

CITY OF MONTEREY PARK, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS
YEAR ENDED JUNE 30, 2021



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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 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Monterey Park's basic financial statements, and have issued our report thereon dated March 23, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Monterey Park'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 of Monterey Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Monterey Park'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 questioned costs, we did identify certain deficiencies in internal control, that we consider to be a 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 finding number 2021-001 to be a material weakness.

The Honorable Mayor and
Members of City Council
City of Monterey Park

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 the attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding numbers 2021-002 and 2021-003 to be significant deficiencies.

Compliance and Other Matters

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

City of Monterey Park's Response to Findings

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

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.



CliftonLarsonAllen LLP

Irvine, California
March 23, 2022



**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'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, 2021. 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 entity'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.

The Honorable Mayor and
Members of City Council
City of Monterey Park

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, 2021.

Report on Internal Control over Compliance

Management of the entity 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 entity'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 entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

The Honorable Mayor and
Members of City Council
City of Monterey Park

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 23, 2022, 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
September 19, 2022

**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, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total 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	\$ 1,389,399	\$ 24,968
COVID-19 Community Development Block Grant	14.218	N/A	378,169	-
Subtotal Community Development Block Grant - Entitlement Grants Cluster			1,767,568	24,968
HOME Investment Partnerships Program	14.239	N/A	354,486	-
Total U.S. Department of Housing and Urban Development			2,122,054	24,968
<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	42,465	-
Total United States Department of the Interior			42,465	-
U.S. Department of Justice:				
Direct Assistance:				
Bulletproof Vest Partnership Program	16.607	N/A	6,616	-
Equitable Sharing Program	16.922	N/A	37,935	-
Total U.S. Department of Justice			44,551	-
U.S. Department of the Treasury:				
Direct Assistance:				
Equitable Sharing Program	21.016	N/A	192,561	-
Passed through California Department of Finance:				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	749,891	-
Total U.S. Department of Treasury			942,452	-
U.S. Department of Education:				
Passed through the County of Los Angeles				
Adult Education - Basic Grants to States	84.002	V002A150005	48,928	-
Total U.S. Department of Education			48,928	-
U.S. Department of Homeland Security:				
Direct Assistance:				
Homeland Security Grant Program	97.067	N/A	104,145	-
COVID-19 Assistance to Firefighters Grant	97.044	N/A	706	-
Total U.S. Department of Homeland Security			104,851	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,305,301	\$ 24,968

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, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Murrieta (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, 2021. 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 on the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Federal Assistance Listing Number 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

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

CITY OF MONTEREY PARK
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2021

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? x yes 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? yes x 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)? yes x no

Identification of major programs:

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant – Entitlement Grants Cluster
21.019	COVID-19 Coronavirus Relief Fund

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

CITY OF MONTEREY PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

Section II – Financial Statement Findings

2021 – 001 - Accounting for Pension Obligation Bond Issuance

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Amounts recorded in the general ledger for the use of the bond proceeds to pay down the City's unfunded pension liabilities, the net pension liability and corresponding deferred outflows and inflows of resources and the allocation of these transactions to governmental activities, business-type activities, and enterprise funds were not recorded correctly.

Criteria or specific requirement: The City's net pension liability is determined as of a measurement date that is one year earlier than the reporting date. For fiscal year ended June 30, 2021, the reported amount of the net pension liability is based on a measurement date of June 30, 2020. As a result and in accordance with generally accepted accounting principles, any contributions made to the City's pension plans subsequent to the measurement date are to be reported as deferred outflows of resources related to pensions.

Effect: The allocated amounts of current and long-term portions of the debt, the net pension liability and related deferred outflows and inflows of resources were materially misstated and misclassified.

Cause: The results of the City's posted journal entries related to the pension obligation bonds were not adequately reviewed to ensure that account balances were consistent with the supporting documentation and that the transactions were properly recorded. The City made errors when generating the journal entries to record the unfunded liability payments made with the bond proceeds by reducing the net pension liability rather than reporting such payments as deferred outflows of resources.

Repeat Finding: This finding is not a repeat finding.

Recommendation: We recommend the City enhance their review process related to material and infrequent transactions to ensure the accurate recording of transactions related to the City's net pension liability activity across all affected funds.

Views of responsible officials and planned corrective actions: We agree with the finding and will implement a second review process to ensure accurate recording of transactions.

CITY OF MONTEREY PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

2021 – 002 – Pension Contributions Payable and Grants Receivable

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: Pension contributions payable to CalPERS as of June 30, 2020, and the related pension expense for the year then ended were understated by \$278,991 in the General Fund. Accounts receivable as of June 30, 2020, and the related grant revenue (Proposition 84) for the year then ended were overstated by \$413,040 in the Water Utility Enterprise Fund.

Criteria or specific requirement: Year-end closing procedures should involve cut-off procedures to insure that accrued liabilities and revenues are accurate and recorded properly.

Effect: Beginning net position and expenses of the governmental activities in the statement of activities and beginning fund balance and expenditures of the General Fund in the statement of revenues, expenditures, and changes in fund balance – governmental funds are overstated by \$278,991. In addition, beginning net position and expenses of the business-type activities in the statement of activities and beginning net position and expenses of the water utility enterprise fund in the statement of revenues, expenses, and changes in net position – proprietary funds are overstated by \$413,040.

Cause: Year-end closing procedures did not identify the fact that pension contributions payable and accounts receivable for the period ended June 30, 2020, were not accrued properly.

Repeat Finding: This finding is not a repeat finding.

Recommendation: We recommend that management review the year-end closing procedures to ensure that the proper cut-off of revenues and expenses occurs on a fund-by-fund basis so that proper accruals can be recorded.

Views of responsible officials and planned corrective actions: We agree with the finding and will implement proper cut-off dates/times moving forward.

2021 – 003 - Police Evidence Deposits Payable

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

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.

Criteria or specific requirement: Deposits payable should be monitored on a regular basis to ensure the proper disposition of the individual amounts in a timely manner once the purpose for the deposit has been met.

Effect: Deposits payable could be overstated.

CITY OF MONTEREY PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

2021 – 003 (Continued)

Cause: The City has not monitored the details of this deposit payable account on a regular basis.

Repeat Finding: This finding is not a repeat finding.

Recommendation: We recommend evaluating 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.

Views of responsible officials and planned corrective actions: We agree with the finding and will review the account to either use/return as appropriate or recognize as revenue.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

CITY OF MONTEREY PARK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021

Section I – Financial Statement Findings

2020-001 – Year End Accruals

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

Status: Corrective action was taken.

2020-002 – Year End Accruals

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. 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.

Status: Corrective action was taken.

Section II – Findings and Questioned Costs – Major Federal Programs

2020-003 - Payroll Charges

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

Federal Program Title: Community Development Block Grants – Entitlement Grant

Federal Assistance Listing 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: Corrective action was taken.



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