



**City of El Monte, California**  
**Single Audit Report**  
***As of and for the Year Ended June 30, 2017***  
***with Report of Independent Auditors***

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*with Report of Independent Auditors*

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**Report of Independent Auditors 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 the City Council  
City of El Monte**  
El Monte, California 91731

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 City of El Monte, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of El Monte's basic financial statements and have issued our report thereon dated December 18, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of El Monte's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of El Monte's internal control. Accordingly, we do not express an opinion on the effectiveness of City of El Monte'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of El Monte's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of El Monte in a separate letter dated December 18, 2017.

## **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vasquez + Company LLP*

**Los Angeles, California  
December 18, 2017**

**Report of Independent Auditors on Compliance For Each Major Federal Program,  
on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

**The Honorable Mayor and Members of the City Council  
City of El Monte, California**

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

We have audited the City of El Monte's (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, 2017. 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.

***Auditor's 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 20, 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 major federal programs 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 Programs***

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 its major federal programs for the year ended June 30, 2017.



### **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 Findings F 2017.002 through F 2017.003. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **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 its major federal programs 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 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 identified certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding FS2017.001 that we consider to be a material weakness.

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 responses.

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 government 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 18, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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 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.

*Vasquez + Company LLP*

**Los Angeles, California**

**February 28, 2018** (except for the Schedule of Expenditures of Federal Awards, as to which the date is December 18, 2017)

**City of El Monte**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity/Grantor's Number	Passed Through to Subrecipients	Federal Award Expenditures
<b>U.S. Department of Agriculture</b>				
Passed through the State of California,				
Department of Education:				
Summer Food Service Program for Children	10.559	8190-5V	\$ -	\$ 59,201
<b>Total U.S. Department of Agriculture</b>			<u>-</u>	<u>59,201</u>
<b>U.S. Department of Housing and Urban Development</b>				
Direct Assistance:				
Community Development Block Grant Program				
Entitlement Grant	14.218	Various	38,000	1,404,515 *
Home Investment Partnership Program (Home)	14.239	Various	-	108,252
Emergency Shelter Grant	14.231	Various	203,898	235,494
<b>Total U.S. Department of Housing and Urban Development</b>			<u>241,898</u>	<u>1,748,261</u>
<b>U.S. Department of Justice</b>				
Direct Assistance				
Federal Asset Forfeiture Program	16.992	CA0192200	-	673,760
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0571	-	36,862
Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0949	-	3,122
<b>Total U.S. Department of Justice</b>			<u>-</u>	<u>713,744</u>
<b>U.S. Department of Transportation</b>				
Passed through State of California,				
Office of Traffic Safety (OTS):				
State and Community Highway Safety				
OTS Grant	20.600	PT 1624	-	49,348
OTS Grant - 2016	20.600	PT 1734	-	104,569
			<u>-</u>	<u>153,917</u>
Passed-through Los Angeles County Metropolitan Transportation Authority				
Job Access and Reverse Commute Program	20.516	CA-37-X171	-	80,430
			<u>-</u>	<u>80,430</u>
<b>Total U.S. Department of Transportation</b>			<u>-</u>	<u>234,347</u>
<b>U.S. Department of Health and Human Services</b>				
Passed through the County of Los Angeles,				
Department of Community and Senior Services:				
Special Programs for the Aging, Title III, Part B (Grants for Supportive Services and Senior Centers)				
	93.044	SSP-141806	-	51,210
Nutrition Services Incentive Program	93.053	ENP-1216-006	-	133,352
<b>Total U.S. Department of Health and Human Services</b>			<u>-</u>	<u>184,562</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 241,898</u>	<u>\$ 2,940,115</u>

\* Major Programs

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Scope of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the City of El Monte, California (City). For purposes of this schedule, financial awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized, if any, or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

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 position, changes in net assets, or cash flows of the City.

**Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting, which is defined in Note 1 to the City's basic financial statements. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal programs.

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

**NOTE 2      RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Grant expenditure reports as of June 30, 2017, which have been submitted to grantor agencies, will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

**NOTE 3      RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS**

In accordance with the Governmental Accounting Standards Board's Statement No. 61, *Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, activities relating to all federal financial assistance programs are blended in the City's financial statements as special revenue funds.

