

CITY OF EL MONTE, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS
YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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**INDEPENDENT AUDITORS' 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**

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 (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2024.

Report on 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.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

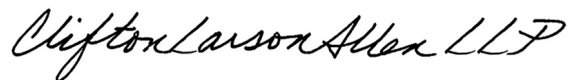
As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-003 and 2022-004.

City of El Monte’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Irvine, California
March 4, 2024



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

City Council
City of El Monte
El Monte, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of El Monte's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-006 and 2022-007 to be significant deficiencies.

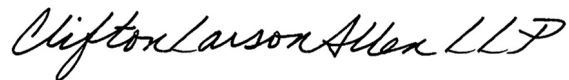
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated March 4, 2024, 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.



CliftonLarsonAllen LLP

Irvine, California
March 4, 2024

**CITY OF EL MONTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass-Through Grantor / Program / Cluster Title / Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed-Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Community Development Block Grants - Entitlement Grants Cluster:				
Community Development Block Grants - Entitlement Grants	14.218	N/A	1,394,232	\$ 180,652
COVID-19 Community Development Block Grants - Entitlement Grants	14.218	N/A	399,914	45,461
Subtotal Entitlement Grants Cluster			1,794,146	
Home Investment Partnerships Program	14.239	N/A	938,335	-
Emergency Solutions Grant Program	14.231	N/A	2,077,956	242,004
COVID-19 Emergency Solutions Grant Program	14.231	N/A	265,675	118,945
Subtotal Emergency Solutions Grant			2,343,631	
Passed through State of California Department of Housing and Community Development:				
COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	21-CDBG-HK-00006/ 21-CDBG-HK-00007	791,671	-
Total U.S. Department of Housing and Urban Development			5,867,783	587,062
U.S. Department of Justice				
Direct Assistance:				
Equitable Sharing Program	16.922	N/A	1,222,377	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	4,965	-
Total U.S. Department of Justice			1,227,342	-
U.S. Department of Transportation				
Passed-Through California State Office of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT 21114	17,812	-
State and Community Highway Safety	20.600	PT 22166	20,459	-
Subtotal State and Community Highway Safety			38,271	-
National Priority Safety Programs	20.616	TR 21043	56,300	-
Subtotal Highway Safety Cluster			94,571	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT 21114	45,297	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT 22166	46,222	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			91,519	-
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	STPL-5210(025)	1,679,146	-
Total U.S. Department of Transportation			1,865,236	-
U.S. Department of Treasury				
Direct Assistance:				
Equitable Sharing Program	21.016	N/A	99,757	-
Passed through the County of Los Angeles:				
COVID-19 Workforce Development, Aging and Community Services Coronavirus Relief Fund	21.019	ENP-202104	61,883	-
Direct Assistance:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	6,334,959	-
Passed through State Water Resources Control Board:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	CA1910038	97,225	-
Subtotal Coronavirus State and Local Fiscal Recovery Funds			6,432,184	-
Total U.S. Department of Treasury			6,593,824	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF EL MONTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass-Through Grantor / Program / Cluster Title / Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed-Through to Subrecipients
U.S. Department of Health and Human Services				
Passed through the County of Los Angeles Department of Community & Senior Services:				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	ENP-202104	\$ 48,998	\$ -
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	SSP-192002	52,457	-
Subtotal Special Programs for the Aging - Title III, Part B - Grants, for Supportive Services and Senior Centers			<u>101,455</u>	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	ENP-202104	96,509	
Nutrition Services Incentive Program	93.053	ENP-202104	12,086	
Total U.S. Department of Health and Human Services			<u>210,050</u>	-
U.S. Department of Homeland Security				
Passed through the County of Los Angeles:				
Homeland Security Grant Program	97.067	HSGP 2019	100,000	-
Total U.S. Department of Homeland Security			<u>100,000</u>	-
U.S. Environmental Protection Agency				
Direct Assistance:				
Congressionally Mandated Projects	66.202	N/A	86,629	-
Total Environmental Protection Agency			<u>86,629</u>	-
Total Expenditures of Federal Awards			<u>\$ 15,950,864</u>	<u>\$ 587,062</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF EL MONTE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of El Monte (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

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

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? x yes no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State’s Program & Non-Entitlement Grants in Hawaii
16.922	Equitable Sharing Program
21.027	COVID 19 – Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes x no

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022– 001: Failure to Implement Corrective Actions

Type of Finding: Material Weakness in Internal Control over Financial Reporting and Compliance

Condition: The City did not fully implement corrective action plans on findings 2021-001 *Noncompliance with Procurement and Bid Policies and Procedures*, 2021-002 *Timely Recording of Loans*, and 2021-003, *Following Timekeeping Requirements*, identified during the audit for the fiscal year ended June 30, 2021.

