

CITY OF VICTORVILLE, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS

JUNE 30, 2020



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CITY OF VICTORVILLE
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*

The Honorable City Council
of the City of Victorville
Victorville, 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 Victorville, 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 February 23, 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.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

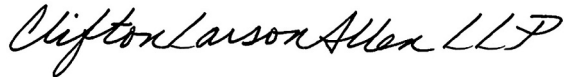
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-006, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter 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 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
February 23, 2021



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

The Honorable City Council
of the City of Victorville
Victorville, California

Report on Compliance for Each Major Federal Program

We have audited the City of Victorville'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.

Auditors' 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 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). 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 questioned costs as items 2020-007 to 2020-009. 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 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 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-007 to 2020-009, that we consider to be significant deficiencies.

Report on Internal Control over Compliance (Continued)

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 response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 23, 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.



CliftonLarsonAllen LLP

Irvine, California
March 25, 2021

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF VICTORVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2020

Federal Grantor / Pass through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>United States Department of Housing and Urban Development</u>				
Direct Assistance:				
CDBG Entitlement Grants Cluster:				
Community Development Block Grant (CDBG)	14.218	B08-MN-06-0523 B11-MN-06-0523 B-16-MC-06-0593 B-17-MC-06-0593 B-18-MC-06-0593 B-19-MC-06-0509	\$ 96,153	\$ 2,456,689
COVID-19		B-20-MW-06-0593	-	1,864
Total CDBG Entitlement Grants Cluster			<u>96,153</u>	<u>2,458,553</u>
HOME Investment Partnerships Program	14.239	B-18-MC-06-0588 M-18-DC-06-0563 B-19-MC-06-0588 M-19-DC-06-0563	-	283,937
Total United States Department of Housing and Urban Development			<u>96,153</u>	<u>2,742,490</u>
<u>United States Department of Justice</u>				
Direct Assistance:				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1289	-	151,005
Passed through the County of San Bernardino: Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJBX-0768	-	6,047
Total United States Department of Justice			<u>-</u>	<u>157,052</u>
<u>United States Department of Transportation</u>				
Direct Assistance:				
Airport Improvement Program (Federal Aviation Association)	20.106	3-06-0359-24-2017	-	188,567
Highway Planning and Construction Cluster: Passed through California Department of Transportation:				
Highway Planning and Construction	20.205	BHLS-5380(026)	-	4,394
Total United States Department of Transportation			<u>-</u>	<u>192,961</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF VICTORVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2020

Federal Grantor / Pass through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>United States Department of Homeland Security</u>				
Direct Assistance:				
Assistance to Firefighters Grant	97.044	EMW-FO-02858	\$ -	\$ 203,813
Passed through the County of San Bernardino:				
Assistance to Firefighters Grant	97.067	2017-0083	-	25,667
Total United States Department of Homeland Security			-	229,480
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 96,153	\$ 3,321,983

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF VICTORVILLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Victorville (the City) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards.

NOTE 3 INDIRECT COST RATE

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

NOTE 4 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 VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weaknesses identified? _____ yes x no
 - Significant deficiencies identified? x yes _____ none reported
Finding numbers 2020-001 to 2020-006
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weaknesses identified? _____ yes x no
 - Significant deficiencies identified? x yes _____ none reported
Finding numbers 2020-007 to 2020-009
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no
Finding numbers 2020-007 to 2020-009

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.218	CDBG Entitlement Grants Cluster: Community Development Block Grant (CDBG)
97.044	Assistance to Firefighters Grant
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u> \$750,000 </u>
Auditee qualified as low-risk auditee?	<u> x </u> yes _____ no

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020-001

- Significant Deficiency in Internal Control over Financial Reporting

Condition: For the year ended June 30, 2020, the audit detected several items in the accounting records that required adjustment including the following:

