



**CITY OF RIALTO, CALIFORNIA**  
FOR THE YEAR ENDED JUNE 30, 2021

SINGLE AUDIT REPORT

**ATTACHMENT A**

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on YOU



CITY OF RIALTO, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2021

CITY OF RIALTO, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2021

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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*

To the Honorable Mayor and Members of the City Council  
City of 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2022.

### 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, 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 following deficiencies reported on the schedule of findings and questioned costs to be material weaknesses: 2021-001, 2021-002 and 2021-003.

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 following deficiencies, described on the accompanying schedule of findings and questioned costs, to be significant deficiencies: 2021-004.



To the Honorable Mayor and Members of the City Council  
City of Rialto, California

### **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 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**

The City's response to the findings identified in our audit 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.

*Lance, Soll & Lughard, LLP*

Brea, California  
March 29, 2022



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

To the Honorable Mayor and Members of the City Council  
City of Rialto, California

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

***Opinion on Each Major Federal Program***

We have audited the City of Rialto (the City), California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

***Basis for Opinion***

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 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Emphasis of Matter***

As described in finding 2021-007, the City inaccurately reported federal expenditures in IDIS related to Award Number B-20-MW-06-0571 related to CDBG-CV funds. These amounts were not draw down and therefore did not constitute a compliance finding, however the delay in reconciling and identifying allowable costs under the grant program resulting in inaccurate reporting of financial information, both in IDIS and on the City's general ledger as of June 30, 2021.

***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 government programs.





To the Honorable Mayor and Members of the City Council  
City of Rialto, California

### ***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, 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 the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and 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 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 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 and 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 2021-007 to be a material weakness.



To the Honorable Mayor and Members of the City Council  
City of Rialto, California

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 2021-005 and 2021-006 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 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.

### **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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 29, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

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.

*Lance, Soll & Lughard, LLP*

Brea, California

September 26, 2022 (Except for the Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance, which is dated March 29, 2021)



CITY OF RIALTO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Pass-Through Grant ID</i>	<i>Total Federal Expenditures</i>	<i>Passed-Through to Subrecipients</i>
<b><u>U.S. Department of Housing and Urban Development</u></b>					
<b><u>CDBG - Entitlement Grants Cluster *</u></b>					
Department of Housing and Urban Development Direct Programs:					
Community Development Block Grants/Entitlement Grants	14.218	N/A	B-20-MC-06-0571	\$ 1,537,048	\$ 200,739
COVID-19-Community Development Block Grants/Entitlement Grants	14.218	N/A	B-20-MW-06-0571	109,636	-
<b>Total Department of Housing and Urban Development - CDBG Entitlement Grants Cluster</b>				<b>1,646,684</b>	<b>200,739</b>
<b><u>U.S. Department of Treasury</u></b>					
Passed through the County of San Bernardino					
COVID-19 - Coronavirus Relief Fund*	21.019	07-359-0812	CARES21-ALLC-RIA	800,000	-
		07-359-0812	CARES21-PRJC-44-RIA	688,458	-
<b>Total U.S. Department of Treasury</b>				<b>1,488,458</b>	<b>-</b>
<b><u>Federal Transit Administration</u></b>					
<b><u>Federal Transit Cluster</u></b>					
Passed through Omnitrans					
Federal Transit - Capital Investment Grants	20.500	81-816050	FTA 5307 CA-90-T850-01	63	-
<b>Total Federal Transit Administration</b>				<b>63</b>	<b>-</b>
<b><u>U.S. Department of Transportation Programs:</u></b>					
<b><u>Highway Planning and Construction Cluster</u></b>					
Passed through State of California					
Department of Transportation					
Highway Planning and Construction	20.205	68-0274794	HSIPL-5205(027)	3,713	-
		68-0274794	HSIPL-5205(026)	394,596	-
<b>Total Highway Planning and Construction Cluster</b>				<b>398,309</b>	<b>-</b>
<b><u>Highway Safety Cluster</u></b>					
Passed through State of California					
Office of Traffic Safety					
State and Community Highway Safety	20.600	96-505-3908	PT21039	61,576	-
		96-505-3908	PT20114	43,985	-
<b>Total State and Community Highway Safety</b>				<b>105,561</b>	<b>-</b>
National Priority Safety Programs	20.616	96-505-3908	MC21003	15,104	-
		96-505-3908	TR21017	3,500	-
<b>Total National Priority Safety Programs</b>				<b>18,604</b>	<b>-</b>
<b>Total Highway Safety Cluster</b>				<b>124,165</b>	<b>-</b>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	96-505-3908	PT21039	63,245	-
		96-505-3908	PT20114	62,042	-
<b>Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>				<b>125,287</b>	<b>-</b>
<b>Total U.S. Department of Transportation Programs</b>				<b>647,761</b>	<b>-</b>
<b><u>U.S. Department of Homeland Security</u></b>					
Passed through the County of San Bernardino					
Fire Protection District					
Homeland Security Grant Program	97.067	2018-0054	2018-0054	24,962	-
<b>Total U.S. Department of Homeland Security</b>				<b>24,962</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 3,807,928</b>	<b>\$ 200,739</b>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021

