantor agencies, will, in some cases, differ from amounts disclosed herein. The reports for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

**NOTE 2 MAJOR PROGRAMS**

The following Catalog of Federal Domestic Assistance (CFDA) programs were tested as major programs:

Community Development Block Grant	CFDA #14.218
Home Investment Partnerships Program	CFDA #14.239
Asset Forfeiture Program	CFDA #16.000

**NOTE 3 PAYMENTS TO SUBRECIPIENTS**

Subrecipient grants provided during the year and the related payments to subrecipients are as follows:

Community Development Block Grant -	
Entitlement Grants	\$ 67,641
Emergency Shelter Grant	<u>86,712</u>
Total	<u><u>\$ 154,353</u></u>

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued on the financial statements: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Noncompliance material to the financial statements noted: No

**Federal Awards**

Internal control over its major programs:

- Material weakness(es) identified: No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Type of auditors’ report issued on compliance for major programs:

Home Investment Partnerships Program – Unmodified  
 Community Development Block Grant – Unmodified  
 Asset Forfeiture Program - Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? Yes – F2014-001 to F2014-010

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	Home Investment Partnerships Program (HOME)
16.000	Asset Forfeiture Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee: No

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**Section II – Financial Statement Findings**

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**FS 2014-001: Year-end Closing Process**

***Criteria***

Effective internal controls reduce the risk of asset loss, increase the likelihood that errors will be detected and corrected on a timely basis, provide assurance that transactions resulting from Council policies and management plans will be properly recorded, and help ensure that financial statement are reliable and accurate. Strong internal controls are crucial for the credibility of a governmental entity charged with administering taxpayer funds and grants from the federal and state governments.

***Condition and Context***

Throughout most of fiscal year 2014 the City's Finance Department did not have a full-time permanent Director of Finance or a Controller to direct and monitor the timely and accurate posting of transactions and closing of the books throughout the year and at year-end. The City's Finance Director resigned in October 2012. An external contractor was appointed Interim Finance Director until his resignation in July 2013. No replacement was made until another contractor was appointed as Interim Finance Director in March 2014. On May 19, 2014 a full-time Finance Director was hired.

The importance of this absence of permanent leadership in the Finance Department was heightened by the lack of a Controller, Accounting Manager or Assistance Finance Director. The City has historically had a knowledgeable, experienced accountant to support the Finance Director, enhance the accounting function and strengthen the internal control environment.

Significant turnover of Finance personnel and the use of temporary contractors to supplement or as a replacement for permanent staffing have reduced the availability of time, institutional knowledge and experience necessary for an effective internal control environment. These conditions likely contributed to the following conditions noted during the audit:

- Notes receivables were not updated throughout the year and were not reconciled with the general ledger notes receivable account balance in a timely manner.
- Construction in Progress listing was updated, but the Construction in Progress balance per the listing does not agree and could not be reconciled with the general ledger.
- Controls over the recording of non-routine transactions were inadequate due to lack of an independent review of journal entries prior or subsequent to posting adjustments to the accounting records. As a result, some transactions were incorrectly recorded and affected accounting records had to be revised and corrected during the year and in connection with the year-end audit.

A total of 18 adjusting journal entries (totaling approximately \$7.8 million) were identified and posted after the books were closed in order to correct the accounts for financial reporting purposes.

***Cause and Effect***

The City's Finance Director resigned in October 2012 and the position remained vacant until May 19, 2014. During this period there was no experience Finance employee qualified to continue the accounting, reporting and internal control oversight functions. The City attempted to augment its staff with independent consultants who assisted the City in closing its books during the year and implemented some procedures. There were improvements noted in the process and the timeliness of the year-end closing process, however, staffing resources were still insufficient and certain internal control deficiencies remain uncorrected.

***Recommendation***

We recommend the City expedite the process of employing a Controller or an Accounting Manager to assume responsibility for ensuring that key internal control processes are implemented including timely update of subsidiary records and reconciliation of account balances, proper recording of transactions, and timely closing of the books.