- A reduction of the developer advances liability regarding water meter and connection fees for refunds made by the City during the fiscal year.
- Recording a note receivable and reducing expenditures for a loan made by the City.
- Adjustments to grants receivable and unavailable revenue as follows:
 - Move cash received and the offsetting decrease in grants receivable from a governmental fund to a proprietary fund where the grant activity is recorded.
 - Reduce deferred inflows of resources, unavailable revenue, and increase revenue in the proprietary fund for which unavailable revenue is not applicable.
 - Reduce grants receivable and deferred inflows of resources, unavailable revenue, for prior year balances that had been collected in the current year.
 - The previous comment resulted in a review of current year project activity that increased grants receivable and deferred inflows of resources, unavailable revenue.
- Increase net pension liability, pension expense, and deferred outflows and inflows of resources related to pension amounts to agree to the pension amounts provided by CalPERS and the City's calculation.
- Adjustments to capital assets as follows:
 - Increase construction in progress to reflect current year additions when amounts were originally reported at zero.
 - Reclassify completed projects from construction in progress to the appropriate asset category and recognize depreciation expense in both governmental and proprietary funds.
 - Increase depreciation expense for amounts classified as deletions that did not represent assets that had been disposed.

Criteria or specific requirement: Sound internal control processes are required to ensure the books are closed and available for audit.

Context: The audit detected adjustments to five major categories included in the condition above.

Effect: Without sound internal control processes, audit adjustments will be required to correct account balances.

Cause: The City requires additional internal controls processes to ensure the books are closed and available for audit.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020-001 (Continued)

Repeat Finding: Partial repeat finding from prior year finding number 2019-001. While internal control issue is the same, the audit adjustment identified did vary.

Recommendation: We recommend the City implement year-end policies and procedures to address the audit adjustments noted above and prevent their re-occurrence.

Views of responsible officials and planned corrective actions: The City is currently reviewing and calendarizing the year-end processes to ensure that these types of items are not overlooked in future years. Additionally, the City will be filling the position that has been vacant for the past year, ensuring that adequate staffing is available to complete the necessary tasks in a timely manner.

2020-002

- Significant Deficiency in Internal Control over Financial Reporting

Condition: The City has a loan from the Southern California Logistics Airport Authority (SCLAA) to the Successor Agency to the Victorville Redevelopment Agency (Successor Agency) totaling \$10,278,395, which, per the terms of the note, was to be repaid on June 30, 2014. Due to revenue shortfalls, the loans were not repaid as scheduled and there were no amendments to the underlying promissory notes, extending the period of repayment.

Criteria or specific requirement: Loans should contain repayment terms that are able to be met.

Context: One loan.

Effect: The loan does not contain current repayment terms.

Cause: The Oversight Board of the Successor Agency must coordinate with the State to amend the loan, which is a lengthy process.

Repeat Finding: Repeat of prior year finding number 2019-002.

Recommendation: We recommend the City take the action necessary to amend the promissory notes and extend the period of repayment for a reasonable time.

Views of responsible officials and planned corrective actions: Management has reviewed this loan and is putting together a plan of action to take to the Oversight Board.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020-003

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our review of deposits held by the City, we noted some deposits in which the City had commented that the project was complete or the amounts can be returned; however, these funds have not yet been remitted to the depositor.

Criteria or specific requirement: The City collects deposits, primarily from developers, for engineering work or other capital project requirements made by the City. In cases where the deposit is retained as security for performance, the amounts are remitted once such performance has occurred. Upon completion of the projects, the City should release the remaining funds or collect deficits from depositors.

Context: Specifically, engineering deposits were identified.

Effect: The City still holds assets that may be required to be remitted to third parties.

Cause: The City requires additional procedures to ensure the timely remittance of deposits for completed performance obligations.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend the City develop policies and procedures to ensure timely refunding of deposits upon the date it is determined that the amounts can be remitted to the depositor.