Criteria or specific requirement: The City’s internal control structure should allow for corrective actions on reported findings to be completed within a reasonable period of time.

Effect: Previously reported weaknesses in internal control over financial reporting and compliance have not been corrected.

Cause: Corrective actions were not completed.

Repeat Finding: Yes, see Summary Schedule of Prior year Audit Findings.

Recommendation: We recommend that the City prioritize the completion of corrective actions over reported findings.

Views of responsible officials and planned corrective actions:

FS 2021-001:

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.
- 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.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022– 001: Failure to Implement Corrective Actions (Continued)

Views of responsible officials and planned corrective actions (Continued):

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.
- 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.
- 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.

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.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022– 001: Failure to Implement Corrective Actions (Continued)

Views of responsible officials and planned corrective actions (Continued):

- 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.

- 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.

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.

City Wide

Currently, the City utilizes a decentralized procurement process whereby each individual department is responsible for the procurement of their own goods and services. This process requires each department to negotiate their own terms and conditions for contracts and is solely responsible for the solicitation of the goods and services. In October 2022, the City hired a full time Contract & Procurement Compliance Manager whose primary function is to monitor contracts and the procurement process to ensure all departments are following the purchasing policy. This position is dedicated to assisting departments to follow best practices during the procurement process and to ensure the procurement of products and services are in compliance with City and Federal purchasing requirements. This position has implemented mandatory training for key employees in each department who are involved in the procurement process and reviews all requisition prior to the preparation of the purchase order.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022– 001: Failure to Implement Corrective Actions (Continued)

Views of responsible officials and planned corrective actions (Continued):

FS 2021-002:

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.

In June 2023 the Economic Development Department implemented a new electronic loan database to store and track housing loans. This software services as a depository of housing loans and tracks the activity of each loan. In July 2023 the finance hired one additional accountant that is dedicated to assisting the Economic Development Department to reconcile the electronic loan database to the general ledger to ensure proper tracking of loan activity.

FS 2021-003:

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.

The City has prepared a draft of a timekeeping policy which would hold employees accountable for clocking in and out during each shift, submitting leave requests, and approving their timecard at the end of each pay period. The policy has not been approved by all bargaining groups which has delayed the adoption and implementation of the policy.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022– 002: Timely Processing of Cash Disbursements

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: During our audit, we noted 14 of 74 payments tested were paid late. As numerous late payments were identified, we requested that management provide us with an analysis of payments made between April 1, 2022 and June 30, 2022, where 192 payments were identified as having been made 60 days or more past the invoice date.

Criteria or specific requirement: The City's procedures for processing cash disbursements should allow for payment within specified payment terms.

Effect: Failure to make timely payment of vendor accounts can affect the City's credit rating.

Cause: We noted the following reasons for late processing of payments:

- 1) Original invoice was sent to an employee who was no longer employed by the City.
- 2) Approvals were not received and invoices routed to accounts payable prior to the due date.
- 3) Invoices included disputed amounts.

Repeat Finding: Yes, see Summary Schedule of Prior year Audit Findings 2021-001 where late submission of invoices was noted as a part of the finding over noncompliance with procurement and bid policies and procedures.

Recommendation: We offer the following recommendations to help the city reduce the number of late payments:

- 1) *Have Invoices Sent Directly to Accounts Payable* – So that the accounts payable department can exercise more control over the disbursement process, we recommend that all invoices be sent directly to the accounts payable department where they can be entered into the accounts payable system and monitored.
- 2) *Establish Dedicated Email Address for Receipt of Invoices* – We suggest establishment of an email address dedicated to receive only invoices. Access to the dedicated email address should be limited to accounts payable and appropriate management, but in no instance should a vendor send an invoice directly to an individual. It will take some time to educate vendors to exclusively use the dedicated email address. Emphasize to vendors that continued use of addresses other than the dedicated invoice email address will delay the payment process. This will eventually improve efficiency and minimize the risk of individuals losing invoices commingled with other email or processing delays if individuals are not available.
- 3) *Enter Disputed Invoices into Accounts Payable* – Currently, invoices that are being disputed with the vendor are not entered into accounts payable until the disputes are resolved. In order to keep track of these invoices, we recommend that they be entered into the accounts payable system when they are received and a notation made that they are not to be paid until the dispute is resolved.

CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings (Continued)

2022– 002: Timely Processing of Cash Disbursements (Continued)

Views of responsible officials and planned corrective actions: At the present time, all invoices are remitted directly from the vendor to the individual department via regular mail or electronic email. Upon receipt of the invoice and approval by the department director as specified in the EMMC, the individual department will forward their invoices to accounts payable for processing.