CORONAVIRUS EMERGENCY ACTS FUNDING RECONCILIATION

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>	<i>Passed-Through to Subrecipients</i>
<i>Department of Housing and Urban Development Direct Programs:</i>					
COVID-19 Community Development Block Grants/Entitlement Grants *	14.218	N/A	N/A	\$ 109,636	\$ -
<i>U.S. Department of Treasury</i>					
COVID-19 - Coronavirus Relief Fund *	21.019	07-359-0812	CARES21-ALLC-RIA	800,000	-
		07-359-0812	CARES21-PRJC-44-RIA	688,458	-
				<u>1,488,458</u>	<u>-</u>
<b>Total Coronavirus Emergency Acts Funding</b>				<b>\$ 1,598,094</b>	<b>\$ -</b>

\* Major Program

<sup>1</sup> There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**Note 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 by the City of Rialto, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include 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 program expenditures reimbursable with such federal funds is reported in the accompanying schedule. 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 modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

**c. Indirect Cost Rate**

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

CITY OF RIALTO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

• Significant deficiencies identified?  X  yes   none reported

• Material weaknesses identified?  X  yes   no

Noncompliance material to financial statements noted?   yes  X  no

Federal Awards

Internal control over major programs:

• Significant deficiencies identified?  X  yes   none reported

• Material weaknesses identified?  X  yes   no

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?  X  yes   no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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 program \$750,000

Auditee qualified as low-risk auditee?   yes  X  no

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding 2021-001– Material Weakness: Accounts Payable Accrual**

**Condition:**

The City did not accrue a material check, totaling \$939 thousand, relating to services performed in fiscal year 2020-2021 as of June 30, 2021, as it was paid after the closing process.

**Criteria:**

Generally Accepted Accounting Principles

**Cause of Condition:**

Error due to oversight during the AP review process at year end.

**Effect or Potential Effect of Condition:**

The misstatement resulted in understated expenditures and accounts payable at year end.

**Recommendation:**

LSL recommends that the City perform a thorough review over the AP accrual, including beyond the City's AP cutoff period to ensure any late invoices are properly accrued, if necessary.

**Management's Response and Corrective Action:**

The City agrees with LSL's recommendation and will incorporate the finding into its year end close procedures.

**Finding 2021-002 – 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 be prepared and reviewed in a timely manner.

**Cause of Condition:**

Finance Department did not complete the bank reconciliations in a timely manner due to turnover in the department.

**Effect or Potential Effect of Condition:**

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

**Recommendation:**

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

**Management's Response and 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

**Finding 2021-003 – Material Weakness: Grant Reconciliation of Unavailable Revenues**

**Condition:**

During the Audit we noted that unavailable revenues related to grants receivables, totaling \$2.3 million, were not properly reconciled on the grants reconciliation.

**Criteria:**

The City should perform a review of grant receivable balances and unavailable revenue to ensure that the money due to the City is recorded as grant receivables and unavailable revenue when not received within the revenue recognition period.

**Cause of Condition:**

Error due to insufficient training related to the grant reconciliation process at year end.

**Effect or Potential Effect of Condition:**

A journal entry was required to report the grant receivables and unavailable revenue of \$2.3 million that were improperly excluded from the general ledger at June 30, 2021.

**Recommendation:**

We recommend that the City provide additional training to Finance staff over the Grants reconciliation process and perform a thorough review over grants receivables to ensure they are properly recorded.

**Management's Response and Corrective Action:**

The City agrees with LSL's recommendation and will incorporate the finding into its year end close procedures.

**Finding 2021-004 – 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.

**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 of Condition:**

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

**Effect or Potential Effect of Condition:**

The lack of an updated manual resulted in outdated policies and practices within the Finance Department.