Views of responsible officials and planned corrective actions: It is not uncommon for these types of deposits to be held by the City for a number of years until such time as public improvements are complete. In the event that the project is sold prior to completion, the deposits submitted by the original owner are released upon receipt of securities from the new owner. Following the Great Recession, it took several years for project activity to resume and most of the subject deposits are associated with projects that have been sold since the deposit was received. The department collecting the deposits will be reviewing their procedures on handling refunds or reclassing items not being refunded due to some of these depositors no longer being in business or out of contact.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020-004

- Significant Deficiency in Internal Control over Financial Reporting

Condition: We noted that the April 2020 bank reconciliation process was not completed and reviewed by June 2020, which is a lack of timeliness.

Criteria or specific requirement: An important element of internal control over cash is the completion of the bank reconciliations to allow City staff to identify any differences between the bank balances and general ledger balances and resolve such differences in a timely manner.

Context: One bank reconciliation out of twelve.

Effect: Lack of timeliness of bank reconciliations to allow identifications of issues that require timely resolution.

Cause: The City lost a staff member who was taking care of many of the bank reconciliation duties and the City had other duties responding to the pandemic.

Repeat Finding: Partial repeat finding from prior year finding number 2019-001. While internal control issue is the same, the audit adjustment identified did vary.

Recommendation: We recommend that the monthly bank reconciliation process be completed and reviewed in a timelier manner, which is 45 days after month-end.

Views of responsible officials and planned corrective actions: Multiple staff members review the bank reports on a daily basis to ensure accuracy of transactions. Additionally, staff record the transactions in the General Ledger based on these reports in a timely manner. City procedure is to reconcile the monthly bank statement within 30 days of receipt; however, the City experienced a delay in April when we lost a staff member who was taking care of many of these reconciliation duties as well as pulling staff to respond to the pandemic for cost tracking and analysis. The City is on track with its current procedures at this time.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020-005

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our review of compensated absences, we noted 42 employees with vacation accrual hours as of June 30, 2020, that were in excess of the largest maximum accrual permitted of 400 hours.

Criteria or specific requirement: Per Section 2 of the City's Resolution 19-055, which adopted the City's salary schedule and fringe payments for City employees, the City adopted maximum vacation accrual hours for employees based on years of service. The highest maximum vacation accrual hours permitted is 400 hours for employees with 16+ years of experience.

Context: 42 out of 503 employees.

Effect: The City is not following the policy regarding maximum vacation accrual.

Cause: COVID-19 caused many employees to delay vacations and the City did not determine how to address this issue.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend that the City implement controls and procedures to review vacation hours regularly and ensure that the City is in compliance with its vacation policy.

Views of responsible officials and planned corrective actions: Management is aware that several employees have exceeded the limits in the policy and City employees have been tasked with reviewing and updating all City policies as needed. This will be addressed through upcoming policy and procedure changes

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020-006

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our review of the fund balances as of June 30, 2020, we noted that the Nonmajor Other Federal Grants Special Revenue Fund had a deficit of \$2,214,599 for which only \$543,364 was categorized as deferred inflows of resources, unavailable, that would address the deficit.

Criteria or specific requirement: Special revenue funds that contain fund deficits with no corresponding funding to be received in the future to relieve the deficit should be funded as needed by the appropriate City funds.

Context: One out of twenty-three funds presented in the comprehensive annual financial report.

Effect: The fund shows a deficit while other funds are at a higher balance when some of the funds may require movement to address the deficit.

Cause: The City needs to further investigate the funding sources and ensure appropriate classification.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend the City review this fund to determine the appropriate sources to address the deficit and record transfers from those funds as is necessary.