Currently the Finance Department is in the early stages to procure updated financial software that would allow vendors to remit their invoices electronically to a centralized mailbox monitored by the Finance department who would then route the invoices via electronic approval process to the individual department for approval. The current accounting software does not offer such features as centralizing the collection of vendor invoices.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022– 003: Purchasing Procedures

Type of Finding: Material Weakness in Internal Control over Financial Reporting and Compliance

Condition: During the fiscal year 2022 audit we noted an instance where the purchase of equipment totaling \$8,690 was made outside of the City’s purchasing policy due to the purchase requisition being created after the equipment purchase. Additionally, copies of written quotes were not available for our review, and the summary of quotes provided for our review only included 2 of the required 3 written quotes.

To determine the pervasiveness of creating purchasing requisitions after the purchases have already taken place, we obtained a listing of purchase requisitions paid during the fiscal year and compared the requisition dates to the related invoices dates noting 635 invoices with invoice dates during the fiscal year with requisition dates after the invoice dates.

Criteria or specific requirement: The purchasing policy requires that 3 written quotes be obtained prior to a purchase when the cost is between \$5,001 and \$15,000 and requires a purchase order be created prior to the procurement.

Effect: Purchase of equipment was made outside the City’s purchasing policy.

Cause: City staff are not following the purchasing policy for creating a purchase requisition and obtaining an approved purchase order that is supported by quotes prior to procuring goods or services.

Repeat Finding: Yes, see Summary Schedule of Prior year Audit Findings 2021-001 where lack of sufficient quotes and tardiness of purchase requisitions was noted as a part of the finding over noncompliance with procurement and bid policies and procedures.

Recommendation: We recommend that the City create a formalized vendor approval process and restrict purchases to approved vendors. Additionally, we recommend that the City emphasize to approved vendors that an approved purchase order must be provided at the time of purchase in order to receive payment. Additionally, official communication should be sent to departments that are found to be out of compliance with the purchasing policies notifying them that purchase orders must be created prior to a purchase. Control over implementing these procedures may best be achieved by establishing centralized purchasing.

Views of responsible officials and planned corrective actions: As part of the decentralized procurement method each department initiates their own purchase requisitions which are then reviewed and converted to purchase orders by the Finance Department. In order to mitigate requisitions from being created after the invoice date, the City has hired a full-time Contract & Procurement Compliance Manager to assist departments with the procurement process. The manager has provided procurement training to all departments with a focus on how to properly train staff on the City’s purchasing policy and best procurement practices in order to be in compliance with the City’s municipal code.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022– 004: Request for Qualification Procedures

Type of Finding: Material Weakness in Internal Control over Financial Reporting and Compliance

Condition: Based on our review of subjective scoring sheets completed by members of a selection panel for one request for qualifications (RFQ) process, we noted that the project was awarded to the consultant with the lower cumulative score. Additionally, upon review of the staff report for the project, we noted that the staff report indicated there were 4 members on the selection panel, yet we were provided with 5 scoring sheets.

Upon inquiry of why the consultant with the lower score was selected and why fewer members of the selection committee were indicated on the staff report than what was expected (based on the number of scoring sheets provided), we were informed that one scoring sheet was excluded from the staff report because it was considered to be an outlier. The exclusion of this scoring sheet resulted in the consultant selected having a higher cumulative score.

Criteria or specific requirement: All results of RFQ procedures should be presented to City Council accurately to allow City Council to make an informed decision.

Effect: Incomplete information was presented to City Council for the selection of the consultant for the project.

Cause: The scoring sheet of one selection panel member was excluded from RFQ results presented to City Council.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend that unaltered results of RFQ procedures be presented to City Council. If staff believes there are reasons why a consultant, other than the one with the highest cumulative score should be selected, they may present their recommendation to select the consultant with a lower score to City Council.

Views of responsible officials and planned corrective actions: To help standardize the solicitation of RFP and RFQ the new Contracts and Procurement Manager has drafted revisions and improvements to strengthen current procurement policies. The Contract and Procurement Manager shall be a part of the solicitation process from development of the RFP and RFQ through the rating and selection process to provide oversight and adherence to the adopted purchasing policy. Updated policy language has been proposed that designates the Contract and Procurement Manager to control the flow of evaluation score sheets ensuring a more fair and equitable treatment of bids. As of February 2024, the updated purchasing policy is pending review by the City Attorney's Office.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-005 – Procurement

Federal Agency: U.S. Department of Treasury

Federal Program Titles: Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Numbers: 21.027

Award Period: July 1, 2021, to June 30, 2022

Type of Finding: Material Weakness in Internal Control

Criteria or Specific Requirement: 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires that Contracts be awarded to the responsible offeror whose proposal is most advantageous to the non-Federal entity, with price and other factors considered.

Condition: Based on our review of subjective scoring sheets completed by members of a selection panel for one request for qualifications (RFQ) process, we noted that the project was awarded to the consultant with the lower cumulative score. Additionally, upon review of the staff report for the project, we noted that the staff report indicated there were 4 members on the selection panel, yet we were provided with 5 scoring sheets.

