

CITY OF RIALTO, CALIFORNIA

**SINGLE AUDIT REPORT ON
FEDERAL AWARD PROGRAMS**

Year Ended June 30, 2020

CITY OF RIALTO, CALIFORNIA
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2020

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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 Rialto
Rialto, 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 Rialto, California (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

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 item 2020-002.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Teaman Ramirez & Smith, Llc.

Riverside, California

May 3, 2021

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

City Council
City of Rialto
Rialto, California

Report on Compliance for Each Major Federal Program

We have audited the City of Rialto, California's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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 questions costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness and item 2020-002 that we consider to be a significant deficiency.

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

Report on 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 of Rialto, California as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 3, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those 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 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 the 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.

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.

Teaman Ramirez & Smith, Inc.

Riverside, California

May 3, 2021

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant/Contract Number	Federal Expenditures	Subrecipient Expenditures
<u>United States Department of Housing and Urban Development (CDBG – Entitlement Grants Cluster)</u>				
Direct Assistance:				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0571	\$ 12,323	\$ -
		B-15-MC-06-0571	181,502	-
		B-16-MC-06-0571	167,361	-
		B-17-MC-06-0571	240,756	-
		B-18-MC-06-0571	187,993	-
		B-19-MC-06-0571	474,136	103,597
		B-08-MN-06-0518	5,449	-
		B-11-MN-06-0518	9,578	-
Total United States Department of Housing and Urban Development (CDBG – Entitlement Grants Cluster)			<u>1,279,098</u>	<u>103,597</u>
<u>United States Department of Transportation</u>				
<u>Highway Planning and Construction Cluster</u>				
Passed through State of California:				
Department of Transportation Highway Planning and Construction	20.205	HSIPL-5205(027)	75,483	-
		HSIPL-5205(026)	5,191	-
		HSIPL-5205(024)	4,149	-
		SSARPL-5205(025)	2,702	-
Total Highway Planning and Construction Cluster			<u>87,525</u>	<u>-</u>
<u>Federal Transit Cluster</u>				
Passed through Omnitrans: Federal Transit - Capital Investment Grants	20.500	FTA 5307 CA-90-T850-01	596,379	-
<u>Highway Safety Cluster</u>				
Passed through State of California:				
Office of Traffic Safety State and Community Highway Safety	20.600	PT19099	47,210	-
		PT20114	26,707	-
Total State and Community Highway Safety			<u>73,917</u>	<u>-</u>
National Priority Safety Programs	20.616	PT19099	6,244	-
		PT20114	14,999	-
Total National Priority Safety Programs			<u>21,243</u>	<u>-</u>
Total Highway Safety Cluster			<u>95,160</u>	<u>-</u>

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant/Contract Number	Federal Expenditures	Subrecipient Expenditures
<u>United States Department of Transportation - Continued</u>				
Passed through State of California: Office of Traffic Safety				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19099 PT20114	\$ 77,338 74,684	\$ - -
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>152,022</u>	<u>-</u>
Total United States Department of Transportation			<u>931,086</u>	<u>-</u>
<u>United States Department of the Treasury</u>				
Passed through State of California: Coronavirus Relief Fund	21.019	083583849	1,290,930	-
Passed through San Bernardino County Coronavirus Relief Fund	21.019	CARES21-ALLC-RIA	<u>490,930</u>	<u>-</u>
Total United States Department of the Treasury			<u>1,781,860</u>	<u>-</u>
<u>United States Department of Homeland Security</u>				
Passed through San Bernardino County Fire Protection District Homeland Security Grant Program	97.067	2015-SS-00078	<u>27,496</u>	<u>-</u>
Total United States Department of Homeland Security			<u>27,496</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,019,540</u>	<u>\$ 103,597</u>

CITY OF RIALTO, CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

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

a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the City that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance 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 portion of the program expenditures reimbursable with such federal funds is reported in the accompanying schedule. 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). Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized in the period incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

c) Major Programs

The City had two major programs for the year ended June 30, 2020, consisting of expenditures from several grants from the United States Department of Housing and Urban Development and Department of the Treasury. The major programs had disbursements of \$3,060,958. This amount calculates to 76% of the total disbursements from federal awards. The City did not meet the requirements to be a low risk auditee. Therefore, the City's major programs have to cover at least 40 percent of the total expenditures of federal awards.

d) Indirect Cost Rate

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

e) Relationship to Basic Financial Statements

Federal award expenditures agree or can be reconciled with the amounts reported in the City's financial statements.