Views of responsible officials and planned corrective actions: Staff is currently reviewing all grant activity and procedures to ensure that all activity is properly recorded and reimbursed. Staff has identified items which are being requested for reclassification in FY21 in the Green Tree Extension project as there was recently an increase in Federal Funding which changed the amounts to be paid by City and County for the matching portions. All grants will be reviewed at a minimum of quarterly and adjustments will be made in a timely manner.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

2020-007

Federal agencies: United States Department of Housing and Urban Development, United States Department of Homeland Security

Federal program title: CDBG Entitlement Grants Cluster: Community Development Block Grant (CDBG), Assistance to Firefighters Grant

CFDA Number: 14.218, 97.044

- Significant Deficiency in Internal Control over Compliance
- Other Matter

Award Period: Fiscal Year 2019-2020

Criteria or specific requirement: Procurement: (\$3,500 or less) may be awarded without soliciting competitive quotations, (b) small purchases (\$3,500 to \$150,000) require price or rate quotations from an adequate number of qualified sources, and (c) sealed bids required for purchases in excess of \$150,000. The Uniform Guidance has various requirements for written policies and procedures. Section 200.318 of the Uniform Guidance requires written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts. Section 200.430 of the Uniform Guidance requires established written policies regarding compensation.

Condition: The City's purchasing policy is less restrictive than the Uniform Guidance in that the policy only requires quotes for expenditures in excess of \$5,000, which is higher than the \$3,500 limit required by the Uniform Guidance. No issues were noted as a result of testing only that the policies have not been updated for the Uniform Guidance. The City did not have the above written policies.

Questioned costs: None noted.

Context: Not applicable - lack of required written policies and procedures.

Cause: The City did not realize written procedures were required for the Uniform Guidance.

Effect: The City was not in compliance with requirements of the Uniform Guidance for written procedures and some purchases could have been made without the required number of quotes and corresponding documentation.

Repeat Finding: Repeat of prior year finding number 2019-004.

Recommendation: We recommend that the City establish written policies and procedures in line with the requirements of the Uniform Guidance.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

2020-007 (Continued)

Views of responsible officials and planned corrective actions: Management is reviewing the City's current Purchasing Policy and will be amending it as needed to comply with the Uniform Guidance in any instance that it does not clearly spell out the guidelines. The City does ensure compliance with the Uniform Guidance for all grant requirements. The new policy is in draft format for revisions at this time.

2020-008

Federal agency: United States Department of Housing and Urban Development

Federal program title: CDBG Entitlement Grants Cluster: Community Development Block Grant (CDBG)

CFDA Number: 14.218

- Significant Deficiency in Internal Control over Compliance
- Other Matter

Award Period: Fiscal Year 2019-2020

Criteria or specific requirement: Allowable Costs: Uniform Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart E, §200.430 allows for budget estimates for personal services to be used for interim accounting purposes provided, among other criteria, that "The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated."

Condition: Personal services charged were recorded based on budget to the program and an after-the-fact determination of personal services charged to the program was not conducted and adjustments, if necessary, were not recorded.

Questioned costs: The amount of known salaries and fringe benefits charged to the federal program that were based on budgeted percentages during the fiscal year 2019-2020 is \$194,666. The amount of questioned costs cannot be determined since there are no records that accurately reflect the actual work performed.

Context: Payroll and fringe benefits were charged based on budgeted percentages in 9 of 25 samples tested. There was a total of 26 pay periods where four employees' wages and fringe benefits were charged to the program based on budgeted percentages.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

2020-008 (Continued)

Cause: The City was not aware of the requirement to make an after-the-fact accounting of time spent on the program.

Effect: The amount of personal services charged to the Federal award may be over or understated.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend that personnel track their actual time spent working on the program (including all other hours worked) so that an after-the-fact adjustments can be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Views of responsible officials and planned corrective actions: Staff working in CDBG entitlement grants will track time working on the program on one of two ways as follows: (1) Staff working all or a majority of their time on CDBG grants will adjust their weekly timesheets to reflect the budgeted percentages with standardized entries that can be adjusted based on varying workloads; and (2) Staff working partially or as needed on CDBG grants will track their time on a yearly basis and document the hours worked and work category (example yearly timesheet attached). These tracking methods will ensure amounts charged to the Federal award are accurate, allowable, and properly allocated.