We further recommend that the City of El Monte strengthen, expand and document closing and account reconciliation procedures. Such procedures will provide assurance that transactions occurring throughout the year are properly recorded and monitored, and improve the reliability of the annual financial statements.

We also recommend a policy to be adopted whereby all journal entries are to be reviewed and approved by the Finance Director, Controller or other designated, qualified member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute proper review and responsibility to the appropriate individuals.

***Management Response and Planned Corrective Action***

The City has prioritized staffing for the Finance Department and a permanent Finance Director was appointed effective May 19, 2014. The budget includes the positions of Finance Manager and Accounting Manager with recruitment scheduled to start early 2015. A policy is already in place for the review and approval by the Finance Director before any journal entries or budget adjustments are posted to the general ledger and the task of formalizing a policy and procedure manual will be delegated to either the Finance Manager or Accounting Manager upon hire.

**FS 2014-002: Budgets and Appropriations**

***Criteria***

As required by the provisions of the City's Municipal Code, "the City shall adopt a balanced budget by the affirmative votes of at least three (3) members. Upon final adoption, the budget shall be in effect for the ensuing budget period and funds shall be appropriated for the fiscal year. From the effective date of the appropriation, the several amounts stated therein as proposed expenditures shall be and become appropriated to the several groups, offices and agencies for the respective objects and purposes therein named." This appropriation provides the authority for the City's spending during the fiscal year. In most cases, expenditures may not exceed appropriations at the department level, which is the legal level of control.

**Condition**

We noted that for the fiscal year ended June 30, 2014, an annual budget was not adopted for the following special revenue funds of the City

Special Revenue Funds:

- Quimby\*
- Parking and Business Improvement
- Art in Public Places\*
- El Monte Development Corporation

Capital Projects Funds:

- 2010 Lease Revenue Bond Capital Projects
- 2011 Lease Revenue Bond Capital Projects

\* City had no expenditures in these funds during fiscal year 2013-14.

There were also expenditures that exceeded appropriations at the department level as disclosed in the notes to financial statements. In addition, the City budgeted expenditures in amounts exceeding revenues and available fund balances, resulting in a budgeted fund deficit for the following special revenue funds:

Special Revenue Funds:

- Tree Mitigation and Planting Fund
- Emergency Shelter Grant

This practice constitutes noncompliance with the Municipal Code and is considered noncompliance reportable under *Government Auditing Standards*.

**Recommendation**

We recommend that the City comply with the requirements of the Code and ensure that an annual budget is adopted for all the funds of the City. Further, control procedures should be implemented to ensure adherence to the approved budget, which may include periodic budgetary reviews and formal budget amendment processes as appropriate.

**Management Response and Planned Corrective Action**

The City will be formalizing procedures to ensure budgets are adopted for all funds in accordance with the municipal code. In addition, the City has successfully recruited and placed five qualified and experienced leaders in key positions within the City. Department heads are supplied with expenditure status reports to ensure adherence to the approved budgets. The department directors understand the importance of fiscal sustainability and adhering to budgetary guidelines in accordance with the City's adopted budget policy.

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**Section III – Federal Award Findings**

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**Finding F2014-001 – Allowable Costs/Cost Principles**

***Federal Program Information***

<i>Federal Catalog Number:</i>	14.218
<i>Federal Program Name:</i>	Community Development Block Grants/Entitlement Grants
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	B-13-MC-06-0517 – FY 13-14

***Criteria or Specific Requirement***

Title 2: Grants and Agreements, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles, Section 200.430 (i) Compensation – personal services – Standards for Documentation of Personnel Expenses:

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated;
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
- (vii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
  - (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

- (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
- (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

***Condition Found***

During our review of payroll charged to the Community Development Block Grant (CDBG) program, we noted that 4 out of 6 employees sampled did not have documentation of the actual time and effort the employees expended on the program. The time sheets that were provided reported the hours worked by the employee during the period but did not include the distribution of hours spent for each activity the employee was involved in. In addition, the City used the budgeted fixed salary allocation percentages in distributing salaries of various employees to the program. However, there was no documentation that comparison of actual costs to budgeted distribution based on the monthly activity reports was made.