CITY OF RIALTO, CALIFORNIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

f) Contingencies

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	Yes
Significant Deficiency(ies) Identified not Considered to be Material Weaknesses?	Yes
Noncompliance Material to Financial Statements Noted?	Yes

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	Yes
Significant Deficiency(ies) Identified not Considered to be Material Weaknesses?	Yes
Type of Auditors' Report Issued on Compliance for Major Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a)	Yes

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development; Community Development Block Grants/Entitlement Grants
21.019	U.S. Department of the Treasury; Coronavirus Relief Fund

Dollar Threshold used to Distinguish Between Type A and Type B Programs:	\$ <u>750,000</u>
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Auditee Qualified as Low-Risk Auditee?	No
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CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II - SCHEDULE OF FINANCIAL STATEMENT FINDINGS

2020-001 - Material Weakness: Bank Reconciliations

Condition: During the audit, we noted that the City's general checking bank account balance in the general ledger was not reconciled to the bank statements in a timely manner.

Criteria: Proper internal controls require that bank reconciliations are prepared and reviewed in a timely manner.

Cause: Finance Department did not complete the bank reconciliations in a timely manner due to lack of personnel.

Effect: When bank reconciliations are not prepared in a timely manner, the risk of fraud, theft or errors going undetected by management increases significantly.

Perspective Information: This matter is an issue effecting the first (8) months of the fiscal year. The finance department did show improvement in the timeliness of the reconciliation process for the remaining months of the fiscal year.

Recommendation: We recommend that bank statements be reconciled on a monthly basis to the general ledger, and that all unusual reconciling items be promptly investigated and adjusted for with adequate explanations.

Management's Response: Management recognizes the importance and risk of not having bank reconciliations completed in a timely manner. The city agrees with the recommendation and has begun implementing reconciliation within 60 days after month end, and was fully caught up during the last four months of the fiscal year. Reconciling items were investigated, cleared, and/or adjusted with the review and approval of the supervisor/manager. The City is also in the process of hiring additional staff to ensure timeliness of the bank reconciliations.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II - SCHEDULE OF FINANCIAL STATEMENT FINDINGS - Continued

2020-002 - Significant Deficiency: Accounting Procedures and Policies Manual

Condition: During the audit, we noted that the City's Accounting Procedures and Policies Manual had not been updated in several years and was also not readily available to employees in the Finance Department for reference purposes.

Criteria: In order to ensure accuracy and consistency, the employees in the Finance Department should have an updated Accounting Procedures and Policies Manual available for reference.

Cause: The Finance Department had not updated their Accounting Procedures and Policies Manual since the 1990s to conform to current practices and procedures.

Effect: The lack of an updated manual resulted in inconsistent procedures being performed and outdated policies within the Finance Department.

Perspective Information: The Finance Department had not updated their Accounting Procedures and Policies Manual to conform to current practices and procedures.

Recommendation: We recommend that the City update its Accounting Procedures and Policies Manual and communicate with all City departments to ensure consistency and appropriate control procedures.

Management's Response: Management agrees with the recommendation and recognizes the importance of a consistent message across all City departments. The Finance Department has initiated updating its policies and procedures manual. A draft of an updated Policies Manual has been completed and is now in the review/revision process. Management intends to have a final draft available for Council approval by the end of the current fiscal year. In addition, Finance will make all existing and future adopted policies available on a central location on the intranet. Finance will also host training sessions for affected staff in other City departments for all updated policies, as necessary. Finance will send out memos notifying other City departments of any changes to accounting policies and procedures. Overall, the City will take these and related steps to improve the lines of communication between departments ensuring that consistent and appropriate control procedures are followed.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-001 - Material Weakness and Compliance: Bank Reconciliations

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

Programs: Community Development Block Grants/Entitlement Grants

Award Numbers: All grant awards under the above programs.

Award Years: 2019-2020

Repeat Finding: Yes

Condition: During the audit, we noted that the City's general checking bank account balance in the general ledger was not reconciled to the bank statements in a timely manner.

Criteria: Proper internal controls require that bank reconciliations are prepared and reviewed in a timely manner.

Questioned Costs: None.

Cause: Finance Department did not complete the bank reconciliations in a timely manner due to lack of personnel.

Effect: When bank reconciliations are not prepared in a timely manner, the risk of fraud, theft or errors going undetected by management increases significantly.

Perspective Information: This matter is an issue effecting the first (8) months of the fiscal year. The finance department did show improvement in the timeliness of the reconciliation process for the remaining months of the fiscal year.

