

**CITY OF VICTORVILLE**  
**Victorville, California**

**Single Audit Report on Federal Awards**

Year ended June 30, 2013

CITY OF VICTORVILLE  
Single Audit Report on Federal Awards  
Year ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	17



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City Council  
City of Victorville  
Victorville, California

**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***

**Independent Auditor's Report**

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 Victorville, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 13, 2014.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified items 2013-06 through 2013-10 listed in the Schedule of Findings and Questioned Costs conform to this definition.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified items 2013-01 through 2013-05 as deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Mayer Hoffman McLean P.C.*

Irvine, California  
February 13, 2014



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**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB**

**Circular A-133**

**Independent Auditor's Report**

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

We have audited the City of Victorville's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City'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 City's compliance.

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

In our opinion, the City of Victorville 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, 2013.

***Other Matters***

The results of our auditing procedures disclosed immaterial instances of noncompliance which are described in the accompanying schedule of findings and questioned costs as items *2013-11 through 2013-13*. Our opinion on each major federal program is not modified with respect to these matters.

The City of Victorville's response to the noncompliance findings identified in our audit are 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 compliance and, accordingly, we express no opinion on their response.

**Report on Internal Control Over Compliance**

Management of the City of Victorville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Example Entity'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City Council  
City of Victorville  
Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the City of Victorville as of and for the year ended June 30, 2013, and have issued our report thereon dated February 13, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Mayer Hoffman Nelson P.C.*

Irvine, California  
February 13, 2014

CITY OF VICTORVILLE  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Program Identification Number	Federal Domestic Assistance Number	Federal Financial Assistance Expenditures
<u>U.S. Department of Commerce</u>			
Direct assistance:			
Economic Development - Support for Planning Organizations	07-49-06066	11.302	\$ 6,630
Economic Development - Support for Planning Organizations	07-49-05916	11.302	<u>5,813</u>
Total - U.S. Department of Commerce			<u>12,443</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct assistance:			
Community Development Block Grant	*	14.218	876,671
Neighborhood Stabilization Program (NSP1 Loan Expenditures)	B08-MN-06-0523	14.218	1,339,372
Home Investment Partnerships Program	*	14.239	121,912
Neighborhood Stabilization Program (NSP3) - ARRA	B11-MN-06-0523	14.254	<u>232,967</u>
Total - U.S. Department of Housing and Urban Development			<u>2,570,922</u>
<u>U.S. Department of Justice</u>			
Passed through the County of San Bernardino:			
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	06-166	16.804	<u>71,572</u>
Total - U.S. Department of Justice			<u>71,572</u>
<u>U.S. Department of Transportation</u>			
Direct Assistance:			
Federal Aviation Association:			
Airport Improvement Program	3-06-0359-19	20.106	4,592
Airport Improvement Program	3-06-0359-20	20.106	<u>982,056</u>
Subtotal			<u>986,648</u>
Passed through the County of San Bernardino:			
Highway Planning and Construction:			
Federal Demonstration/ Highway Planning	8-1214 A/1	20.205	9
Federal Demonstration/ Highway Planning	DEMO4L-5380(10)	20.205	454,516
Bear Valley Road OH over BNSF Railroad	BHLS-5380(026)	20.205	12,676
Federal Surface Transportation	DEMO4L-5380(10)	20.205	361,866
State Transportation Improve Program (STIP)	DEMO4L-5380(10)	20.205	<u>1,843,621</u>
Subtotal			<u>2,672,688</u>
Total - U.S. Department of Transportation			<u>3,659,336</u>
<u>U.S. Department of Homeland Security</u>			
Direct Assistance:			
California Emergency Management Agency:			
Flood Mitigation Assistance	PA-09-CA-1884-RPA-0009	97.029	<u>43,953</u>
Total - U.S. Department of Homeland Security			<u>43,953</u>
Total Expenditures of Federal Awards			<u>\$ 6,358,226</u>

\* - Not Available

CITY OF VICTORVILLE

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(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 of Victorville, California ("City") that are reimbursable under federal programs of federal agencies providing financial assistance. For purposes of this schedule, financial assistance includes federal financial assistance received directly from a federal agency and federal funds received indirectly by the City from non-federal entities. 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 and the portion of program expenditures that were funded with other 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 recognized when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal or selected state program, as required by these agencies.