***Possible Asserted Cause and Effect***

The City did not have adequate monitoring controls in place to ensure proper documentation of employees' actual time and effort to support salaries and related benefits charged to the program. Without proper documentation, these expenditures may be considered unallowable costs.

***Questioned Costs***

*\$1,261.51 of \$6,059.99 sampled.*

***Recommendation***

We recommend that the City of El Monte implement stricter controls to ensure compliance with the federal program requirements of allowable/unallowable expenditures. Actual time and effort that employees spend on grant-financed activities should be properly documented to support salaries charged to the program.

***Views of Responsible Officials and Planned Corrective Action***

To address the issue of a lack of documentation pertaining to the actual time and effort expended by employees on CDBG program activities. City Staff researched, purchased and began implementing the "KRONOS" time keeping software. The KRONOS time keeping management system will fully integrate into the City's financial management system.

**Finding F2014-002 – Program Income**

***Federal Program Information***

<i>Federal Catalog Number:</i>	14.218
<i>Federal Program Name:</i>	Community Development Block Grants/Entitlement Grants
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	B-13-MC-06-0517 – FY 13-14

***Criteria or Specific Requirement***

Code of Federal Regulations, 24 CFR 570.504 sets forth the requirements for the administration, accounting, reporting and disposition of program income generated by Community Development Block Grant (CDBG) program activities. These requirements include the proper reporting of such income and the disposition of program income either by returning it to the grantor or by spending the funds on approved program activities. There are limits restricting the amount of program income that can be retained, and procedures to be used to obtain approval for the spending of these monies. Accordingly, the grantee must accurately account for any program income generated from the use of CDBG funds, and treat such income as additional CDBG funds which are subject to all program rules.

***Condition Found***

During our testing of the CDBG program income, we noted that program income of \$229,820 reported to the Department of Housing and Urban Development (HUD) in the federal nationwide database, Integrated Disbursement and Information System (IDIS) for fiscal year 2014 was different from the balance recorded the general ledger of \$292,295. The difference of \$62,475 was recorded in the City's general ledger but unreported in IDIS.

***Possible Asserted Cause and Effect***

The City did not have adequate monitoring controls in place to ensure the accurate and timely reporting of program income to HUD. Unreported program income may result in excess funds being improperly retained, and inaccurate reporting to grantor agencies, and susceptibility to fines and penalties imposed by the grantor.

***Questioned Costs***

Not applicable

***Recommendation***

The City should review its current procedures over recording and reporting of program income to ensure timely and accurate reporting.

***Views of Responsible Officials and Planned Corrective Action***

Staff will implement quarterly meetings between the Housing and Finance Departments to reconcile CDBG Program Income that is reported in IDIS and the general ledger.

**Finding F2014-003–Reporting**

**Federal Program Information**

<i>Federal Catalog Number:</i>	14.218
<i>Federal Program Name:</i>	Community Development Block Grants/Entitlement Grants
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	B-13-MC-06-0517 – FY 13-14

**Criteria or Specific Requirement**

Title 2: Grants and Agreements, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D – Post Federal Award Requirements, Section 200.327 Financial Reporting

Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved government-wide data elements for collection of financial information. This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances.

The Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and HUD Information Bulletin Issue No. CPD-2013-05, dated November 13, 2012, require grantees to submit the Federal Financial Report Standard Form 425 (SF-425) to the HUD Field Office quarterly, every 30<sup>th</sup> day of the month following each quarter.