Recommendation: We recommend that bank statements be reconciled on a monthly basis to the general ledger, and that all unusual reconciling items be promptly investigated and adjusted for with adequate explanations.

Management's Response: Management recognizes the importance and risk of not having bank reconciliations completed in a timely manner. The city agrees with the recommendation and has begun implementing reconciliation within 60 days after month end, and was fully caught up during the last four months of the fiscal year. Reconciling items were investigated, cleared, and/or adjusted with the review and approval of the supervisor/manager. The City is also in the process of hiring additional staff to ensure timeliness of the bank reconciliations.

CITY OF RIALTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - Continued

2020-002 - Significant Deficiency and Compliance: Accounting Procedures and Policies Manual

Federal Agencies: U.S. Department of Housing and Urban Development and
U.S. Department of the Treasury

Programs: Community Development Block Grants/Entitlement Grants and Coronavirus Relief Fund

Award Numbers: All grant awards under the above programs.

Award Years: 2019-2020

Repeat Finding: Yes

Condition: During the audit, we noted that the City's Accounting Procedures and Policies Manual had not been updated in several years and was also not readily available to employees in the Finance Department for reference purposes.

Criteria: In order to ensure accuracy and consistency, the employees in the Finance Department should have an updated Accounting Procedures and Policies Manual available for reference.

Questioned Costs: None.

Cause: The Finance Department had not updated their Accounting Procedures and Policies Manual since the 1990s to conform to current practices and procedures.

Effect: The lack of an updated manual resulted in inconsistent procedures being performed and outdated policies within the Finance Department.

Perspective Information: The Finance Department had not updated their Accounting Procedures and Policies Manual to conform to current practices and procedures.

Recommendation: We recommend that the City update its Accounting Procedures and Policies Manual and communicate with all City departments to ensure consistency and appropriate control procedures.

Management's Response: Management agrees with the recommendation and recognizes the importance of a consistent message across all City departments. The Finance Department has initiated updating its policies and procedures manual. A draft of an updated Policies Manual has been completed and is now in the review/revision process. Management intends to have a final draft available for Council approval by the end of the current fiscal year. In addition, Finance will make all existing and future adopted policies available on a central location on the intranet. Finance will also host training sessions for affected staff in other City departments for all updated policies, as necessary. Finance will send out memos notifying other City departments of any changes to accounting policies and procedures. Overall, the City will take these and related steps to improve the lines of communication between departments ensuring that consistent and appropriate control procedures are followed.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2019-001 - Material Weakness: Bank Reconciliations

Federal Agencies: U.S. Department of Housing and Urban Development and
U.S. Department of Transportation

Programs: Community Development Block Grants/Entitlement Grants and Federal Transit – Capital
Investment Grants

Award Numbers: All grant awards under the above programs.

Award Years: 2018-2019

Repeat Finding: Yes

Condition: During the audit, we noted that the City's general checking bank account balance in the general ledger was not reconciled to the bank statements in a timely manner.

Criteria: Proper internal controls require that bank reconciliations are prepared and reviewed in a timely manner.

Questioned Costs: None.

Cause: Finance Department did not complete the bank reconciliations in a timely manner due to lack of personnel.

Effect: When bank reconciliations are not prepared in a timely manner, the risk of fraud, theft or errors going undetected by management increases significantly.

Perspective Information: This matter is a systemic problem effecting all months within the fiscal period.

Recommendation: We recommend that bank statements be reconciled on a monthly basis to the general ledger, and that all unusual reconciling items be promptly investigated and adjusted for with adequate explanations.

Current Status: The Bank Reconciliations finding was not corrected in the current fiscal year. See current year finding at 2020-001.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2019-002 - Significant Deficiency: Accounting Procedures and Policies Manual

Federal Agencies: U.S. Department of Housing and Urban Development and
U.S. Department of Transportation

Programs: Community Development Block Grants/Entitlement Grants and Federal Transit – Capital
Investment Grants

Award Numbers: All grant awards under the above programs.

Award Years: 2018-2019

Repeat Finding: Yes

Condition: During the audit, we noted that the City’s Accounting Procedures and Policies Manual had not been updated in several years and was also not readily available to employees in the Finance Department for reference purposes.

Criteria: In order to ensure accuracy and consistency, the employees in the Finance Department should have an updated Accounting Procedures and Policies Manual available for reference.

Questioned Costs: None.

Cause: The Finance Department had not updated their Accounting Procedures and Policies Manual since the 1990s to conform to current practices and procedures.