(c) Subrecipients

For the fiscal year ended June 30, 2013, the City made no payments to subrecipients.

CITY OF VICTORVILLE

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(A) Summary of Auditors' Results

1. An unmodified report was issued by the auditors on the financial statements of the auditee.
2. Seven significant deficiencies and five material weaknesses in internal control over financial reporting based upon our audit of the financial statements of the auditee were reported.
3. The audit disclosed three immaterial instances of non-compliance that were reported in the Schedule of Findings and Questioned Costs as items 2013-11 through 2013-13.
4. The audit disclosed no significant deficiencies in internal control over major programs of the auditee..
5. An unmodified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major programs of the auditee were the Department of Transportation passed through the California Department of Transportation via San Bernardino County – Highway Planning and Construction Program, CFDA No. 20.205 and Department of Transportation – Airport Improvement Program, CFDA No. 20.106.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee did not meet the criteria to be classified as a low risk auditee for the year ended June 30, 2013 for purposes of major program determination.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

2013-01 Capital Assets Review and Reconciliation

Auditing standards require that we communicate to you adjustments that were made as a part of the audit process. During the year material adjustments were identified as a result of our audit testing to correct depreciation expense. Additionally, material audit adjustments were made to adjust the balances of assets held in Construction in Progress.

Recommendation

We recommend that management perform a thorough review and reconciliation of Accumulated Depreciation and Construction in Progress subsidiary ledgers to the General Ledger. Management should review Accumulated Depreciation subsidiary ledgers to ensure that assets are being depreciated in the proper amount and that depreciation periods reflect the City's expected use of that asset. Management should also review the Construction in Progress subsidiary ledgers to ensure that they include

## CITY OF VICTORVILLE

### Schedule of Findings and Questioned Costs

Year ended June 30, 2013

only those projects that create or improve capital facilities and that Construction in Progress excludes any assets that were placed in service prior to year end.

#### Management's Comments Regarding Corrective Actions Planned or Taken

A regular quarterly meeting will be scheduled between the finance staff and the departments, to review all capital assets and construction in progress. Finance staff will ensure that all completed capital projects will be placed in service prior to year end. Prior to the start of the audit, finance staff will review accumulated depreciation to ensure that assets are depreciated in the proper amounts and time period in which they need to be reflected.

#### 2013-02 Deferred Revenue Review and Reconciliation

During the year material adjustments were made to Deferred Revenue and associated accounts as a part of the audit process. Additionally, issues associated with Deferred Revenue have resulted a fund of the City that is primarily funded by grant revenues to have a deficit in fund balance. Ordinarily, in grant funds, recognized in amounts equal to reimbursable expenditures incurred resulting in a minimal fund balance.

#### Recommendation

We recommend that management perform a review and reconciliation of Deferred Revenue subsidiary ledgers to the General Ledger. Management should review to ensure that revenues are deferred for grants where funding is received in advance of allowable expenditures. Additionally, we recommend that the City analyze this fund to evaluate the cause the fund balance deficit. If fund deficits are due to unreimbursable expenditures, appropriate transfers should be recorded to recognize the subsidy by other funds of the City for these unreimbursed costs.

#### Management's Comments Regarding Corrective Actions Planned or Taken

Finance staff will review on a quarterly basis to ensure that revenue is deferred for grants where funding is received in advance and recognized when expenditures are incurred. The current fund balance deficit is resulting primarily from the funding for the Nisqualli project and is a result of incomplete claims being filed by the engineering consultant. The accountant is currently working with the consultant to determine if any of these expenditures is non-reimbursable and need to be transferred to other funding sources.

#### 2013-03 Allowance for Doubtful Accounts Review

During the year, the City made material correcting adjustments to the Allowance for Doubtful Accounts that pertain to loans receivable.

#### Recommendation

We recommend that management regularly monitor all accounts and loans receivable to ensure that the Allowance for Doubtful accounts have been appropriately adjusted at each fiscal year end. This review should encompass an allowance for doubtful

## CITY OF VICTORVILLE

### Schedule of Findings and Questioned Costs

Year ended June 30, 2013

utility accounts as well as an assessment of the collectability of material loans receivable.