**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 and 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 the 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 also host training sessions for affected staff in other City departments for all updated 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.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2021-005 – Significant Deficiency and Compliance: Accounting Procedures and Policies Do Not Conform to Uniform Guidance under 2 CFR 200**

**Federal Award Information**

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

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

**Award Numbers:** B-20-MC-06-0571, B-20-MW-06-0571, CARES21-ALLC-RIA, CARES21-PRJC-44-RIA

**Award Years:** 2020-2021

**Criteria:**

The Uniform Guidance under 2 CFR 200 requires nonfederal entities to maintain effective internal controls over federal awards. To ensure internal controls are properly designed, the OMB requires certain policies and procedures to be in written form.

**Condition:**

During the Audit, we noted that the City's Accounting Procedures and Policies Manual had not been updated to include required changes under the Uniform Guidance and was inconsistent with current practices in the City. We also noted that the Manual was not made available to employees in the Finance Department for reference purposes.

**Cause of Condition:**

Unknown.

**Effect or Potential Effect of Condition:**

The lack of an updated manual resulted in outdated policies and practices within the Finance Department.

**Questioned Costs:**

None.

**Context:**

The City is aware that its Accounting Procedures and Policies Manual is outdated as this has been a finding in prior years. This is discussed with management during the annual audit but due to staff shortages and turnover, the City has been unable to finalize updates to the Manual.

**Repeat Finding:**

Yes.

**Recommendation:**

We recommend that the City complete the adopt updates to its Accounting Procedures and Policies Manual and communicate changes with all City Departments to ensure consistency and appropriate control procedures exist related to federal funding throughout the organization.

**Management's Response and 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 the updated Accounting Procedures and 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 fiscal close out of the Fiscal Year 2021-22. In addition, Finance will also host training sessions for affected staff in other City departments for all updated 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.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Finding 2021-006 – Significant Deficiency and Compliance: Timeliness of Grant Reporting**

**Federal Award Information**

**Federal Agencies:** U.S. Department of Housing and Urban Development  
**Program Title:** Community Development Block Grants/Entitlement Grants  
**Award Numbers:** B-20-MC-06-0571 and B-20-MW-06-0571  
**Award Years:** 2020-2021

**Criteria:**

The HUD requires grant recipients to submit the C04PR29 Cash on Hand Quarterly Report in the Integrated Disbursement and Information System (IDIS) to report the financial status of grant and cooperative agreement funds and cash transactions using those funds. These reports are required to be submitted to HUD on a quarterly basis, 30 days after the reporting period end date. The due dates of each quarterly report is noted below.

<b>Reporting Period</b>	<b>Due Date of Report</b>
Quarter 1: 10/1 – 12/31	January 30
Quarter 2: 1/1 – 3/31	April 30
Quarter 3: 4/1 – 6/30	July 30
Quarter 4: 7/1 – 9/30	October 30

**Condition:**

The City submitted the C04PR29 Cash on Hand Quarterly Report for the reporting period July 1, 2021 through September 30, 2021 on November 19, 2021 which was after the due date prescribed by HUD as noted above.

**Cause of Condition:**

Unknown.

**Effect or Potential Effect of Condition:**

Unknown.

**Questioned Costs:**

None.

**Context:**

For the year being audited, the City submitted one of the four quarters late. This appears to be an isolated incident as no other reports related to this program appear to have been submitted late.

**Repeat Finding:**

No.

**Recommendation:**

We recommend that the City implement a process to ensure that all federal reports are submitted timely.

**Management's Response and Corrective Action:**

Management agrees with the recommendation and recognizes the importance of timely reporting. The finance department now has grant focused staff assigned to work with the City of Rialto's grant consultant to ensure that timely reporting is done in the IDIS system.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Finding 2021-007 – Material Weakness and Compliance: Accuracy of Financial Reporting**

**Federal Award Information**

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

**Program Title:** Community Development Block Grants/Entitlement Grants

**Award Numbers:** B-20-MC-06-0571 and B-20-MW-06-0571

**Award Years:** 2020-2021

**Criteria:**

The HUD requires grant recipients to submit the C04PR29 Cash on Hand Quarterly Report in the Integrated Disbursement and Information System (IDIS) to report the financial status of grant and cooperative agreement funds and cash transactions using those funds. Each report must cover all expenditures from the start date of the reporting period to the reporting period end date. The City is also required to report these expenditures in the Consolidated Annual Performance and Evaluation Report (CAPER) due at the end of each program year.