Title 24: Housing and Urban Development, Part 91 – Consolidated Submissions for Community Planning and Development Programs, Subpart F – Other General Requirements, section 91.52 (a) – Performance reports, states that each jurisdiction that has an approved consolidated plan shall annually review and report, in a form prescribed by HUD, on the progress it has made in carrying out its strategic plan and its action plan. The performance report must include a description of the resources made available, the investment of available resources, the geographic distribution and location of investments, the families and persons assisted (including the racial and ethnic status of persons assisted), actions taken to affirmatively further fair housing, and other actions indicated in the strategic plan and the action plan. This performance report shall be submitted to HUD within 90 days after the close of the jurisdiction's program year.

Part 135 – Economic Opportunities for Low- and Very Low-income Persons, Subpart E – Reporting and Recordkeeping, Section 135.90 Reporting states that each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public.

**Condition Found**

During our audit of the City's compliance with the CDBG reporting requirements, we noted the following:

- the HUD 60002, Section 3 Summary Report, Economic Opportunities for Low and Very Low-Income Persons, Report and the Consolidated Annual Performance and Evaluation Report (CAPER) for FY 2013-2014 were submitted on October 30, 2014, which was thirty days past the due date of September 30, 2014.
- the Federal Financial Report Standard Form 425 (SF-425) was submitted on July 31, 2014, which was one day past the due date of July 30, 2014.

**Possible Asserted Cause and Effect**

The City did not have adequate monitoring controls in place to ensure that required reports are timely submitted to the Department of Housing and Urban Development.

**Questioned Costs**

Not applicable

**Recommendation**

The City should review its current procedures over financial and program reporting to ensure timely submission of the required reports.

**Views of Responsible Officials and Planned Corrective Action**

Staff has developed a list of its regulatory reports as a tool to ensure timely submittal to the U.S Department of Housing and Urban Development.

**Finding F2014-004 – Allowable Costs/Cost Principles**

**Federal Program Information**

<i>Federal Catalog Number:</i>	14.239
<i>Federal Program Name:</i>	Home Investment Partnerships Program (HOME)
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	B-12-MC-06-0509 – FY 12-13 B-13-MC-06-0509 – FY 13-14

**Criteria or Specific Requirement**

Title 2: Grants and Agreements, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles, Section 200.430 (i) Compensation – personal services – Standards for Documentation of Personnel Expenses:

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- i. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- ii. Be incorporated into the official records of the non-Federal entity;

- iii. Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated;
- iv. Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- v. Comply with the established accounting policies and practices of the non-Federal entity; and
- vi. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
- vii. Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
  - a. The system for establishing the estimates produces reasonable approximations of the activity actually performed;
  - b. Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
  - c. The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

***Condition Found***

During our review of payroll charged to the Home Investment Partnerships Program (HOME) program, we noted that the 1 employee sampled did not have documentation of the actual time and effort the employees expended on the program. The City used the budgeted fixed salary allocation percentage in distributing the salary of the employee to the program. However, there was no documentation that comparison of actual costs to budgeted distribution based on the monthly activity reports was made.

***Possible Asserted Cause and Effect***

The City did not have adequate monitoring controls in place to ensure proper documentation of employees' actual time and effort to support salaries and related benefits charged to the program. Without proper documentation, these expenditures may be considered unallowable costs.

***Questioned Costs***

\$125.99 for the pay period tested.

***Recommendation***

We recommend that the City of El Monte implement stricter controls to ensure compliance with the federal program requirements of allowable/unallowable expenditures. Actual time and effort that employees spend on grant-financed activities should be properly documented to support salaries charged to the program.

***Views of Responsible Officials and Planned Corrective Action***

To address the issue of a lack of documentation pertaining to the actual time and effort expended by employees on HOME program activities, City Staff researched, purchased and began implementing the "KRONOS" time keeping software. The KRONOS time keeping management system will fully integrate into City's financial management system.