#### Management's Comments Regarding Corrective Actions Planned or Taken

Management and staff are looking into a policy for an allowance for doubtful accounts in both Utility and Loan Receivable that may be uncollectible.

#### 2013-04 Pledge Revenue and Reserve Requirement Shortfalls

During the fiscal year ended June 30, 2013, SCLAA-pledged revenues for bonded debt fell below the amounts required by bond covenants. Additionally bond reserve accounts fell below the amounts required by bond covenants for the following bonds:

- Subordinate Tax Allocation Revenue Bonds (Series 2006, Series 2007, and Series 2008)

#### Recommendation

We recommend that the City continue its efforts to closely monitor the sufficiency of pledged revenues and reserve requirements with respect to airport authority bonds.

#### Management's Comments Regarding Corrective Actions Planned or Taken

There has been a significant decrease in assessed value for the Victor Valley Redevelopment Project Area. The decrease in value from 2008-2009 is largely the result of the recent economic downturn. The Original Area, Amendment IV, and the Amendment VIII areas saw specific reductions in value of \$1.8 billion, 18.1 million and \$1.1 billion, respectively. The City will closely monitor the sufficiency of pledged revenues and reserve requirements; however, pledged tax increment revenue is not expected to exceed total debt service obligations for non-housing bonds until fiscal year 2016-2017.

#### 2013-05 Other Adjusting Journal Entries

Auditing standards require that we communicate to you adjustments that were made as a part of the audit process. Accordingly, the following adjustments were made as part of the audit process:

- An adjustment of \$287,700 to remove receivables that had been recorded incorrectly
- An adjustment of \$17,183,494 to reverse a transfer of Land Held for Resale to the Housing Successor that were not on the Department of Finance Housing Asset Transfer List
- An adjustment of \$6,050,000 to record a loan payable to the County of San Bernardino and to record related improvements to City-owned property that were made by the developer

# CITY OF VICTORVILLE

## Schedule of Findings and Questioned Costs

Year ended June 30, 2013

### Recommendation

The City has made notable strides over the past few years in improving its accounting procedures. The City should continue its efforts to provide for the proper and timely recording of all City transactions.

### Management's Comments Regarding Corrective Actions Planned or Taken

Finance staff will be working very closely with Economic Development in order to categorize Land Held for Resale between Housing Trust fund and Successor Agency. The Department of Finance has the list and is still evaluating the outcome of the transfer. Due to the dissolution of the Redevelopment Agency, the loan that was previously established as a pass through between the county and redevelopment needed to be recognized as an obligation. A onetime adjustment was created to correct this obligation. A safeguard has been established to avoid incorrect adjustments for all future journal entries.

### 2013-06      Vacation Leave Policy

There is currently an inconsistency between the City's formal Vacation Leave Policy and its actual practice with respect to such balances. As a matter of practice, the City typically pays vacation leave balances in excess of certain limits set forth in the City's Vacation Leave Policy.

### Recommendation

We recommend that the City change its practice or amend its Vacation Leave Policy to more accurately reflect its intentions with regard to limits relating to this benefit.

### Management's Comments Regarding Corrective Actions Planned or Taken

The City is in the process of revising its Personnel Rules and Regulations. Vacation Leave Policy will be reviewed and a determination made as to whether to amend the policy or encourage employees over their maximum to either take vacation or cash out hours.

### 2013-07      Clarification of Purchasing Policy

Our statistical sample of 40 transactions to test for procurement compliance identified three minor transactions for which the authorization to order the goods or services was documented after the goods or services were delivered to the City. Each transaction was for a purchase under \$200 for a variety of matters ranging from padlocks, employment ads, and emergency roadside service. Best practice provides that organizations have written policies and procedures that describe which expenses do or do not require pre-approval at the time that the goods and services are ordered. The City's procurement policies and procedures do not currently identify the thresholds or types of purchases for which pre-approval is required before the City becomes committed as the result of placing an order to buy the goods or services. Section 2.28.080 (cited below), authorizes management of the City to establish

## CITY OF VICTORVILLE

### Schedule of Findings and Questioned Costs

Year ended June 30, 2013

detailed procedures for individual purchases that are less than \$5,000. This authority should be utilized to define when pre-approval is required:

For purchases of general services and/or supplies and equipment with an estimated cost of five thousand dollars or less per any single transaction or term agreement, additional purchasing procedures shall be established by an administrative regulation of the city manager.

