



City of El Monte, California
Single Audit Report
Year Ended June 30, 2024
With Independent Auditor's Report



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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**The Honorable Mayor and the Members of the City Council
City of 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Monte, California (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 4, 2025.

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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 2024-001 to FS 2024-003 to be material weaknesses.



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 2024-004 and FS 2024-005 to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California
August 4, 2025**



Independent Auditor's Report on Compliance for Each Major Federal Program; on Internal Control Over Compliance; and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**The Honorable Mayor and the Members of the City Council
City of 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, California'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, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2024.

Basis for Opinion on Each Major Federal Program

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

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



Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding Nos. SA 2024-001 to SA 2024-003. Our opinion on each major federal program is not modified with respect to these matters.



Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance 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.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs as items SA 2024-001 and SA 2024-002 to be material weaknesses.

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 responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's responses were 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 the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated August 4, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Glendale, California
August 4, 2025**

City of El Monte
Schedule of Expenditures of Federal Awards
Year ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity/Grantor's Number	Passed Through to Subrecipients	Federal Award Expenditures
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Community Development Block Grants/Entitlement Grants	14.218	Various	\$ 169,148	\$ 4,589,535 *
Community Development Block Grants/Entitlement Grants - Loans Program	14.218	Various	-	7,245,801 *
			<u>169,148</u>	<u>11,835,336</u>
Home Investment Partnerships Program	14.239	Various	-	256,019 *
Home Investment Partnerships Program - American Rescue Plan	14.239	Various	-	166,192 *
Home Investment Partnerships Program - Loans Program	14.239	Various	-	14,633,416 *
			<u>-</u>	<u>15,055,627</u>
Emergency Solutions Grant Program	14.231	Various	144,486	183,638
Passed through State of California, Department of Housing and Community Development Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
	14.228	21-CDBG-HK-00006/7	-	1,772,416
Total U.S. Department of Housing and Urban Development			<u>313,634</u>	<u>28,847,017</u>
U.S. Department of Justice				
Direct Assistance				
Equitable Sharing Program	16.922	CA0192200	-	1,170,858
Total U.S. Department of Justice			<u>-</u>	<u>1,170,858</u>
U.S. Department of Transportation				
Passed through State of California, Office of Traffic Safety:				
FTA section 5310 - Enhanced Mobility of Seniors and Individuals with Disabilities Program	20.513	CA-2022-141	-	150,780
State and Community Highway Safety	20.600	PT23106	-	50,370
State and Community Highway Safety	20.600	PT24062	-	40,885
State and Community Highway Safety	20.600	PS24012	-	6,590
			<u>-</u>	<u>97,845</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT23106	-	58,032
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT24062	-	72,897
			<u>-</u>	<u>130,929</u>
Total U.S. Department of Transportation			<u>-</u>	<u>379,554</u>
U.S. Department of Health and Human Services				
Passed through the County of Los Angeles, Department of Community and Senior Services:				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	ENP-202104	-	160,893
Nutrition Services Incentive Program	93.053	ENP-202104	-	17,288
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	SSP-232402	-	38,516
Total U.S. Department of Health and Human Services			<u>-</u>	<u>216,697</u>
U.S. Department of Homeland Security				
Passed through the County of Los Angeles, Homeland Security Grant Program				
	97.067	HSGP 2020	-	64,632
Total U.S. Department of Homeland Security			<u>-</u>	<u>64,632</u>
U.S. Department of the Treasury				
Direct Assistance:				
Equitable Sharing Program	21.016	CA0192200	-	159,712
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	8,439,262 *
Coronavirus State and Local Fiscal Recovery Funds - Loans Program	21.027	N/A	-	940,234 *
			<u>-</u>	<u>9,379,496</u>
Total U.S. Department of the Treasury			<u>-</u>	<u>9,539,208</u>
U.S. Environmental Protection Agency				
Direct Assistance				
Congressionally Mandated Projects	66.202	99T55201	-	179,326
Total Environmental Protection Agency			<u>-</u>	<u>179,326</u>
Total Expenditures of Federal Awards			<u>\$ 313,634</u>	<u>\$ 40,397,292</u>

* Major Programs

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

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

The information in the SEFA 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 SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying SEFA is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1 of the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures reported include any property or equipment acquisitions incurred under the federal programs.