**Section I – Summary of Auditors’ Results**

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**Financial Statements**

Type of auditors’ report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	Yes – F2017.001
• Significant deficiency(ies) identified?	No
Type of auditors’ report issued on compliance with respect to major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance	Yes (2017.002 through 2017.003)

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

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**Section II – Financial Statement Findings**

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There were no financial statement findings noted during the fiscal year ended June 30, 2017.

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**Section III – Federal Award Findings**

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**F 2017-001: Preparation of Schedule of Expenditures of Federal Awards**

***Criteria:***

Title 2: Grant and Agreements, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”), Subpart F Audit Requirements, specifically §200.510 (b) Schedule of expenditures of Federal Awards:

The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 - Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name.
- Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

***Condition***

In performing procedures over the completeness and accuracy of the City's schedule of expenditures of federal awards (SEFA) for the year ended June 30, 2017, we noted that federal expenditures of the Summer Food Service Program for Children (CFDA 10.559) passed through from the State of California Department of Education, and Federal Asset Forfeiture Grant (CFDA 16.992), a direct grant from the U.S. Department of Justice amounting to \$59,201 and \$673,760 respectively, were not included in the SEFA.

***Cause***

Procedures and controls were not properly implemented to comply with federal compliance requirements on the preparation of the SEFA.

***Effect***

An incomplete SEFA may allow for omission of a major program which should be included in the audit testing. An incomplete SEFA may also result in an inefficient audit approach and incorrect program risk assessment process, while increasing the risk of incorrect major program determination. This is considered a material instance of noncompliance with the federal requirements.

***Questioned Costs***

Not Applicable

***Recommendation***

We recommend that the City strengthen its policies and procedures over the preparation and review of the SEFA to ensure its accuracy and completeness.

***Management Response and Planned Corrective Action***

The City included all programs on the Schedule but did not complete the schedule accurately. Further reviews will be performed in the future to ensure that the most up-to-date figures are provided on the SEFA prior to it being submitted to audit personnel.

**F 2017-002: Subrecipient Monitoring**

<i>Federal Catalog Number:</i>	14.218
<i>Federal Program Name:</i>	Community Development Block Grants/Entitlement Grants
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	B-16-MC-06-0517 – FY 16-17

**Criteria:**

OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) (“Uniform Guidance”), specifically §200.331, requires pass-through entities to evaluate each subrecipient's risk of noncompliance in order to determine the appropriate monitoring level, monitor the activities of subrecipient organizations to ensure that the subaward is in compliance with applicable federal statutes and regulations and terms of the subaward, and verify that subrecipients are audited as required by Subpart F of the Uniform Guidance.

As set forth in the Uniform Guidance (2 CFR 200.331), the City must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward. If any of these data elements change, the City must include the changes in a subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

- (i) Subrecipient name (which must match the name associated with its unique entity identifier);
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- (xii) Identification of whether the award is R&D; and
- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs)

**Condition**

We tested the City's one subrecipient for compliance with the Uniform Guidance subrecipient monitoring requirements and noted the following:

- The City does not have written policies and procedures related to subrecipient monitoring.
- The City does not have documentation of its evaluation or assessment of subrecipient's risk of noncompliance.
- The City does not have adequate monitoring procedures in place to ensure that the subrecipient complies with the program requirements. The City did not perform an annual monitoring visit and review of program activities for its subrecipient during fiscal year 2015-2017.
- The City does not have a process in place to obtain the Single Audit reports for eligible subrecipients and consequently they are not available for review by City staff as necessary to assess risk of noncompliance or to follow up on any prior findings.
- The subrecipient agreement did not include the following subaward information: subrecipient's unique entity identifier, federal award identification number, date of award to the recipient by the Federal agency, CFDA number and name.

This is a repeat finding from fiscal year 2016 audit (Finding F2016-002).

**Cause**

Procedures and controls were not properly implemented to comply with federal compliance requirements on subrecipient monitoring. In addition, the City personnel responsible for creating the subrecipient agreement were not aware of the subrecipient information requirements.

**Effect**

Noncompliance with the above requirements may result in subrecipient compliance deficiencies not being properly identified by the City, communicated to the agencies and corrected by the subrecipients.

