

City of Monterey Park

Monterey Park, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2023



City of Monterey Park
Single Audit and Independent Auditors' Reports
For the Year Ended June 30, 2023

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**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 Auditors' Report

To the Honorable Mayor and the Members of City Council
of the 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 (“*Government Auditing Standards*”), 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, 2023, 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 15, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be significant deficiency.

To the Honorable Mayor and the Members of City Council
of the City of Monterey Park
Monterey Park, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2023-002.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
March 28, 2024



**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**

Independent Auditors' Report

To the Honorable Mayor and the Members of City Council
of the City of Monterey Park
Monterey Park, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Monterey Park, California's (the "City") compliance with the types of compliance requirements identified as subject to audit 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, 2023. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City's federal programs.

Auditors’ Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors’ Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

To the Honorable Mayor and the Members of City Council
of the City of Monterey Park
Monterey Park, California
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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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 15, 2024, 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 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 basic 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 GAAS. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Santa Ana, California
March 28, 2024, except for the Schedule of Expenditures of Federal Awards, which is as of February 15, 2024.

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City of Monterey Park
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Program:</i>			
<i>CDBG - Entitlement Grant Cluster</i>			
Community Development Block Grants / Entitlement Grants	14.218	B-21-MC-06-0548	\$ 160,873
Total CDBG - Entitlement Grant Cluster			<u>160,873</u>
Home Investment Partnership Agreement	14.239	M-21-MC-06-0550	<u>263,600</u>
Total U.S. Department of Housing and Urban Development			<u>424,473</u>
U.S. Department of The Interior			
<i>Passed through the San Gabriel Valley Municipal Water District:</i>			
Water SMART (Sustain and Manage America's Resources for Tomorrow)	15.507	2361-AG	<u>29,971</u>
Total U.S. Department of The Interior			<u>29,971</u>
U.S. Department of Justice			
<i>Direct Program:</i>			
Bulletproof Vest Partnership Program	16.607	2020BUBX15075628	<u>7,058</u>
Total U.S. Department of Justice			<u>7,058</u>
U.S. Department of the Treasury			
<i>Direct Programs:</i>			
Equitable Sharing	21.016	CA0194800	47,044
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>6,424,800</u>
Total U.S. Department of the Treasury			<u>6,471,844</u>
U.S. Department of Education			
<i>Passed through California Department of Education:</i>			
Adult Education - Basic Grants to States	84.002	22-14508-26970	<u>57,240</u>
Total U.S. Department of Education			<u>57,240</u>
U.S. Department of Homeland Security			
<i>Passed through County of Los Angeles:</i>			
Homeland Security Grant Program (HSGP)	97.067	2020-0095	96,164
<i>Passed through City of Los Angeles:</i>			
Homeland Security Grant Program (HSGP)	97.067	C-140615	31,051
Homeland Security Grant Program (HSGP)	97.067	C-143080	119,510
Homeland Security Grant Program (HSGP)	97.067	C-138595	<u>248,673</u>
Total Homeland Security Grant Program (HSGP)			<u>495,398</u>
Total U.S. Department of Homeland Security			<u>495,398</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,485,984</u></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Monterey Park
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (“GASB”) Codification, consists of the primary government, which is the City of Monterey Park, California (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organization, establishing financial accountability:

- The Monterey Park Public Financing Authority
- The Monterey Park Housing Authority

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the General Fund, special revenue funds and enterprise fund of the City. The City utilizes the modified accrual basis of accounting for the General Fund and special revenue funds and the accrual basis of accounting for enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City’s basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the San Gabriel Valley Municipal Water District, California Department of Education, County of Los Angeles, and City of Los Angeles, are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

Indirect Cost Rate

The City did not elect to use the 10% de minimis cost rate

City of Monterey Park
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Types of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? **2023-001**
- Significant deficiency(ies) identified? **2023-002**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified? **2023-003**

Type of auditors’ report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of major federal programs:

Assistance Listing Numbers	Major Federal Program or Cluster	Federal Expenditures
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	6,424,800
	Total Expenditures of All Major Federal Programs	\$ 6,424,800
	Total Expenditures of Federal Awards	\$ 7,485,984
	Percent of Total Expenditures of Federal Awards	85.82%

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as a low-risk auditee in accordance with 2 CFR 200.520? **No**

City of Monterey Park
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement

Finding 2023-001 Internal Control Over Financial Reporting

Criteria:

Management is responsible for the preparation and fair presentation as well as the accuracy of its financial statements including disclosures in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. As part of satisfying that responsibility, staff should possess skills, knowledge, and experience necessary to complete year-end closing process.