NOTE 3 INDIRECT COST RATE

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

NOTE 4 LOANS

The City participates in Community Development Block Grants/Entitlement Grants (CDBG), Home Investment Partnerships Program (HOME), and Coronavirus State and Local Fiscal Recovery Funds (SLFRF) that sponsor revolving loan programs, which are administered by the City. The funds are returned to the programs upon repayment of the principal and interest. In accordance with 2 CFR Section 200.502(b), the value of new loans made, the beginning balance of loans from previous years, and any interest subsidy, cash, or administrative cost allowance received are included in the SEFA.

NOTE 4 LOANS (CONTINUED)

As of June 30, 2024, the following loans receivable were outstanding:

Community Development Block Grants/ Entitlement Grants - Loan Program	\$ 7,245,801
Home Investment Partnerships Program - Loans Program	14,633,416
Coronavirus State and Local Fiscal Recovery Funds - Loans Program	<u>940,234</u>
	<u>\$ 22,819,451</u>

During the fiscal year ended June 30, 2024, the following new loans were made:

Community Development Block Grants/ Entitlement Grants - Loan Program	\$ 6,608
Home Investment Partnerships Program - Loans Program	2,239,223
Coronavirus State and Local Fiscal Recovery Funds - Loans Program	<u>206,557</u>
	<u>\$ 2,452,388</u>

Total repayments of loans received during the year amounted to \$26,922 for the CDBG program and none for the HOME and SLFRF programs.

NOTE 5 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports for the year ended June 30, 2024, which have been submitted to grantor agencies, will, in some cases, differ from the amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

NOTE 6 RELATIONSHIP TO ANNUAL COMPREHENSIVE FINANCIAL REPORT

Amounts reported in the accompanying SEFA agree, in all material respects, with amounts reported within the City's Annual Comprehensive Financial Report.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes (Findings Nos. FS 2024-001, FS 2024-002 and FS 2024-003)
• Significant deficiency(ies) identified?	Yes (Findings Nos. FS 2024-004 and FS 2024-005)
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes (Findings Nos. SA 2024-001 and FS 2024-002)
• Significant deficiency(ies) identified?	None Reported
Type of auditors’ report issued on compliance with respect to major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	Yes (Finding No. SA 2024-001, SA 2024-002 and SA 2024-003)

Identification of Major Programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/ Entitlement Grants
14.239	Home Investment Partnerships Program
21.027	Coronavirus State and Local Fiscal Recovery Fund (American Rescue Plan Act)

Dollar threshold used to distinguish between Type A and Type B programs	\$1,211,919
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

Finding No. FS 2024-001 - Timely Processing of Cash Disbursements

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition:

During our audit, we identified that 1 of 30 payments to vendors tested was paid late, wherein payment was made 198 days past the invoice date. This was a finding reported in FY 2023.

Sample No.	Check Date	Invoice Date	Days Passed
3	8/31/2023	2/14/2023	198

Criteria or specific requirements:

The City's internal control structure should allow for corrective actions on reported findings to be completed within a reasonable period.

Effect:

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

Cause:

Corrective actions were partially implemented.

Repeat Finding:

Yes, see Summary Schedule of Prior Year Audit Findings 2023-002

Recommendation:

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

Views of responsible officials and planned corrective actions:

During FY2023-2024, the City has procured a new financial system and is in the early stages of the conversion. This new financial system is anticipated to go live in FY2025-2026, which will make invoice processing more efficient for the City departments and staff. Dedicated emails for invoices have been established for the Public Works, Economic Development and Finance Departments.

Under the new system, all invoices will go directly to the Finance Department, and processed approvals will be done via a workflow in the new system.

The City has also implemented a late justification form that has to be submitted to Finance with all late invoices that are past 60 days from the invoice date. Late invoices are reviewed and evaluated regularly on a weekly basis by Finance staff.