**Finding F2014-005 – Special Tests and Provisions**

***Federal Program Information***

<i>Federal Catalog Number:</i>	14.239
<i>Federal Program Name:</i>	Home Investment Partnerships Program (HOME)
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number:</i>	B-12-MC-06-0509 – FY 12-13 B-13-MC-06-0509 – FY 13-14

***Criteria or Requirement***

Title 24: Housing and Urban Development, Part 92 – Home Investment Partnerships Program, Subpart K – Program Administration

Section 92.504(d)(1) – Participating jurisdiction responsibilities, written agreements, on-site inspection. On-site inspections - The participating jurisdiction must inspect each project at project completion and during the period of affordability to determine that the project meets the property standards of §92.251.

***Condition Found***

During our testing of the City's compliance with eligibility and special tests and provisions requirements, we noted that there were no annual housing quality standards inspections performed for FY 2013-2014 for one out of three HOME funded rental unit projects tested. The City has not monitored the rental project to determine compliance with housing quality standards.

***Effect***

Failure to monitor housing projects for compliance with mandated quality standards constitutes noncompliance with the grant terms and conditions which may be grounds for sanctions.

***Questioned costs***

Not applicable

***Recommendation***

We recommend that the City of El Monte implement stricter controls to ensure that on-site inspections of rental housing occupied by tenants receiving HOME-assisted-tenant-based rental assistance are performed to determine compliance with housing quality standards.

**Views of Responsible Officials and Planned Corrective Actions**

Staff has created an inspection schedule to monitor and conduct Housing Quality Standards (HQS) inspections on all its HOME Assisted affordable units as required by the U.S Department of Housing and Urban Development.

**Finding F2014-006 – Program Income**

**Federal Program Information**

<i>Federal Catalog Number:</i>	14.239
<i>Federal Program Name:</i>	Home Investment Partnerships Program (HOME)
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number:</i>	B-12-MC-06-0509 – FY 12-13 B-13-MC-06-0509 – FY 13-14

**Criteria or Requirement**

Code of Federal Regulations, 24 CFR 92.503 (a) sets forth the requirements for the administration, accounting, reporting and disposition of program income generated by Home Investment Partnerships Program (HOME) activities, and states that program income must be deposited in the participating jurisdiction's HOME Investment Trust Fund local account unless the participating jurisdiction permits the State recipient or subrecipient to retain the program income for additional HOME projects pursuant to the written agreement required by §92.504. Federal requirements generally require the proper reporting of program income and the disposition of program income either by returning it to the grantor or by spending the funds on approved program activities. There are limits restricting the amount of program income that can be retained, and procedures to be used to obtain approval for the spending of these monies. Accordingly, the grantee must accurately account for any program income generated from the use of HOME funds, and treat such income as additional HOME funds which are subject to all program rules.

**Condition Found**

During our review of the HOME program income, we noted that program income of \$48,609 reported to the Department of Housing and Urban Development (HUD) in the federal nationwide database Integrated Disbursement and Information System (IDIS) for the fiscal year was different from the balance per the general ledger of \$90,792. The difference of \$42,183 was recorded in the City's general ledger and unreported in IDIS as of June 30, 2014.

**Possible Asserted Cause and Effect**

The City did not have adequate monitoring controls in place to ensure accurate and timely reporting of program income to HUD. Unreported program income may result in funds being overdrawn from HUD.

**Questioned costs**

Not applicable

**Recommendation**

The City should improve coordination between the Finance Department and program management personnel and review its current procedures over reporting of program income to ensure timely reconciliation and accurate reporting.

**Views of Responsible Officials and Planned Corrective Actions**

Staff will implement quarterly meeting between the Housing and Finance Departments to reconcile HOME Program Income that is reported in IDIS and the General Ledger.

**Finding F2014-007 – Period of Availability**

***Federal Program Information***

<i>Federal Catalog Number:</i>	14.239
<i>Federal Program Name:</i>	Home Investment Partnerships Program (HOME)
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number:</i>	
	B-12-MC-06-0509 – FY 12-13
	B-13-MC-06-0509 – FY 13-14

***Criteria or Requirement***

Title 24: Housing and Urban Development, Part 92 – Home Investment Partnerships Program, Subpart K – Program Administration, Section 92.500 – The HOME Investment Trust Fund (d)(1)(B) Reductions.