Generally accepted auditing standards defined internal control as a process – affected by the Members of City Council, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations.

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) established the following framework that stress the need for policies and procedures to promote effective internal control for an entity:

- Control Environment – Establish structures, reporting lines, authorities and responsibilities
- Risk Assessment– Select and develop control activities that mitigate risks
- Control Activities – Deploy control activities through policies and procedures
- Information and Communication – Communicate internal control information internally
- Monitoring – Evaluations are used to determine if controls are present and functioning

An overall purpose of internal control over financial reporting is to foster the preparation of reliable financial statements. Reliable financial statements must be materially accurate.

Condition:

During the audit, we noted the following conditions that resulted adjustments to the financial statements:

- Prior period adjustments were made to correct the understated deferred outflow of pension amount at July 1, 2022 (Approximately \$1.3 million)
- Prior period adjustments were made to correct the beginning unavailable revenue and fund balance at July 1, 2022 of the Housing Special Revenue Fund (Approximately \$1.19 million)
- Prior period adjustments were made to reallocate the beginning balance of the pension related balances between government activities and business-type activities (Approximately \$827,000)
- Prior period adjustments were made to reallocated the beginning balance of the other postemployment benefits related balances between government activities and business-type activities (Approximately \$1.2 million)
- Interest payable of Pension Obligation Bonds – the City did not properly allocate the interest payable into internal service funds base on the bonds’ allocation.

City of Monterey Park
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement (Continued)

Finding 2023-001 Internal Control Over Financial Reporting (Continued)

Cause:

Monitoring controls are ineffective to ensure the City follow its policies and procedures for evaluating, reviewing, and properly recording financial transactions relating to the recording and reporting of deferred outflow of pension and unavailable revenue.

Effect or Potential Effect:

Multiple adjusting entries were proposed during the audit to correct the financials and delayed the process of the audit.

Context:

See condition above for context of the finding.

Recommendation:

We recommend that the City implement procedures to reduce number of journal entries and errors found after the closing process and reduce the risk of errors in the preparation of the financial statements. In addition, the City should contemplate whether additional skilled personnel are needed in order to enhance its review processes for internal control over the financial reporting and within each transaction cycle to ensure that they are thoroughly evaluated, reviewed and recorded in order to facilitate the accurate and complete year-end closing of the general ledger.

Views of Responsible Officials:

The City Director of Finance, Martha Garcia, will implement a monthly reporting cycle which will include review of internal control over financial reporting on a monthly basis. If and when errors are detected, journal entries will be prepared monthly to correct the financial reports.

On going training is scheduled for Finance staff members. The training includes but is not limited to attending CSMFO and GFOA Conferences and Webinars.

City of Monterey Park
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement (Continued)

Finding 2023-002 Measure W Reporting

Criteria:

Los Angeles County Code of Ordinance §18.06B requires each municipality prepare, prior to the start of the municipality’s fiscal year, a plan for how SCW Program funds will be used in the ensuing fiscal year. In accordance with Safe, Clean Water Program - Municipal Program Transfer Agreement, Section IV A, the Municipality shall annually prepare and submit to the District, an Annual Plan. The Annual Plan for the 2020-21 Fiscal Year shall be submitted to the District no later than 45-days after the execution of this Agreement by the last party to sign. An Annual Plan for each subsequent Fiscal Year shall be submitted not later than 90-days prior to the start of the Fiscal Year for which the Plan is prepared.