**Questioned Costs**

Not Applicable

**Recommendation**

We recommend that the City establish and implement stricter controls and procedures to ensure that the above subrecipient compliance requirements are met. In addition, the City should ensure that all required information is identified and communicated to the subrecipient at the time the subaward is granted.

**Views of Responsible Officials and Planned Corrective Action**

The City has CDBG policies and procedures that are currently under staff review including those relating to subrecipient monitoring. These policies and procedures will be submitted to the El Monte City Council and Department of Housing and Urban Development (HUD) for approval in April. These policies will address subrecipient risk assessments and appropriate reporting requirements. The City currently is including the appropriate identification numbers and award dates in its subrecipient agreements.

**F 2017-003: Reporting**

<i>Federal Catalog Number:</i>	14.218
<i>Federal Program Name:</i>	Community Development Block Grants/Entitlement Grants
<i>Federal Agency:</i>	Department of Housing and Urban Development
<i>Pass-Through Entity:</i>	N/A
<i>Federal Award Number and Award Year:</i>	B-16-MC-06-0517 – FY 15-16

***Criteria or Specific Requirement***

Title 24: Housing and Urban Development, Part 91 – Consolidated Submissions for Community Planning and Development Programs,

Subpart A - General, Section 91.15 Submission date (a) General. (1) In order to facilitate continuity in its program and to provide accountability to citizens, each jurisdiction should submit its consolidated plan to HUD at least 45 days before the start of its program year. With the exception of the August 16 date noted in paragraph (a)(2) of this section, HUD may grant a jurisdiction an extension of the submission deadline for good cause.

Subpart F – Other General Requirements, section 91.52 (a) – Performance reports, states that each jurisdiction that has an approved consolidated plan shall annually review and report, in a form prescribed by HUD, on the progress it has made in carrying out its strategic plan and its action plan. The performance report must include a description of the resources made available, the investment of available resources, the geographic distribution and location of investments, the families and persons assisted (including the racial and ethnic status of persons assisted), actions taken to affirmatively further fair housing, and other actions indicated in the strategic plan and the action plan. This performance report shall be submitted to HUD within 90 days after the close of the jurisdiction's program year.

Part 135 – Economic Opportunities for Low- and Very Low-income Persons, Subpart E – Reporting and Recordkeeping, Section 135.90 Reporting states that each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the program providing the section 3 covered assistance requires submission of an annual performance report, the section 3 report will be submitted with that annual performance report. If the program providing the section 3 covered assistance does not require an annual performance report, the section 3 report is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public.

***Condition Found***

During our audit of the City's compliance with the CDBG reporting requirements, we noted the following:

- The Federal Financial Reports (SF-425) for the third quarter ending, September 30, 2017 was submitted on December 13, 2016, which was forty four (44) days past the due date of October 30, 2016. This is a repeat finding from fiscal year 2016 audit (Finding 2016-003).

- The Annual Action Plan was submitted on August 23, 2016, which was 100 days past the due date of May 15, 2016.

***Cause***

The City did not have adequate monitoring controls in place to ensure that required reports are timely submitted to the Department of Housing and Urban Development.

***Effect***

Untimely submission of required reports will result in noncompliance with the grant and funding agreement.

***Questioned Costs***

Not applicable

***Recommendation***

The City should review its current procedures over financial and program reporting to ensure timely submission of the required reports.

***Views of Responsible Officials and Planned Corrective Action***

The City has increased its Housing staff to ensure all federal reports are filed timely in the future. Furthermore, weekly meetings between Housing and Finance personnel are anticipated to eliminate this finding. The SF-425s are currently timely and the Annual Action Plan was submitted on time and in accordance with HUD requirements for Fiscal Year 2017-2018.