Effect: The lack of an updated manual resulted in inconsistent procedures being performed and outdated policies within the Finance Department.

Perspective Information: The Finance Department had not updated their Accounting Procedures and Policies Manual to conform to current practices and procedures.

Recommendation: We recommend that the City update its Accounting Procedures and Policies Manual and communicate with all City departments to ensure consistency and appropriate control procedures.

Current Status: The Accounting Procedures and Policies Manual has yet to be updated. See current year finding at 2020-002.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2019-003 - Significant Deficiency - Conflict of Interest in Grant Administration

Condition: The City entered into a contract agreement with a subrecipient in which a member of the City's governing body has a family relationship with a managing member of the subrecipient organization and was also an active participant in the Committee that administers the selection process.

Criteria: The guidance in the grant administration of the California Board of State and Community Correction (Prop 47 Grant Funding) and the City's Conflict of Interest policy prohibits employees, officers, or agents from participating in the selection, award, or administration of the grant funds, if they have a conflict of interest.

Cause: The member of the City's governing body did not properly disclose or report the family relationship nor abstain from the selection and award of the agreement.

Effect: The City entered into a contract agreement with a subrecipient organization in which there was a conflict of interest with a member of the City's governing body which is prohibited by the City's Conflict of Interest Policy and State Grant Guidelines.

Perspective Information: There was only a single subrecipient organization that was identified by audit procedures that has been a subrecipient for several years and was the only subrecipient organization identified with a conflict of interest.

Recommendation: We recommend that the City take additional measures in the review of contracts with vendors and subaward recipients to ensure that conflicts of interests are identified with employees, officers, or agents. Also, training should be provided to actively communicate the requirements of the City's conflict of interest policy to the City Council, management and other appropriate personnel, as well as develop procedures and methods of reporting for any possible conflicts of interest.

Current Status: The City has updated their procedures to review for any potential conflict of interests. Special counsel was engaged and reported on the matter and are awaiting a final determination response from the California Board of State and Community Correction.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2019-004 - Compliance: Conflict of Interest in Grant Administration

Federal Agencies: U.S. Department of Housing and Urban Development (CFDA#14.218)

Programs: Community Development Block Grants/Entitlement Grants

Award Numbers: All grant awards under the above programs.

Award Years: 2018-2019

Repeat Finding: No

Condition: The City entered into a contract agreement with a subrecipient in which a member of the City's governing body has a family relationship with a managing member of the subrecipient organization and was also an active participant in the Committee that administers the selection process.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the City's Conflict of Interest policy prohibits employees, officers, or agents from participating in the selection, award, or administration of a contract supported by a Federal award in the event of a real or apparent conflict of interest.

Questioned Costs: \$38,475 represents the amount of expenditures to the subrecipient for the 2018-2019 award year.

Cause: The member of the City's governing body did not properly disclose or report the family relationship nor abstain from the selection and award of the agreement.

Effect: The City entered into a contract agreement with a subrecipient organization in which there was a conflict of interest with a member of the City's governing body which is prohibited by the Federal Regulations §200.318 and the City's Conflict of Interest Policy.

Perspective Information: There was only a single subrecipient organization that was identified by audit procedures that has been a subrecipient for several years and was the only subrecipient organization identified with a conflict of interest.

Recommendation: We recommend that the City take additional measures in the review of contracts with vendors and subaward recipients to ensure that conflicts of interests are identified with employees, officers, or agents. Also, training should be provided to actively communicate the requirements of Federal Regulations §200.318 and the City's conflict of interest policy to the City Council, management and other appropriate personnel, as well as develop procedures and methods of reporting for any possible conflicts of interest.

Current Status: The City has updated their procedures to review for any potential conflict of interests. Special counsel was engaged and reported on the matter. A final determination response from the Department of Housing and Urban Development was received after the end of the fiscal year.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2019-005 - Compliance: Timeliness of Reporting of Data Collection Form

Federal Agencies: U.S. Department of Housing and Urban Development and
U.S. Department of Transportation

Programs: Community Development Block Grants/Entitlement Grants and Federal Transit – Capital
Investment Grants

Award Numbers: All grant awards under the above programs.

Award Years: 2018-2019

Repeat Finding: No

Condition: The City’s 2017-2018 single audit data collection form was not submitted to the Federal Audit Clearinghouse within nine months after the end of the fiscal year.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) (Section 200.512), requires that the single audit data collection form be submitted within nine months after the end of the fiscal year (ie. March 31st).