The City is planning on starting the process of centralizing the AP and all invoices will be received by the Finance Department.

The Finance Department is responsible for the implementation of the new software and is expected to go live in October 2025.

Finding No. FS 2024-002 - Proper Approval of Purchase Requisition

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition:

During our audit, we identified that the purchase requisition of 1 of 30 purchase order samples has no signature from the Finance Manager or Accounting Manager.

Criteria or specific requirements:

The City's purchase requisition should have a signature from the Finance Manager or Accounting Manager prior to processing.

Effect:

Failure to follow the policies and procedures and a lack of control over purchasing increase the likelihood of fraud and unauthorized purchases.

Cause:

The purchase requisition has no signature from the Finance Manager or Accounting Manager and was only approved by the Contract and Procurement Manager. The Finance Manager or Accounting Manager was not available at the time of the approval.

Repeat Finding:

No.

Recommendation:

We recommend strictly following the City's purchasing policies and procedures.

Views of responsible officials and planned corrective actions:

The city has corrected this finding. Currently, the Accounting manager (Veronica Alvarez) is the last approver in the financial system (Eden). Correction completed by June 30, 2025.

Finding No. FS 2024-003 – Financial Closing Process

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition:

During the audit, several adjusting journal entries were required after the City's submission of the trial balance. The initially submitted trial balance required material adjustments to record assets, accrue liabilities, revenues, and expenses. See the list of adjustments made below:

No.	Journal Entry No.	Description	GL Amount
1	J-0002018	Accrue Union Pacific Invoices	\$ 32,462
2	J-0002019	Record grants receivable for Fund 283	700,001
3	J-0002021	Reclassify expenses to correct ECRG fund	299,698
4	J-0002026	Reclassify for February 2024 subsidies at year-end and correction of J-0001839	279,462
5	J-0002029	Reclassification of UUT tax receivable FY23-24	612

City of El Monte
Schedule of Findings and Questioned Costs
Year ended June 30, 2024

Finding No. FS 2024-003 – Financial Closing Process (Continued)

Condition (Continued):

No.	Journal Entry No.	Description	GL Amount
6	J-0002032	Correction to J-0002007 and GASB 87 adjustment to decrease lease liability	\$ 5,691
7	J-0002031	Correction to J-0002002 and GASB 96 adjustment	11,027
8	J-0002037	Adjustment to SBITA and leases balances	76,515
9	J-0002040	Correction to J-0002037 and adjustment to current and noncurrent SBITA liability balances	180,274
10	J-0002041	Reclassification of negative balances of Fund 274	199,798
11	J-0002027	Reclassification of administrative expenses	162,620
12	J-0002030	Reclassification of administrative expenses	81,310
13	J-0002022	Adjustment to allowance for uncollectible accounts balance	18,047
14	J-0002035	Adjustment to interest allocation on Fund 295 and Fund 100	305.86
15	J-0002039	Adjustment to ARPA grant revenue	148,704
16	J-0002034	Prior period adjustment for FY 2022 balances	594,815
17	J-0002058	Adjustment to J-0001868 and reclassification of transfer out FY2024 SSP grant	1,779
18	J-0002062	Correction of Fund 227 loan receivables balances	251,434
19	J-0002059	Correction of amortization expenses	608
20	J-0002060	Reclassification of positive balances of group insurance to employee insurance	68,392
21	J-0002068	Reclassification of Home fund balances to El Monte Housing Asset fund	12,000
22	J-0002110	Correction of Fund 214 and Fund 253 balances	6,208,396
23	J-0002111	Adjustment to grants receivable balances	1,078,131

Criteria or specific requirement:

The City is responsible for establishing and maintaining effective internal control over financial reporting.

Effect:

Adjusting journal entries were proposed during the financial statement audit, which had a material effect on the resulting financial statements.

Cause:

Sufficient internal controls, policies, and procedures were not in place to ensure that account analysis and reconciliations were performed to identify necessary adjustments prior to the submission of the trial balance for audit.

Repeat Finding:

No.