HUD will reduce or recapture HOME funds in the HOME Investment Trust Fund by the amount of any funds in the United States Treasury account that are not committed within 24 months after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME Investment Partnership Agreement.

***Condition Found***

During our testing of the City's compliance with period of availability requirements, we noted that HOME allocations for 2012 grant funds were subject to recapture by the HUD totaling \$19,553. These funds were not committed and spent during the required 2-year period.

***Effect***

This constitutes noncompliance with the grant terms and condition which may be grounds for recapture of funds by HUD.

***Questioned costs***

Not applicable.

***Views of Responsible Officials and Planned Corrective Actions***

The City was notified by U.S Department of Housing and Urban Development of a FY 2012 HOME commitment shortfall in the amount of \$19,553. Due to a lack of an executed agreement committing the FY 2012 HOME Funds, U.S Department of Housing and Urban Development recaptured the \$19,553.

**Finding F2014-008–Reporting**

**Federal Program Information**

<i>Federal Catalog Number:</i>	14.239
<i>Federal Program Name:</i>	Home Investment Partnerships Program (HOME)
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	B-12-MC-06-0509 – FY 12-13 B-13-MC-06-0509 – FY 13-14

**Criteria or Specific Requirement**

Title 24: Housing and Urban Development, Part 91 – Consolidated Submissions for Community Planning and Development Programs, Subpart F – Other General Requirements, section 91.52 (a)– Performance reports states that each jurisdiction that has an approved consolidated plan shall annually review and report, in a form prescribed by HUD, on the progress it has made in carrying out its strategic plan and its action plan. The performance report must include a description of the resources made available, the investment of available resources, the geographic distribution and location of investments, the families and persons assisted (including the racial and ethnic status of persons assisted), actions taken to affirmatively further fair housing, and other actions indicated in the strategic plan and the action plan. This performance report shall be submitted to HUD within 90 days after the close of the jurisdiction's program year.

Part 135 – Economic Opportunities for Low- and Very Low-income Persons, Subpart E – Reporting and Recordkeeping, Section 135.90 Reporting, states that each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public.

**Condition Found**

During our audit of the City's compliance with the HOME reporting requirements, we noted that the HUD 60002, Section 3 Summary Report, Economic Opportunities for Low and Very Low-Income Persons Report and the Consolidated Annual Performance and Evaluation Report (CAPER) for FY 2013-2014 were submitted on October 30, 2014, which was thirty days past the due date of September 30, 2014.

**Possible Asserted Cause and Effect**

The City did not have adequate monitoring controls in place to ensure that required reports are timely submitted to the Department of Housing and Urban Development.

**Questioned Costs**

Not applicable

**Recommendation**

The City should review its current procedures over financial and program reporting to ensure timely submission of the required reports.

**Views of Responsible Officials and Planned Corrective Action**

Staff has developed a list of its regulatory reports as a tool to ensure timely submittal to the U.S Department of Housing and Urban Development.

**Finding F2014-009 – Reporting**

**Federal Program Information**

<i>Federal Catalog Number:</i>	16.000
<i>Federal Program Name:</i>	Federal Asset Forfeiture Program
<i>Federal Agency:</i>	Department of Justice
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	CA0192200

**Criteria or Specific Requirement**

Per the Guide to Equitable Sharing for State and Local Law Enforcement Agencies, state and local law enforcement agencies must submit the Federal Equitable Sharing Agreement and Certification Form annually within 60 days after the end of an agency's fiscal year.

**Condition Found**

During our audit, we noted that the Equitable Sharing Agreement and Certification Form was submitted on September 10, 2014, which was delinquent by twelve days. In addition, total expenditures reported to Department of Justice were \$5,465 less than those recorded in the general ledger.

