

**CITY OF MONTEREY PARK, CALIFORNIA**  
**SINGLE AUDIT OF FEDERALLY ASSISTED**  
**GRANT PROGRAMS**

**JUNE 30, 2020**



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CONSULTING

**CITY OF MONTEREY PARK**  
**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 Mayor and  
Members of City Council  
City of Monterey Park  
Monterey Park, 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 Monterey Park, 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 December 30, 2020.

### 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 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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings numbers 2020-001 and 2020-002 that we consider to be material weaknesses.

## **Compliance and Other Matters**

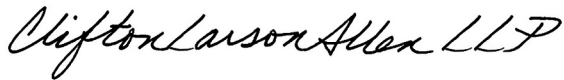
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 that are required to be reported under Government Auditing Standards.

## **City of Monterey Park's Response to Findings**

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

## **Purpose of This Report**

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

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

**CliftonLarsonAllen LLP**

Irvine, California  
December 30, 2020



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 Mayor and  
Members of City Council  
City of Monterey Park  
Monterey Park, California

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

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

**Management's Responsibility**

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

**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 an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding Number 2020-003. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response 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 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 a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding Number 2020-003 that we consider to be a significant deficiency.

## **Report on Internal Control over Compliance (Continued)**

The City's response to the internal control over compliance finding 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 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 December 30, 2020, 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  
April 22, 2021

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

CITY OF MONTEREY PARK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass - Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:				
Direct Assistance:				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	N/A	\$ 600,771	\$ 9,968
HOME Investment Partnerships Program	14.239	N/A	244,619	-
Total U.S. Department of Housing and Urban Development			845,390	9,968
<u>United States Department of the Interior</u>				
Passed through the San Gabriel Valley Municipal Water District:				
Water SMART (Sustain and Manage America's Resources for Tomorrow)	15.507	R18AP00165	76,465	-
Total United States Department of the Interior			76,465	-
U.S. Department of Justice:				
Direct Assistance:				
Bulletproof Vest Partnership Program	16.607	N/A	8,792	-
Equitable Sharing Program	16.922	N/A	81,241	-
Total U.S. Department of Justice			90,033	-
U.S. Department of the Treasury:				
Direct Assistance:				
Equitable Sharing Program	21.016	N/A	140,837	-
Total U.S. Department of Treasury			140,837	-
U.S. Department of Education:				
Passed through the County of Los Angeles				
Adult Education - Basic Grants to States	84.002	V002A150005	54,230	-
Total U.S. Department of Education			54,230	-
U.S. Department of Homeland Security:				
Direct Assistance:				
Homeland Security Grant Program	97.067	N/A	125,883	-
Total U.S. Department of Homeland Security			125,883	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,332,838	\$ 9,968

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF MONTEREY PARK  
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 Monterey Park, California (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The total expenditure amount presented for the United States Department of the Interior, WaterSMART (CFDA 15.507), includes expenditures incurred in the prior fiscal year. Grant reporting requirements call for amounts to be reported in the year in which the federal government obligates funding for the project reimbursement requests regardless of when the expenditures were incurred.

**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 MONTEREY PARK  
 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 weakness(es) identified?     x     yes            no
  - Significant deficiency(ies) identified?            yes     x     none reported
1. Noncompliance material to financial statements noted?            yes     x     no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified?            yes     x     no
  - Significant deficiency(ies) identified?     x     yes            none reported
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

**Identification of major programs:**

CFDA Number(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program
21.016	Equitable Sharing Program

- Dollar threshold used to distinguish between Type A and Type B programs: \$   750,000
- Auditee qualified as low-risk auditee?     x     yes            no

CITY OF MONTEREY PARK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

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***Section II – Financial Statement Findings***

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**2020 – 001**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** We identified an invoice related to annual water production assessment charges that was not properly accrued as a liability at June 30, 2020.

**Criteria or specific requirement:** An important part of financial reporting is ensuring proper cutoff of all financial transactions occurs whereby the reporting of such transactions coincides with the period in which such services are rendered.

**Effect:** As a result, accounts payable and water assessment expenses account balances were understated.

**Cause:** The City did not properly evaluate accounts payable subsequent to an appropriate year-end cut-of date for possible accrual.

**Repeat Finding:** This is a first year finding.

**Recommendation:** We recommend that the City enhance their established year-end cutoff procedures related to accrued liabilities so that more focus is placed on completeness of the liabilities in order to ensure that all expenditures incurred during the year have been accurately captured.

**Views of responsible officials and planned corrective actions:** Going forward, the City will perform analytics to compare current year to prior year accruals to see if there are any accruals made in the past, which need to be accrued in the current year. We will also examine invoices/payments over \$5,000 subsequent to year end to ensure all material payments pertaining to prior year liabilities are properly accrued.