Upon inquiry of why the consultant with the lower score was selected and why fewer members of the selection committee were indicated on the staff report than what was expected (based on the number of scoring sheets provided), we were informed that one scoring sheet was excluded from the staff report because it was considered to be an outlier. The exclusion of this scoring sheet resulted in the consultant selected having a higher cumulative score.

Questioned Costs: None.

Context: This was the only procurement where these conditions were noted.

Cause: The scoring sheet of one selection panel member was excluded from RFQ results presented to City Council.

Effect: Incomplete information was presented to City Council for the selection of the consultant for the project.

Recommendation: We recommend that unaltered results of RFQ procedures be presented to City Council. If staff believes there are reasons why a consultant, other than the one with the highest cumulative score should be selected, they may present their recommendation to select the consultant with a lower score to City Council.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022-005 – Procurement (Continued)

Views of responsible officials and planned corrective actions: To help standardize the solicitation of RFP and RFQ the new Contracts and Procurement Manager has drafted revisions and improvements to strengthen current procurement policies. The Contract and Procurement Manager shall be a part of the solicitation process from development of the RFP and RFQ through the rating and selection process to provide oversight and adherence to the adopted purchasing policy. Updated policy language has been proposed that designates the Contract and Procurement Manager to control the flow of evaluation score sheets ensuring a more fair and equitable treatment of bids. As of February 2024, the updated purchasing policy is pending review by the City Attorney's Office.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022-006 – Suspension and Debarment

Federal Agencies: U.S. Department of Justice & U.S. Department of Treasury

Federal Program Titles: Equitable Sharing Program & Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Numbers: 16.922 & 21.027

Award Period: July 1, 2021, to June 30, 2022

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of procurement, suspension, and debarment. The City should have internal controls designed to ensure compliance with those provisions.

Condition: The City was unable to provide evidence that suspension and debarment status of vendors was checked prior to entering into purchasing contracts.

Questioned Costs: None.

Context: 5 of 5 samples for the Equitable Sharing Program and 1 of 5 samples for the Coronavirus State and Local Fiscal Recovery Funds program.

Cause: Procedures were not in place to retain evidence of debarment status check.

Effect: The city is unable to prove that debarment checks took place prior to entering into purchasing contracts.

Recommendation: We recommend that management review its procedures for retaining evidence of debarment status checked prior to entering into purchase agreements.

Views of responsible officials and planned corrective actions: As it pertains to purchases supported by Federal funding, each department is required to obtain supporting documentation that the vendor has not been suspended or disbarred prior to the purchase of the product or service.

**CITY OF EL MONTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022-007 – Reporting

Federal Agency: U.S. Department of Treasury

Federal Program Titles: Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Numbers: 21.027

Award Period: July 1, 2021, to June 30, 2022

Type of Finding: Significant Deficiency in Internal Control

Criteria or Specific Requirement: As a best practice, a supervisory-level person, other than the preparer of a report, should review reports to ensure accuracy and completeness of data and information in the reports.

Condition: Program reports were prepared and reviewed by the same individual.

Questioned Costs: None.

Context: 4 of 4 reports tested.

Cause: Controls were not properly designed to assign someone other than the preparer of the reports to review them.

Effect: Errors in reporting could go undetected.

Recommendation: We recommend that reports be reviewed by a supervisory-level person who is not the preparer of the reports.

Views of responsible officials and planned corrective actions: New procedures have been established to ensure the separation of duties and responsibility between the individuals who prepare grant reporting and the individuals who review the reports. Grant reports will be prepared by one individual and reviewed by supervisory-level staff personnel prior to the submission of the report.

**CITY OF EL MONTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

Financial Statement Findings

2021 – 001

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.

**CITY OF EL MONTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

Financial Statement Findings (Continued)

2021 – 001 (Continued)

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.

Status: Corrective actions were not fully implemented. See 2022-001.

2021 – 002

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.

Status: Corrective actions were not fully implemented. See 2022-001.

2021 – 003

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.

Status: Corrective actions were not fully implemented. See 2022-001.

**CITY OF EL MONTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

Federal Program Audit Award Findings

2021 – 001

Federal agency: U.S. Department of Housing and Urban Development

Federal program title: Emergency Shelter Grant Program

Assistance Listings Number: 14.231

Pass-Through Agency: Volunteers of America of Los Angeles

Pass-Through Number(s): E-20-MC-06-0517

Award Period: July 1, 2020, through June 30, 2021

Type of Finding Other Matter

Condition: During tests of controls and compliance over special tests and provisions pertaining to payments to subrecipients, 4 out of 7 subrecipient reimbursement requests tested were paid beyond the 30 day requirement.

Status: Corrective action was taken.



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