Questioned Costs: None

Cause: The City was unable to timely file the 2017-2018 single audit data collection form due to delays in completing the year-end closing process.

Effect: The City did not meet the timing requirement of the filing of the 2017-2018 single audit data collection form as required by the Federal Regulations §200.512.

Perspective Information: This was the first time the City has not timely filed their single audit data collection forms.

Recommendation: We recommend that the City take steps to ensure that the year-end closing process is completed in a timely manner to allow for sufficient time for the single audit and subsequent data collection form to be submitted to the Federal Audit Clearinghouse.

Current Status: The City submitted the 2018-2019 single audit data collection form to the Federal Audit Clearinghouse timely. The finding has been corrected.

CITY OF RIALTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

2019-006 - Compliance with Federal Awards: Procurement Policies

Federal Agencies: U.S. Department of Housing and Urban Development and
U.S. Department of Transportation

Programs: Community Development Block Grants/Entitlement Grants and Federal Transit – Capital
Investment Grants

Award Numbers: All grant awards under the above programs.

Award Years: 2018-2019

Repeat Finding: Yes

Condition: The City did not formally document that they would continue to use the previous Uniform Guidance in their internal procurement policies during the implementation grace periods.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) direct the administration of Federal awards issued by Federal awarding agencies regulations were changed and became effective by December 26, 2014 with implementation grace periods specific to federal procurement requirements until fiscal years beginning on or after December 26, 2017. However, in order to utilize these grace periods, non-federal agencies must document their decision in their internal procurement policies that they are choosing to use the previous procurement standards for all or part of the three fiscal year grace periods.

Questioned Costs: None.

Cause: The City was unaware they had to formally document in their internal procurement policies the decision to utilize the implementation grace periods.

Effect: The City's internal procurement policies are not in compliance with §200.317 through §200.326 of the Uniform Guidance.

Perspective Information: There was only one procurement policy related to the above grant awards with the City.

Recommendation: We recommend that the City update their internal procurement policies to be in compliance with the Uniform Guidance. (the Procurement Policy was implemented in the last half of the 2019 fiscal year, but was not in effect for the majority of the fiscal year), Additionally, a senior member of the grant staff and/or management should review, at least annually, federal regulations and other grant compliance requirements so they are aware of the latest regulations and compliance requirements (e.g. attending grant compliance trainings and seminars).

Current Status: The City has updated their internal procurement policies to be in compliance with the Uniform Guidance and was approved on February 12, 2019 (TAB 5). The finding has been corrected.



City of Rialto

California

April 27, 2021

CORRECTIVE ACTION PLAN

In Response to Findings Relating to the Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

City of Rialto respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Teaman, Ramirez & Smith, Inc.
4201 Brockton Avenue, Suite 100
Riverside, CA 92501

Audit Period: July 1, 2019 – June 30, 2020

The finding for the fiscal year 2019-20 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2020-001- Material Weakness: Bank Reconciliations

Recommendation:

We recommend that bank statements be reconciled on a monthly basis to the general ledger, and that all unusual reconciling items be promptly investigated and adjusted for with adequate explanations.

Planned Corrective Action:

Management recognizes the importance and risk of not having bank reconciliations completed in a timely manner. The city agrees with the recommendation and has begun implementing reconciliation within 60 days after month end, and was fully caught up during the last four months of the fiscal year. Reconciling items were investigated, cleared, and/or adjusted with the review and approval of the supervisor/manager. The City is also in the process of hiring additional staff to ensure timeliness of the bank reconciliations.

2020-002 – Significant Deficiency: Accounting Procedures and Policies Manual

Recommendation:

We recommend that the City update its Accounting Procedures and Policies manual and communicate with all City departments to ensure consistency and appropriate control procedures.

Planned Corrective Action:

Management agrees with the recommendation and recognizes the importance of a consistent message across all City departments. The Finance Department has initiated updating its policies and procedures manual. A draft of an updated Policies Manual has been completed and is now in the review/revision process. Management intends to have a final draft available for Council approval by the end of the current fiscal year. In addition, Finance will make all existing and future adopted policies available on a central location on the intranet. Finance will also host training sessions for affected staff in other City departments for all updated policies, as necessary. Finance will send out memos notifying other City departments of any changes to accounting policies and procedures. Overall, the City will take these and related steps to improve the lines of communication between departments ensuring that consistent and appropriate control procedures are followed.

For any questions regarding this Corrective Action Plan, please contact Bob Chandler, Interim Finance Director.

Sincerely,



Bob L. Chandler
Interim Finance Director