**2020 – 002**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** An important part of financial reporting is ensuring proper cutoff of all financial transactions occurs whereby the reporting of such transactions coincides with the period in which such services are rendered.

**Criteria or specific requirement:** A restatement of the Water Enterprise Fund net position as of July 1, 2019 was necessary to correct the duplicate accrual of a grant reimbursement receivable which resulted in the overstatement of grants receivable and related grant revenue in the prior year.

CITY OF MONTEREY PARK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

**2020 – 002 (Continued)**

**Context:** The duplicate accrual occurred as a result of staff's year-end review of retentions payable for completeness.

**Effect:** As a result, the beginning fund balance was misstated by \$413,039.

**Cause:** A retention payable was identified that related to a grant project, so an adjustment was made to accrue for the reimbursement of the eligible costs. However, that accrual had already been made.

**Repeat Finding:** This is a first year finding.

**Recommendation:** We recommend that the City enhance the procedures in place surrounding the review of retentions payable related to grant projects to ensure the accruals for reimbursements of eligible costs are not duplicated.

**Views of responsible officials and planned corrective actions:** The City started accruing for retentions payable in FY18-19. Nevertheless, the FY18-19 financial statements and GL were not properly tied out. The City has beefed up its year-end close and reviewing procedures to ensure fund balances are tied out prior to report issuance.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2020-003**

Federal agency: U.S. Department of Housing and Urban Development (HUD)

Federal program title: HOME Investment Partnership Program (HOME)

CFDA Number: 14.239

Award Period: July 1, 2019 through June 30, 2020

Type of Finding:

- Significant Deficiency in Internal Control over Major Federal Programs and Other Matter

**Criteria or specific requirement:** Under Uniform Guidance Subpart E, Cost Principles, Section 200.430, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed; (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and (C) 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 adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

CITY OF MONTEREY PARK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

**2020-003 (Continued)**

**Criteria or specific requirement (continued):** Also, under Uniform Guidance Subpart E, Cost Principles, Section 200.431, payments for unused leave when an employee retires or terminates employment is not allowable as a direct cost.

**Condition:** The City's internal controls processes related to the review of after-the fact interim payroll charges made to the grant based on budget estimates was lacking adequate documentation. It was not clear whether all necessary adjustments were made such that the final amounts charged to the grant are accurate, allowable, and properly allocated. For instance, we identified an allocation of a payment for unused leave when an employee retired that should not have been charged to the grant as a direct cost that was not adjusted at year end.

**Questioned costs:** Less than \$25,000

**Context:** Of the \$244,619 in costs charged in the current year to the HOME program, only \$30,087 relate to payroll costs, or 12.30%. In addition, payroll costs are for grant administration and the total administration costs for the year are below the limit established by HUD.

**Cause:** Timesheets maintained for individuals do not support the actual time charged to the Federal award program making it difficult to perform an adequate review of after-the fact interim payroll charges made to the grant based on budget estimates for the purpose of making adjustments. In addition a portion of a retired employees unused compensated absences payout was incorrectly allocated to the grant program.

**Effect:** The City's charges to Federal awards for salaries and wages are not adequately based on records that accurately reflect the work performed. As a result, the grant program is not in compliance with payroll charge requirements of the Uniform Guidance.

**Repeat Finding:** Yes: 2019-001.

**Recommendation:** We recommend the City charge salaries and wages to Federal programs based on actual hours worked by employees on each Federal program and maintain proper documentation of actual hours worked by use of contemporaneous timecards. In addition, we recommend the City reimburse the grant for the known questioned costs.

**Views of responsible officials and planned corrective actions:** The City has contracted and purchased a new Tyler Munis ERP system to properly track all grant hours and charge actual hours spent in lieu of budgeted hours. Munis Payroll is targeted to go live on 01/01/2022. Once the new system goes live, all actual labor charges will be systematically traced and expensed. Prior to the new ERP Payroll system going live, the City will implement manual trace of the grant labor charges, and prepare and maintain actual time card records starting 07/01/2020.

CITY OF MONTEREY PARK  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020

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***Section I – Financial Statement Findings***

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None noted.

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***Section II – Findings and Questioned Costs – Major Federal Programs***

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**Finding Number 2019-001 - Payroll Charges**

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

**Federal Program Title:** Community Development Block Grants – Entitlement Grant

**CFDA Number:** 14.218

**Condition:** During our audit, we noted charges for employee's salaries and wages were based on a budgeted percentage instead of actual hours.

**Status:** See current year finding 2020-003.