**Condition:**

The C04PR29 Cash on Hand Quarterly Reports do not include expenditures for CDBG-CV grant award number B-20-MW-06-0571 in line number 4 on the form, however the City has incurred \$109,636 in expenditures through June 30, 2021. The City also failed to report these costs in the Consolidated Annual Performance and Evaluation Report (CAPER). In addition, the City has been delayed in drawing down funds in IDIS which has resulted in the City having to alter their submissions for the C04PR29 Cash on Hand Quarterly Report due to limitations in IDIS where negative cash balances are not allowed. As a result, the City included amounts on line number 2 of the report showing cash was received through IDIS drawdowns for two quarters where no drawdown was received.

**Cause of Condition:**

The City recorded \$468,442 in expenditures related to the CDBG-CV program in the CDBG Fund as of June 30, 2021. At the time the reporting was completed, the City was unsure whether or not certain costs charged to the CDBG-CV grant would be allowable, therefore they did not report them in IDIS and in the CAPER. Subsequent to the issuance of the Fiscal Year 2020-21 Audited Financial Statements the City determined that \$358,806 of this amount would not be drawn down under this program and would instead be paid for by the City's General Fund.

**Effect or Potential Effect of Condition:**

The C04PR29 Cash on Hand Quarterly Reports and CAPER include inaccurate information. In addition, the CDBG Fund in the Fiscal Year 2020-21 Audited Financial Statements includes expenditures that will not be drawn down under the federal program and the corresponding General Fund transfer was not recorded prior to the end of the fiscal year. This information was not known at the time the Fiscal Year 2020-21 Audited Financial Statements were resulting in an overstatement of the receivable and corresponding unavailable revenue of \$358,806. The impact on ending fund balance in the CDBG Fund is zero.

**Questioned Costs:**

None; the City did not request reimbursement for these costs, therefore there is no questioned costs.

**Context:**

The delay in identifying this issue was caused by staff shortages and turnover, coupled with a change in CDBG administration consultants, causing a delay in reconciling these grants and drawing down funds. This appears to be an isolated incident related to challenges outside of the ordinary operations of the CDBG program.

**Repeat Finding:**

No.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Recommendation:**

We recommend that the City implement a process to ensure that grants are reconciled timely, drawdowns are processed timely and all financial reports are accurate.

**Management's Response and Corrective Action:**

Management agrees with the recommendation and recognizes the importance of accurate reporting. The finance department now has grant focused staff assigned to work with the City of Rialto's grant consultant to ensure that accurate reporting is done in the IDIS system.



# City of Rialto California

## CITY OF RIALTO

### SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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#### SECTION II - FINANCIAL STATEMENT FINDINGS

##### **Finding 2020-001 – Material Weakness: Bank Reconciliations**

Reason for Recurrence:

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

Planned Corrective Action:

Bank statements will be reconciled on a monthly basis to the general ledger, and management will ensure that all unusual reconciling items be promptly identified and adjusted for with adequate explanations.

Current Year Reference Number : 2021-002

##### **Finding 2020-002 - Significant Deficiency: Accounting Procedures and Policies Manual**

Reason for Recurrence:

The Finance Department had not updated the Accounting Procedures and Policies Manual since the 1990s to conform to current practices and procedures. While the new manual was updated, it was not fully completed due to staffing limitations.

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 the 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 also host training sessions for affected staff in other City departments for all updated 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.

Current Year Reference Number: 2021-004.



# City of Rialto California

## CITY OF RIALTO

### SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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#### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

##### **Finding 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

Reason for Recurrence:

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

Planned Corrective Action:

Bank statements will be reconciled on a monthly basis to the general ledger, and management will ensure that all unusual reconciling items be promptly identified and adjusted for with adequate explanations.

Current Year Reference Number: 2021-002

##### **Finding 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 and Grants Coronavirus Relief Fund

**Award Numbers:** All grant awards under the above programs

**Award Years:** 2019-2020

**Repeat Finding:** Yes

Reason for Recurrence:

The Finance Department had not updated the Accounting Procedures and Policies Manual since the 1990s to conform to current practices and procedures. While the new manual was updated, it was not fully completed due to staffing limitations.

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 the 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 also host training sessions for affected staff in other City departments for all updated 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.

Current Year Reference Number: 2021-004.

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