**City of El Monte  
Status of Prior Findings and Questioned Costs  
Year ended June 30, 2017**

Finding Reference	Condition	Current Status	Explanation if not fully implemented																		
<b>Financial Statement Findings</b>																					
FS 2016-001 – Budgets and Appropriations	<p>We noted that for the fiscal year ended June 30, 2016, there were expenditures that exceeded appropriations at the department level as disclosed in the notes to financial statements for the following function of the General Fund:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="text-align: right; border-bottom: 1px solid black;">Expenditures</th> <th style="text-align: right; border-bottom: 1px solid black;">Appropriations</th> <th style="text-align: right; border-bottom: 1px solid black;">Excess</th> </tr> </thead> <tbody> <tr> <td>General government</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">City attorney</td> <td style="text-align: right;">\$ 1,574,019</td> <td style="text-align: right;">\$ 1,300,000</td> <td style="text-align: right;">\$ (274,019)</td> </tr> </tbody> </table> <p>In addition, the City budgeted expenditures in amounts exceeding revenues and available fund balances, resulting in a budgeted fund deficit for the following special revenue fund:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; border-bottom: 1px solid black;">Amount Budgeted Expenditures (Exceeded) Revenues</th> </tr> </thead> <tbody> <tr> <td>Special Revenue Funds:</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">MTA Call for Projects</td> <td style="text-align: right;">\$ (7,925,400)</td> </tr> </tbody> </table> <p>This practice constitutes noncompliance with the Municipal Code and is considered noncompliance reportable under <i>Government Auditing Standards</i>.</p> <p>This is a repeat finding from fiscal year 2015 audit (Finding FS 2015-001).</p>		Expenditures	Appropriations	Excess	General government				City attorney	\$ 1,574,019	\$ 1,300,000	\$ (274,019)		Amount Budgeted Expenditures (Exceeded) Revenues	Special Revenue Funds:		MTA Call for Projects	\$ (7,925,400)	Partially Implemented	City strives to maintain compliance with all regulations including its Municipal Code.
	Expenditures	Appropriations	Excess																		
General government																					
City attorney	\$ 1,574,019	\$ 1,300,000	\$ (274,019)																		
	Amount Budgeted Expenditures (Exceeded) Revenues																				
Special Revenue Funds:																					
MTA Call for Projects	\$ (7,925,400)																				

**City of El Monte**  
**Status of Prior Findings and Questioned Costs**  
**Year ended June 30, 2017**

<b>Finding Reference</b>	<b>Condition</b>	<b>Current Status</b>	<b>Explanation if not fully implemented</b>
<b>Federal Award Findings</b>			
F 2016-001 – Community Development Block Grants/Entitlement Grants – Allowable Costs/Cost Principles	We determined the City did not comply with federal requirements for direct payroll charges. Payroll costs for all three employees tested were allocated to programs based on percentages provided by management. These allocations were not supported by approved time samples or updated cost allocation methods/plan, nor were they reconciled to actual time spent on the various programs. Employee timesheets did not record the actual labor efforts expended on this grant.	Implemented	Not applicable.
F 2016-002 – Community Development Block Grants/Entitlement Grants – Subrecipient Monitoring	<p>We tested the City’s one subrecipient for compliance with the Uniform Guidance subrecipient monitoring requirements and noted the following:</p> <ul style="list-style-type: none"> <li>• The City does not have written policies and procedures related to subrecipient monitoring.</li> <li>• The City does not have documentation of its evaluation or assessment of subrecipient’s risk of noncompliance.</li> <li>• The City does not have adequate monitoring procedures in place to ensure that the subrecipient complies with the program requirements. The City did not perform an annual monitoring visit and review of program activities for its subrecipient during fiscal year 2015-2016.</li> <li>• The City does not have a process in place to obtain the Single Audit reports for eligible subrecipients and consequently they are not able to review the report as necessary to assess risk of noncompliance or to follow up on any prior findings.</li> <li>• The subrecipient agreement did not include the following subaward information: subrecipient’s unique entity identifier, federal award identification number, date of award to the recipient by the Federal agency, CFDA number and name.</li> </ul> <p>This is a repeat finding from fiscal year 2015 audit (Finding F2015-003).</p>	Partially Implemented	Desk monitoring has been implemented in FY16-17.