Finding No. FS 2024-003 – Financial Closing Process (Continued)

Recommendation:

The City should improve internal controls, work to establish clear policies and procedures surrounding its monthly financial close process, and continue ensuring that timely financial statements are issued in accordance with GAAP.

Views of responsible officials and planned corrective actions:

The City is in the process of converting to a new ERP financial system and we are currently working to keep up with as many items as possible. The City also purchased new software to help with the GASB 96 journal entries, and some additional correcting entries needed to be processed.

The City will further implement and strengthen measures to ensure that a review of balances and a proper year-end closing process is implemented.

Accounting Manager (Veronica Alvarez) is responsible for completing the corrective action plan by October 2025, when the go-live in the ERP system is scheduled.

Finding No. FS 2024-004 - Employee Got Paid After Termination

Type of Finding:

Significant Deficiency in Internal Control over Financial Reporting

Condition:

During our audit, we identified one (1) terminated employee who received salary payment after the termination date, due to an oversight in the system.

Criteria or specific requirements:

The City's internal control framework should ensure all terminated employees are removed from the payroll system promptly and payroll is processed only for active employees, thereby reducing the risk of overpayments and safeguarding public funds.

Effect:

Failure to follow the policies and procedures and a lack of control over employee termination increase the likelihood of fraud and inaccurate payroll records.

Cause:

The terminated employee was not timely removed from the payroll system.

Repeat Finding:

No.

Recommendation:

We recommend that the City, especially the Human Resources (HR) department, establish and implement written policies to ensure the periodic monitoring of terminated employees. These policies should also mandate consistent and timely communication with the Finance department to facilitate the timely removal of terminated employees from the payroll system. Additionally, the policy should outline a reasonable timeframe for recovering any overpayments made to former employees, ensuring financial accountability and minimizing financial risk.

Finding No. FS 2024-004 - Employee Got Paid After Termination (Continued)

Views of responsible officials and planned corrective actions:

The HR department is working closely with the other departments to ensure that all terminations are processed on time. HR/Risk Management Manager (Delmy Coca) will implement the corrective action plan by June 30, 2025.

Finding No. FS 2024-005 - Timekeeping Requirements and Policy

Type of Finding:

Significant Deficiency in Internal Control over Financial Reporting

Condition:

During our test of controls, we identified 19 employees out of 30 samples who 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.

Criteria or specific requirements:

Employees must 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.

Effect:

Failure to follow the policies and procedures and a lack of control over timekeeping increase the likelihood of fraud and inaccurate payroll records.

Cause:

Sufficient internal controls, policies, and procedures were not in place to ensure compliance with the timekeeping requirements.

Repeat Finding:

No.

Recommendation:

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

Views of responsible officials and planned corrective actions:

The timekeeping policy has been updated and will be presented to the General Unit in FY 2024-2025. HR management is working with the General Unit to get this completed by September 30, 2025.

Section III – Federal Award Findings

Finding No. SA 2024-001 – Reporting

<i>Federal Assistance Listing Number:</i>	14.218
<i>Federal Program Title:</i>	Community Development Block Grants/ Entitlement Grants
<i>Federal Agency:</i>	U.S. Department of Housing and Urban Development
<i>Award Period:</i>	Fiscal year 2024

Criteria:

Per OMB Compliance Supplement and Compliance and the requirements of the Federal Funding Accountability and Transparency Act (FFATA), recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Condition:

The City was unable to report the first-tier subawards of \$30,000 or more to the FSRS.

Cause:

No sufficient internal controls, policies, and procedures were in place to ensure that the timely submission of FFATA reports was completed for the first-tier subawards.

Effect:

Delayed/late and non-submission of the report is considered non-compliance with the program requirements and may result in fines and penalties as well as suspension or termination of the federal awards.

Questioned Costs:

None.

Repeat Finding:

No.

Recommendation:

We recommend that the City strictly follow the deadline for reporting submission set forth by the U.S. Department of Housing and Urban Development.

Views of responsible officials and planned corrective actions:

The Department has been informed and will implement a procedure to ensure that the FFATA reporting is completed before the sub-award is given to the subrecipient. The department will complete the corrective action plan by June 30, 2025.