2020-009

Federal agency: United States Department of Housing and Urban Development

Federal program title: CDBG Entitlement Grants Cluster: Community Development Block Grant (CDBG)

CFDA Number: 14.218

- Significant Deficiency in Internal Control over Compliance
- Other Matter

Award Period: Fiscal Year 2019-2020

Criteria or specific requirement: Allowable Costs: Uniform Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart E, §200.430 requires payroll records to support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

2020-009 (Continued)

Condition: City employee wages and fringe benefits are charged to grants or other general ledger accounts based on a budgeted percentage. City employee hours are tracked and documented using exception-based reporting where only sick, vacation, other leave, and hours worked outside of the normal budgeted account are tracked and documented in a timesheet. In fiscal year 2019-2020 payroll and fringe charged to CDBG included some employees that tracked actual hours worked and recorded these hours in a timesheet; however, the timesheet did not also include the actual hours worked for the budgeted account.

Questioned costs: None since payroll charged was based on actual hours worked.

Context: Payroll was charged based on actual hours worked where the timesheet did not also reflect other non-exception based hours on 8 of 25 samples tested. There were a total of 26 pay periods where ten employees' wages and fringe benefits totaling \$190,667 were charged to the program based on actual hours worked, but where the timesheet did not reflect the remaining hours worked in the time period.

Cause: The City was not aware of the requirement that timesheets should reflect all hours actually worked when charging such payroll costs to Federal grants.

Effect: The payroll records are not in compliance with the requirements of the Uniform Guidance.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend that personnel track their actual time spent working on the program (including all other hours worked) so that the City is in compliance with the Uniform Guidance payroll documentation requirements.

Views of responsible officials and planned corrective actions: Staff working in Federal awards including CDBG entitlement grants will track time working on the program on one of two ways as follows: (1) Staff working all or a majority of their time on CDBG grants will adjust their weekly timesheets to reflect the budgeted percentages with standardized entries that can be adjusted based on varying workloads; and (2) Staff working partially or as needed on CDBG grants will track their time on a yearly basis and document the hours worked and work category (example yearly timesheet attached). These tracking methods will ensure amounts charged to the Federal award are accurate, allowable, and properly allocated while also supporting the distribution of applicable employee's salary/wages.

**CITY OF VICTORVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

FINDINGS-FINANCIAL STATEMENT AUDIT

2019-001

Condition: For the year ended June 30, 2019, the audit detected several items in the accounting records that required adjustment including a reduction of capital assets for items that did not meet the capitalization requirements, moving federal grant activity related to the airport proprietary fund from a governmental special revenue fund, recognizing revenue or adjustment beginning fund balance for grant proceeds that did not have eligibility requirements, and recording revenue and a corresponding receivable for services provided but not yet billed in certain proprietary funds.

Status: Partially repeated in current finding 2020-001.

2019-002

Condition: The City has a loan from the Southern California Logistics Airport Authority (SCLAA) to the Successor Agency to the Victorville Redevelopment Agency (Successor Agency) totaling \$10,278,395, which, per the terms of the note, was to be repaid on June 30, 2014. Due to revenue shortfalls, the loans were not repaid as scheduled and there were no amendments to the underlying promissory notes, extending the period of repayment.

Status: See current year finding 2020-002.

2019-003

Condition: The City submitted the APR for the fiscal year ended June 30, 2018, on August 30, 2019, which was after the due date of April 1, 2019.

Status: Corrective action was taken.

FINDINGS-FEDERAL AWARD PROGRAMS AUDIT

2019-004

Condition: The City's purchasing policy is less restrictive than the Uniform Guidance in that the policy only requires quotes for expenditures in excess of \$5,000, which is higher than the \$3,500 limit required by the Uniform Guidance. No issues were noted as a result of testing only that the policies have not been updated for the Uniform Guidance. The City did not have the above written policies.

Status: See current year finding 2020-007.