**Possible Asserted Cause and Effect**

Monitoring controls are not in place to ensure that required reports are submitted accurately and timely. Reporting incorrect information to the grantor may provide grantors with inaccurate program costs incurred by the grantee. Untimely reporting constitutes noncompliance with the grant terms and condition which may be grounds for sanctions.

**Questioned Costs**

*Not applicable.*

**Recommendation**

The City should review its current procedures over financial and program reporting to ensure timely and accurate submission of the required report.

**Views of Responsible Officials and Planned Corrective Action**

The City will create and utilize a compliance calendar to ensure timely submission of reports.

**Finding F2014-010 – Equipment Management – Policies and Procedures**

***Federal Program Information***

<i>Federal Catalog Number:</i>	16.000
<i>Federal Program Name:</i>	Federal Asset Forfeiture Program
<i>Federal Agency:</i>	Department of Justice
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	CA0192200

***Criteria or Specific Requirement***

Title 28 – Judicial Administration, Part 66 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post-Award Requirements Changes, Property, and Subawards, Section 66.32d Equipment Management Requirements, states the following:

Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

***Condition Found***

During our audit we noted inadequate controls and procedures over equipment management at the City. Procedures and controls were not properly designed to comply with federal requirements over updating inventory records and safeguarding of capital assets, which include conducting periodic physical inventory counts, updating capital assets registers on a timely basis, and reconciling capital assets registers with the balance recorded in the general ledger. In addition, the City did not maintain adequate property records that includes the data elements required by the Federal regulations such as a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

***Possible Asserted Cause and Effect***

The City does not have adequate controls and procedures in place to ensure that its departments submit physical inventories of equipment annually or biannually and that such physical inventory listings are reconciled to the Schedule of Fixed Assets or the general ledger maintained by the Finance Department. The lack of physical inventories to verify the existence of fixed assets and failing to reconcile physically inventoried equipment to the Finance Department's Schedule of Fixed Assets increases the risk that theft or misappropriation of program equipment may occur and not detected on a timely basis and also is in violation of grantor requirements and Federal regulations.

***Questioned Costs***

*Not applicable.*

***Recommendation***

We recommend that the City strengthen policies and procedures to ensure that Federal property management regulations are followed. These policies should include appropriate identification, tracking, physical inventories, and reconciliations to promote accurate reporting and reduce the risk of misappropriation of program assets.

***Views of Responsible Officials and Planned Corrective Action***

The City tags its capital assets and has a policy relating to the disposal of capital assets (and other city property) enumerated in its municipal code. The City has a capital asset system that allows it to capture all the information required under the federal property management standards including tag numbers and the portion financed by federal funds. The City began to more effectively use the system during fiscal year 2013-14 and departments conduct physical inventories and complete dispositions transfer forms for assets as needed. Additional capital asset tags have been ordered and a complete physical inventory of capital assets will be conducted by staff during fiscal year 2014-15.

**City of El Monte**  
**Status of Prior Year Findings and Questioned Costs**  
**Year ended June 30, 2014**

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<b>Finding Reference</b>	<b>Finding Description</b>	<b>Recommendation</b>	<b>Current Status</b>	<b>Explanation if not fully implemented</b>
Financial Statement Findings				
FS 13-01	Financial Statements Reported in Accordance with Government Standards - Year-end Closing Process	<p>We recommend the City expedite the process of employing a Director of Finance and a Controller or an Accounting Manager to assume responsibility for ensuring that key internal control processes are implemented including timely update of subsidiary records and reconciliation of account balances, proper recording of transactions, and timely closing of the books.</p> <p>We further recommend that the City of El Monte establish and document proper closing and reconciliation procedures. The timing of specific procedures could be coordinated with the timing of management's need for the information and prior to the commencement of year-end audit fieldwork. These reconciliations will provide assurance that financial statements are meaningful and accurate.</p> <p>We also recommend the adoption of a policy whereby all journal entries are to be approved by the Finance Director, Controller or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute proper review and responsibility to the appropriate individuals.</p>	Partially Implemented	See current year finding FS14-001