#### Recommendation

We recommend that the City use the authority specified in the purchasing policy to define with greater clarity when pre-approval for purchase commitments are required. This administrative memorandum should also describe any exceptions to this requirement that would reflect practical considerations and other operational exigencies.

#### Management's Comments Regarding Corrective Actions Planned or Taken

City's Authorized Purchasers will be allowed to procure goods and services < \$5k to conduct their daily tasks and at such time soon after, department support staff will enter into the City's ERP system, the purchase made to allow workflow approvals and support documentation to be attached for "confirming orders". Confirming Order is a purchase order processed after the transaction has occurred.

Typically, field staff utilizes this procurement process for < \$5k so as not to impede completion of their field work in a timely manner. Purchasing Municipal Code Section 2.28.080 authorizes management to establish procedures for individual purchases that are < \$5k. Purchasing staff has initiated the following procedure:

For items and services of value less than \$5,000, and a confirming order is needed, the following requirements are mandated:

- 1) Once the service or item is purchased, complete a purchase requisition and indicate "confirming order" on the requisitions "general notes" tab to prevent a duplicate order.
- 2) Attach supporting documentation to the requisition (i.e., receipt, etc.)
- 3) MUNIS workflow will acquire appropriate approvals for Purchase Order finalization.

#### 2013-08 General Ledger Cash Reconciliation

During the fiscal year ended June 30, 2013, general ledger cash reconciliations were not performed in a timely manner. Additionally, the City's year end bank reconciliation included checks that had been outstanding for more than 12 months. City policy requires that checks that have been outstanding for more than 120 days be written off.

#### Recommendation

Best practice is for an organization to perform its general ledger cash reconciliations within 60 days of each month end. This process should include a review by

CITY OF VICTORVILLE

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

management of the Finance Department. The City should also ensure that the City follow its policy with regard to stale dated checks.

Management's Comments Regarding Corrective Actions Planned or Taken

The reconciliation of bank credits has been a manual and time-consuming task since the new cashiering software was implemented in April of 2012. Steps are being taken to simplify the reconciliation of these credits. Also a new treasury management module for the financial software is on target for implementation which will alleviate the manual processes. Key finance staff members daily review the cash flow in the bank account. The finance department plans to adhere to best practice and perform cash reconciliations within 60 days of each month end.

The City has corrected the issue regarding stale dated checks and is following the City policy to properly handle checks that have been outstanding for more than 120 days.

2013-09 Inventory Control

The City conducts a physical count of fleet inventory once a year at fiscal year end. In reconciling the physical inventory to the General Ledger, management noted a large number of discrepancies which resulted in material adjustments. Additionally, management has indicated that is likely that a number of the items in inventory may no longer be of use to the City.

Recommendation

We recommend that the City develop and implement procedures to ensure that inventory is adequately managed throughout the year. Use of a perpetual inventory system is now supported by the City's accounting software and is considered a best practice. We also recommend that the City perform a review of inventory held, and write off any items that are no longer of use to the City more often than once a year until the amount of the correcting adjustments are reduced.

Management's Comments Regarding Corrective Actions Planned or Taken

City Fleet staff will purge fleet inventory quarterly to eliminate non-high use items to ensure manageability of stock. Biannual inventory will ensure compliance and integrity of inventory.

2013-10 Billing Reconciliation

VMUS and SCLAA maintain separate billing systems that are not a part of the City's primary accounting system. As a result, the finance department is informed of transactions only as cash receipts are received. This forces the finance department to use receipts received after year end as the basis for the City's recording of accounts receivable in these funds. As a result, additional time must be incurred after year end to determine the correct receivable balance and material adjusting entries must be

CITY OF VICTORVILLE

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

posted to correct the general ledger. This also creates general ledger records that do not properly reflect VMUS and SCLAA billing activity throughout the fiscal year.