Los Angeles County Code of Ordinance §18.06D requires each municipality prepare and submit an annual report to the Los Angeles County Flood Control District (the “District”), no later than six months after the end of the municipality’s fiscal year.

In accordance with Safe, Clean Water Program - Municipal Program Transfer Agreement, Exhibit B – General Terms and Conditions, Section B-30, the Los Angeles County Flood Control District may withhold all or any portion of the SCW program payment for any fiscal year in the event that the Municipality has violate any provision of the Transfer Agreement or fail to submit annual reports on meeting SCW Program goals.

Condition:

During our audit we noted the following late reporting:

<u>Required Report</u>	<u>Frequency</u>	<u>Period End</u>	<u>Deadline</u>	<u>Date Submitted</u>
<u>Municipal Program</u>				
Subsequent Annual Spending Plan	Annual	June 30, 2023	April 1, 2022	April 7, 2022
Annual Progress/Expenditure Report	Annual	June 30, 2023	December 31, 2023	February 14, 2024

Cause:

The City was unfamiliar with the Municipal Program reporting requirement because the program was new to the City.

Effect or Potential Effect:

Without timely submitting the required annual spending plan and the annual reports, the City is not in compliance with the SCW Program requirements and could potentially lose the funding.

Recommendation:

We recommend the City develop policies and procedures to ensure timely submission of the annual spending plans and the annual progress/expenditure reports.

City of Monterey Park
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement (Continued)

Finding 2023-002 Measure W Reporting (Continued)

View of Responsible Officials:

The City will train additional staff to ensure timely submission of annual spending plans and the annual progress/expenditure reports.

B. Prior Year Findings – Financial Statement

Finding 2022-001 Internal Control Over Financial Reporting on Deposits Payable

Condition:

Detail of the police evidence deposits payable account includes a large, old, lump-sum amount that was carried over from an old accounting system. There appears to be little detail to support the individual balances that might be included in that lump sum amount.

Recommendation:

It was recommended to the city to evaluate the details of the police evidence deposit liability account in order to determine the validity of the underlying individual deposits. Deposits for which the purpose has been met or completed, should be removed from the account by returning it to the rightful depositor or by recognizing it as revenue depending on the individual circumstances.

Status:

Corrective action has been implemented.

City of Monterey Park
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

2023-003 Procurement and Suspension, and Debarment – Internal Control over Verification Against the System for Award Management (“SAM”)

Identification of the Federal Program:

Assistance Listing Number: 21.027

Assistance Listing Title: Coronavirus State and Local Fiscal Recovery Funds

Federal Agency: Department of Treasury

Federal Award Number and Award Year: 2021

Criteria or Specific Requirement (Including Statutory, Regulatory, or Other Citation):

Suspension and Debarment, Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/> (Note: The OMB guidance at 2 CFR part 180 and agency implementing regulations still refer to the SAM Exclusions as the Excluded Parties List System (EPLS)), (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).

Condition:

During our audit, we noted that 2 out of 5 samples selected for testing which the City did not have documentation on verifying the vendors against the SAM prior entering into contracts with the vendors to ensure that they were not suspended or debarred from federally funded purchases.

Cause:

The City does not have a process to train new staff on documentation of performing suspension or debarment checks on vendors that the City entered into contracts with for federally-funded projects.

Effect or Potential Effect:

Without verifying whether vendors are suspended or debarred from working on federally-funded projects, the City could be contracting with vendors that are prohibited from working on federally-funded projects.

Questioned Costs:

None.

Context:

See condition above for context of the finding.

City of Monterey Park
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs (Continued)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2023-003 Procurement and Suspension, and Debarment – Internal Control over Verification Against the System for Award Management (“SAM”) (Continued)

Identification as a Repeat Finding, If Applicable:

Not applicable.

Recommendation:

We recommended the City establish internal control procedures to document its suspension and debarment check to ensure vendors are not suspended or debarred from federally-funded purchases.

View of Responsible Officials:

Management concurs the finding.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No prior year findings were reported.

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