**City of El Monte**  
**Status of Prior Findings and Questioned Costs**  
**Year ended June 30, 2017**

Finding Reference	Condition	Current Status	Explanation if not fully implemented
<b>Federal Award Findings</b>			
F 2016-003 – Community Development Block Grants/Entitlement Grants – Reporting	<p>During our audit of the City’s compliance with the CDBG reporting requirements, we noted the following:</p> <ul style="list-style-type: none"> <li>• The Federal Financial Reports (SF-425) for quarters ending, September 30, 2015 and March 31, 2016, were submitted on December 13, 2016, which was four hundred and ten (410) and two hundred twenty seven (227) days past the due dates of October 30, 2015 and April 30, 2016, respectively.</li> <li>• The HUD 60002, Section 3 Summary Report, <u>Economic Opportunities for Low and Very Low-Income Persons, Report</u> for FY 2015-2016 was submitted on December 12, 2016, which was seventy three days past the due date of September 30, 2016. This is a repeat finding from fiscal year 2015 audit (Finding 2015-002).</li> </ul>	Partially Implemented	During the past year the SF 425 Federal Financial Quarterly Reports have been filed on time this past year. The Section 3 Summary Report, Economic Opportunities for Low and Very Low-Income Persons, Report for FY 2016-2017 was submitted on time. The Housing Division assigned one staff member, as required, to sign up in the SPEARS System to submit the reports on an annual basis.
F 2016-004 – Emergency Shelter Grant - Allowable Costs/Cost Principles	<p>During our test of controls and compliance over allowable costs, we noted that 2 out of 7 ESG program expenditures tested were not adequately supported. These were payments made to the City’s subrecipient included in the drawdown requests. The program disbursements tested were not supported by the underlying invoice documentation. The City could not provide documentation to support the accuracy of the program expenditure. Hence, the auditor is unable to reconcile the total amount of expenditures claimed with the underlying support.</p>	Implemented	To ensure compliance with federally funded programs, the City implemented a timesheet to track actual time spent working on grant activities. The template was approved by HUD.

**City of El Monte  
Status of Prior Findings and Questioned Costs  
Year ended June 30, 2017**

<b>Finding Reference</b>	<b>Condition</b>	<b>Current Status</b>	<b>Explanation if not fully implemented</b>
<b>Federal Award Findings</b>			
F 2016-005 – Emergency Shelter Grant - Reporting	<p>During our audit of the City’s compliance with the ESG reporting requirements, we noted the following:</p> <ul style="list-style-type: none"> <li>• The Federal Financial Reports (SF-425) for quarters ending, September 30, 2015, December 31, 2015, and March 31, 2016, were all submitted on December 13, 2016, which were four hundred and ten (410), three hundred eighteen (318) and two hundred twenty seven (227) days past the due dates of October 30, 2015, January 30, 2016 and April 30, 2016.</li> <li>• The HUD 60002, Section 3 Summary Report, <u>Economic Opportunities for Low and Very Low-Income Persons, Report</u> for FY 2015-2016 was submitted as of December 12, 2016, which was seventy three days past the due date of September 30, 2016.</li> </ul>	Implemented	Not applicable
F 2016-006 – Emergency Shelter Grant - Subrecipient Monitoring and Management	<p>We selected one (1) subrecipient for testing of compliance with the Uniform Guidance subrecipient monitoring requirements and with the City’s subrecipient agreements and noted the following:</p> <ul style="list-style-type: none"> <li>• The City does not have written policies and procedures related to subrecipient monitoring.</li> <li>• The City does not have documentation of its evaluation or assessment of the subrecipient’s risk of noncompliance.</li> <li>• The City does not have adequate monitoring procedures in place to ensure that the subrecipient complies with the program requirements. Further the City cannot provide acceptable documentation of monitoring.</li> <li>• The subrecipient agreement did not include the following subaward information: subrecipient’s unique entity identifier, federal award identification number, date of award to the recipient by the Federal agency, CFDA number and name.</li> </ul>	Partially Implemented	Desk monitoring has been implemented in FY 16-17

**City of El Monte**  
**Status of Prior Findings and Questioned Costs**  
**Year ended June 30, 2017**

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<b>Finding Reference</b>	<b>Condition</b>	<b>Current Status</b>	<b>Explanation if not fully implemented</b>
<b>Federal Award Findings</b>			
F 2016-007 – Emergency Shelter Grant - Special Tests and Provisions – Payment to Subrecipients	During our tests of controls and compliance over special tests and provisions pertaining to payments to subrecipients, we noted that all 6 subrecipient reimbursement requests tested were paid beyond the 30-day requirement.	Partially Implemented	Payments to Subrecipients: The Housing Division is working on stricter policies and procedures to efficiently issue payment within Federal guidelines



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