Recommendation

We recommend that the City utilize the same billing system for all City billing functions or develop and implement reconciliation procedures to ensure that receivables reflected in the City's primary accounting system are accurate.

Management's Comments Regarding Corrective Actions Planned or Taken

VMUS and SCLAA staff have already been made aware of the issue. A meeting is planned with both departments in order to establish a more effective billing system. The General Billing System that is currently utilized by the City should be implemented for SCLAA. VMUS billing system will require special implementation due to the complexity regarding the invoice lay out and the statistical data that is needed to provide to the customer.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) at OMB Circular A-133

2013-11 Airport Improvement Program - Subaward Reporting

Federal Agency: U.S. Department of Transportation  
CFDA No.: 20.106  
Federal Program Income: Airport Improvement Program  
Federal Award Program No.: 03-06-0359-19, 03-06-0359-20  
Federal Award Year: 2013  
Control Category: Subaward Reporting  
Questioned Costs: \$0

For certain federal grants selected, sub-awardees of the City's federal awards had not complied with the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA). Specifically, the City had not informed the sub-awardees that received more than \$25,000 of federal financial assistance from the City to report the sub-award on the USAspending.gov website as required by FFATA.

Recommendation

We recommend that the City incorporate this requirement into contract agreements with all sub-awardees of federal funds.

Management's Comments Regarding Corrective Actions Planned or Taken

## CITY OF VICTORVILLE

### Schedule of Findings and Questioned Costs

Year ended June 30, 2013

City purchasing will include the following clause in Federally Funded bid packages and contracts:

Per the Federal Funding Accountability and Transparency Act (FFATA), contractors who are sub-awardees of federal funds in an amount greater than \$25,000 are required to enter their award information on [www.USASpending.gov](http://www.USASpending.gov) website. This website ensures that the public can access information on all entities and organizations receiving Federal Funds.

#### 2013-12 Airport Improvement Program – Procurement, Suspension, Debarment

Federal Agency: U.S. Department of Transportation  
CFDA No.: 20.106  
Federal Program Income: Airport Improvement Program  
Federal Award Program No.: 03-06-0359-19, 03-06-0359-20  
Federal Award Year: 2013  
Control Category: Procurement, suspension, debarment  
Questioned Costs: \$0

In accordance with OMB Circular A-110, recipients of federal awards are required to take measures to ensure that suspended or debarred vendors are not used for federal programs. Federal regulations indicate that any one of the following three methods of verification may be used:

This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) (Note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS) and available at <https://www.sam.gov/portal/public/SAM/>), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

For a sample of contractors selected for the audit, the City was unable to provide evidence that one of the above three methods was used to meet this requirement.

#### Recommendation

We recommend that the City establish procedures to ensure that one of the prescribed methods be followed to ensure that suspended and debarred vendors are not used in activities funded by federal financial assistance.

#### Management's Comments Regarding Corrective Actions Planned or Taken

City purchasing staff has incorporated the System for Award Management (SAM) requirement in all federally funded project checklists. Purchasing staff is required to print out the SAM list for each federally funded project, to be included in the project folder for supporting documentation. Purchasing staff will incorporate a Suspended

CITY OF VICTORVILLE

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

or Debarred form in the bid packages for vendors/contractors to execute for compliance.

2013-13 Highway Planning and Construction (Federal-Aid Highway Program) –  
Procurement, Suspension, Debarment

Federal Agency: U.S. Department of Transportation passed through the County of San Bernardino

CFDA No.: 20.205

Federal Program Income: Federal Demo/Highway Planning, Federal Demo 1.2, Federal Surface Transportation, State Transportation Improvement Program

Federal Award Program No.: 8-1214 A/1, DEMO4L-5380(10), HPLUL-5380(22), DEMO4L-5380(10)

Federal Award Year: 2013

Control Category: Procurement, suspension, debarment

Questioned Costs: \$0

In accordance with OMB Circular A-110, recipients of federal awards are required to take measures to ensure that suspended or debarred vendors are not used for federal programs. Federal regulations indicate that any one of the following three methods of verification may be used:

This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) (Note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

For a sample of contractors selected for the audit, the City was unable to provide evidence that one of the above three methods was used to meet this requirement.