**City of El Monte**  
**Status of Prior Year Findings and Questioned Costs**  
**Year ended June 30, 2014**

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<b>Finding Reference</b>	<b>Finding Description</b>	<b>Recommendation</b>	<b>Current Status</b>	<b>Explanation if not fully implemented</b>
FS 13-02	Financial Statements Reported in Accordance with Government Budgets and Appropriation	We recommend that the City comply with the requirements of the Code and ensure that an annual budget is adopted for all the funds of the City. Further, control procedures should be implemented to ensure adherence to the approved budget.	Partially Implemented	See current year finding FS14-002

**City of El Monte**  
**Status of Prior Year Findings and Questioned Costs**  
**Year ended June 30, 2014**

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Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not fully implemented
Federal Award Findings				
F 13-01	Community Development Block Grants/Entitlement Grants - Allowable Costs/Cost Principles	We recommend that the City of El Monte implement stricter controls to ensure compliance with the federal program requirements of allowable/unallowable expenditures. Actual time and effort that employees spend on grant-financed activities should be properly documented to support salaries charged to the program.	Not Implemented	See current year finding F 2014-001
F 13-02	Community Development Block Grants/Entitlement Grants – Program Income	The City should review its current procedures over recording and reporting of program income to ensure timely and accurate reporting.	Not Implemented	See current year finding F-2014-002
F 13-03	Home Investment Partnerships Program (Home) - Allowable Costs/Cost Principles	We recommend that the City of El Monte implement stricter controls to ensure compliance with the federal program requirements of allowable/unallowable expenditures. Actual time and effort that employees spend on grant-financed activities should be properly documented to support salaries charged to the program.	Not Implemented	See current year finding F-2014-004

**City of El Monte**  
**Status of Prior Year Findings and Questioned Costs**  
**Year ended June 30, 2014**

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<b>Finding Reference</b>	<b>Finding Description</b>	<b>Recommendation</b>	<b>Current Status</b>	<b>Explanation if not fully implemented</b>
Federal Award Findings				
F 13-04	Home Investment Partnerships Program (HOME) - Earmarking	We recommend that the City identify projects and commit funds to eligible CHDOs within the specified timeframe to ensure compliance with federal requirements.	Implemented	Not applicable
F 13-05	Home Investment Partnerships Program (HOME) - Eligibility and Special Tests and Provisions	We recommend that the City of El Monte implement stricter controls to ensure that HOME rental units are monitored and required documentation is maintained in accordance with the HOME program requirements.	Partially implemented	See current year finding F2014-005
F 13-06	Home Investment Partnerships Program (HOME) - Program Income	The City should improve coordination between the Finance Department and program management personnel and review its current procedures over reporting of program income to ensure timely reconciliation and accurate reporting.	Not Implemented	See current year finding F-2014-006
F 13-07	Home Investment Partnerships Program (HOME) - Period of Availability	We recommend that the City implement stricter controls to ensure that HOME funds are committed within the required 2-year period.	Not implemented	See current year finding F-2014-007

**City of El Monte**  
**Status of Prior Year Findings and Questioned Costs**  
**Year ended June 30, 2014**

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<b>Finding Reference</b>	<b>Finding Description</b>	<b>Recommendation</b>	<b>Current Status</b>	<b>Explanation if not fully implemented</b>
Federal Award	Findings			
F 13-08	Summer Food Service Program for Children (SFSPC)	We recommend that the City of El Monte implement stricter controls to ensure compliance with the federal program requirements of allowable/unallowable expenditures. Actual time and effort that employees spend on grant-financed activities should be properly documented to support salaries charged to the program.	Not Implemented	The City has Been endeavoring to implement the KRONOS timekeeping system which is scheduled to become operational in January 2015. Use of this system should resolve this finding as employees will charge their time to specific projects as the time is recorded in KRONOS..



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