Finding No. SA 2024-002 – Suspension and Debarment

<i>Federal Assistance Listing Number:</i>	21.027
<i>Federal Program Title:</i>	Coronavirus State and Local Fiscal Recovery Funds
<i>Federal Agency:</i>	U.S. Department of Treasury
<i>Award Period:</i>	Fiscal year 2024

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 the suspension and debarment status of vendors was checked prior to entering into purchasing contracts.

Cause:

Procedures were not in place to retain evidence of the debarment status check, as the transaction was exempt from the bidding process as per the City's Purchasing Policy and Procedures.

Effect:

The City is unable to prove that debarment checks took place prior to entering into purchasing contracts, which may lead to non-compliance with the program requirements.

Questioned Costs:

None.

Repeat finding:

Yes, see Summary Schedule of Prior Year Audit Findings 2023-003

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:

Per the City's Purchasing Policy & Procedures page 29, "Subscriptions" are listed as a type of purchase that is purchase order exempt. The City's AP invoice requirements do not reference or specify the requirement of attaching a Suspension and Debarment report to invoice backup. However, moving forward, the new procurement policy for the City has addressed this by including an excerpt specifically for this issue. The Finance Department continuously encourages the departments and staff to attach a copy of the SAM.GOV report for federally funded invoices, even if no PO is needed.

Finding No. SA 2024-003 – Reporting

Federal Assistance Listing Number: 21.027
Federal Program Title: Coronavirus State and Local Fiscal Recovery Funds
Federal Agency: U.S. Department of Treasury
Award Period: Fiscal year 2024

Criteria:

Per OMB Compliance Supplement and Compliance and Reporting Guidelines issued by the U.S. Department of Treasury for Coronavirus State and Local Fiscal Recovery Funds, the Project and Expenditure Reports should be submitted on the last day of the month after the end of each quarter.

Condition:

The City was unable to meet the Project and Expenditure Report Timeline of the following report:

Quarter	Months	Deadline	Date Submitted	Lag in Days
2024-2	April 1-June 30, 2024	7/31/2024	8/2/2024	2

Cause:

With the transition of the Finance Director of the City, the Accounting Manager did not have reporting access and was working with Coronavirus State and Local Fiscal Recovery Funds (SFLFR) to grant access.

Effect:

Delayed/late and non-submission of the report is considered non-compliance with the program requirements and may result in fines and penalties as well as suspension or termination of the federal awards.

Questioned Costs:

None.

Repeat finding:

No.

Recommendation:

We recommend that the City strictly follow the deadline for reporting submission set forth by the U.S. Department of Treasury.

Views of responsible officials and planned corrective actions:

The Accounting Manager took over quarterly reporting responsibilities after the former Finance Director unexpectedly left the City. However, due to the abruptness, it took some time for the Accounting Manager to gain access to the agency portal, resulting in the Q2 2024 report being submitted past the deadline. Since gaining access to the reporting portal, all reports have been submitted in a timely manner.

Financial Statement Findings

Finding No.	Finding Description	Recommendation	Current Status
2023-001	Failure to Implement Corrective Actions (Material Weakness)	We recommend that the City prioritize the completion of corrective actions over reported findings.	Partially Implemented.
2023-002	Timely Processing of Cash Disbursements (Material Weakness)	We recommend that the City prioritize the completion of corrective actions over reported findings.	Partially Implemented.

Compliance and Other Matters

Finding No.	Finding Description	Recommendation	Current Status
2023-001	Reporting (Material Weakness)	We recommend that the City strictly follow the deadline for reporting submission set forth by the U.S. Department of Housing and Urban Development.	Implemented.
2023-002	Procurement (Material Weakness)	We recommend that unaltered results of RFQ procedures be presented to the 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 the City Council.	Implemented.
2023-003	Suspension and Debarment (Material Weakness)	We recommend that management review its procedures for retaining evidence of debarment status checked prior to entering into purchase agreements.	Partially Implemented.
2023-004	Reporting (Material Weakness)	We recommend that reports be reviewed by a supervisory-level person who is not the preparer of the reports.	Implemented.



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