Recommendation

We recommend that the City establish procedures to ensure that one of the prescribed methods be followed to ensure that suspended and debarred vendors are not used in activities funded by federal financial assistance.

Management's Comments Regarding Corrective Actions Planned or Taken

City purchasing staff has incorporated the System for Award Management (SAM) requirement in all federally funded project checklists. Purchasing staff is required to print out the SAM list for each federally funded project, to be included in the project folder for supporting documentation. Purchasing staff will incorporate a Suspended or Debarred form in the bid packages for vendors/contractors to execute for compliance.

CITY OF VICTORVILLE

Summary Schedule of Prior Audit Findings

Year ended June 30, 2013

(A) Summary of Prior Audit Findings and Current Status

All of the following audit findings from the Year ended June 30, 2012 are considered resolved with the exception of 2012-01, 2012-02, 2012-03, 2012-05, and 2012-06 which have been repeated in the Schedule of Findings and Questioned Costs.

2012-01 Adjusting Journal Entries

Auditing standards require that we communicate to you adjustments that were made as a part of the audit process. Accordingly, the following adjustments were made as part of the audit process:

- An adjustment of \$304,499 to accrue year end payroll expenses
- An adjustment of \$190,300 to record revenue for connection fees that had been incorrectly deferred
- A prior period adjustment of \$742,972 to record Solid Waste Disposal costs incurred in prior fiscal years
- An adjustment of \$592,540 to record a liability due to PERS regarding the City's former Safety Employees.

2012-02 Pledge Revenue Shortfall

During the fiscal year ended June 30, 2012, the SCLAA pledged revenues for bonded debt fell below the amounts required by bond covenants. Additionally bond reserve accounts for the Tax Allocation Revenue Parity Bonds (Taxable Series 2006, and Forward Series 2006) fell below the amounts required by bond covenants.

2012-03 Fund Balances in Funds Primarily Funded With Grant Revenues

Certain funds of the City that are primarily funded by grant revenues have either a deficit in fund balance or an accumulation of unexpended grant funds. Ordinarily, in grant funds, grant revenues are recognized in amounts equal to reimbursable expenditures incurred, resulting in a minimal fund balance.

2012-04 Interfund Borrowings

Certain interfund borrowings were not formally approved by City Council. The Landscape Maintenance and Drainage Facilities Assessment District, and the Solid Waste Management Funds have advanced amounts of cash to the Southern California Logistics Airport Authority. Additionally, an interfund loan from the Development Impact Facilities (DIF) Road Service Fund to the DIF Fire Service Fund was required to have been paid in full by June 30, 2012, however a balance of \$1,049,590 remained at year end.

2012-05 Bank Reconciliation

During the fiscal year ended June 30, 2012, the City had not been performing its monthly general ledger cash reconciliations on a timely basis. Additionally, the City's year end bank reconciliation included checks that had been outstanding for several years and which according to the City policy should be written off after 120 days.

# CITY OF VICTORVILLE

## Summary Schedule of Prior Audit Findings

Year ended June 30, 2013

### 2012-06 Vacation Leave Policy

There is currently an inconsistency between the City's formal Vacation Leave Policy and its actual practice with respect to such balances. As a matter of practice, the City typically pays vacation leave balances in excess of certain limits set forth in the City's Vacation Leave Policy.

### 2012-07 Financial Reporting to City Council

The Finance Department does not regularly present summarized financial analysis to the City Council to aid in its stewardship of the City. The City Council is charged with governance of the City of Victorville and in order to fulfill its responsibilities over City finances, it is important for the City Council to review high level information pertaining to the City's financial status on a regular basis.

### 2012-08 Employee Timesheets

In accordance with federal regulations, employee timesheets identify time charged to each program and are signed by the employee. In certain cases, the time charged is based upon a pre-set allocation of that employee's salary, the accuracy to which is attested to when the employee signs his or her time sheet.

OMB Circular A-87, Attachment B, paragraph 8(h)(5)(a) states that "Personnel activity reports must reflect an after-the-fact-distribution of the actual activity of each employee".