CITY OF INGLEWOOD, CALIFORNIA
SINGLE AUDIT REPORT
SEPTEMBER 30, 2015
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</tbody>
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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

To the Honorable Mayor and Members of the City Council
City of Inglewood, 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 Inglewood, California, (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 5, 2016.

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) 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 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 were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: (2015-001, 2015-002, 2015-003, 2015-004)

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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: (2015-005)
To the Honorable Mayor and Members of the City Council
City of Inglewood, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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 items: (2015-006)

City’s Response to Findings

The City’s response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Brea, California
December 5, 2016
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of Inglewood, California

Report on Compliance for Each Major Federal Program

We have audited the City of Inglewood, California (the “City”)’s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City’s major federal programs for the year ended September 30, 2015. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.
Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-007, 2015-008, 2015-009, 2015-010, 2015-011, 2015-012, and 2015-013. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-007 and 2015-011 to be material weaknesses.
To the Honorable Mayor and Members of the City Council
City of Inglewood, California

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 items 2015-008, 2015-009, 2015-010, 2015-012, and 2015-013.

The City’s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 of Inglewood, California, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated December 5, 2016, which contained an unmodified opinion 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 the purposes of additional analysis as required by OMB Circular A-133 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. The supplementary schedule of expenditures of Los Angeles County Grants has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Brea, California
January 11, 2017 (except for the report on the Schedule of Federal Expenditures of Federal Awards which is dated on December 5, 2016)
<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor Program Title</th>
<th>Federal Domestic Amounts Assistance Program</th>
<th>Program Identification Number</th>
<th>Expenditures</th>
<th>Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Housing and Urban Development</strong></td>
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<td></td>
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</tr>
<tr>
<td>Direct Assistance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 8 Housing Choice Vouchers *</td>
<td>14.871</td>
<td>CA082</td>
<td>9,713,625</td>
<td>$</td>
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<tr>
<td>Community Development Block Grants/Entitlement Grants *</td>
<td>14.218</td>
<td>B-14-MC-06-0520</td>
<td>1,578,579</td>
<td>57,300</td>
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<tr>
<td>Homeless Emergency Solution Grants</td>
<td>14.231</td>
<td>E-14-MC-06-0520</td>
<td>44,092</td>
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<tr>
<td>Home Investment Partnerships Program</td>
<td>14.239</td>
<td>M-14-MC-06-0516</td>
<td>644,506</td>
<td>89,595</td>
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<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td>11,960,802</td>
<td>146,895</td>
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<tr>
<td><strong>U.S. Department of Justice</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Direct Assistance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Asset Forfeiture and Seizure</td>
<td>16.000</td>
<td>n/a</td>
<td>718,388</td>
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<tr>
<td>Community Oriented Policing-COPS Hiring Recovery Prg Grant *</td>
<td>16.710</td>
<td>2009RKWX0119</td>
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<td>Justice Assistance Grant</td>
<td>16.738</td>
<td>2015-DJ-BC-0950</td>
<td>58,189</td>
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<td><strong>Subtotal</strong></td>
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<td></td>
<td>1,061,183</td>
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<td><strong>U.S. Department of Transportation</strong></td>
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<td></td>
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<tr>
<td>Direct Assistance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport Improvement Program *</td>
<td>20.106</td>
<td>3-06-0137-071-2012, 3-06-0139-073-2013, 3-06-0139-081-2014</td>
<td>19,568,381</td>
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<tr>
<td>Pass-through the California Department of Transportation</td>
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</tr>
<tr>
<td>Highway Planning and Construction - Century Blvd *</td>
<td>20.205</td>
<td>TILUL-5164(014)</td>
<td>111,765</td>
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<tr>
<td>Traffic Sign Replacement Project *</td>
<td>20.205</td>
<td>HSIPL-5164(027)</td>
<td>186,184</td>
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</tr>
<tr>
<td>Highway Planning and Construction - La Brea *</td>
<td>20.205</td>
<td>DEM04L-5164(028)</td>
<td>478,322</td>
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<tr>
<td>Crenshaw Blvd &amp; 84th Street *</td>
<td>20.205</td>
<td>HSIPL-5164(025)</td>
<td>11,247</td>
<td></td>
</tr>
<tr>
<td>Highway Planning and Construction - ARRA - La Cienega *</td>
<td>20.205</td>
<td>ESPL-5164(017)</td>
<td>622,708</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<td></td>
<td>20,978,587</td>
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<tr>
<td><strong>U.S. Department of Health and Human Services</strong></td>
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<td></td>
</tr>
<tr>
<td>Pass-through the County of Los Angeles:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Programs for the Aging Title III</td>
<td>93.044</td>
<td>40291</td>
<td>5,330</td>
<td></td>
</tr>
<tr>
<td>Part B Grants for Supportive Services and Senior Centers</td>
<td>93.044</td>
<td>SSP-1014-12</td>
<td>74,880</td>
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<tr>
<td>Special Programs for the Aging Title III</td>
<td>93.045</td>
<td>AAA-ENP2-0809-011</td>
<td>553,218</td>
<td></td>
</tr>
<tr>
<td>Nutrition Services Incentive Program</td>
<td>93.053</td>
<td>AAA-ENP2-0809-011</td>
<td>68,236</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td>701,664</td>
<td></td>
</tr>
<tr>
<td><strong>Total Federal Expenditures</strong></td>
<td></td>
<td></td>
<td>34,722,236</td>
<td>146,895</td>
</tr>
</tbody>
</table>

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant account policies used in preparing this schedule

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.
Federal Domestic Assistance Award Amount

Older Americans Act:
- NSIP/USDA Title III C1 93.053 AAA-ENP2-0809-011 2014-2015 $31,115 $31,115
- NSIP/USDA Title III C2 93.053 AAA-ENP2-0809-011 2014-2015 37,121 37,121

Subtotal - Older Americans Act (Nutritional Services Incentive Program) 68,236 68,236

Department of Health and Human Services:
- Title III C1 Congregate Nutrition 93.045 AAA-ENP2-0809-011 2014-2015 267,301 267,301
- Title III Part B - Special Programs for the Aging - Grants for Supportive Services and Senior Centers 93.044 40291 2014-2015 5,330 5,330
- Grants for Supportive Services for Aging 93.044 SSP-1014-12 2014-2015 74,880 74,880

Subtotal - Department of Health and Human Services 633,428 633,428

Total - LA County Contracts AAA-ENP2-0809-011 and SSP-1014-12/40291 $701,664 $701,664

Federal Funds - Reconciliation to Schedule of Expenditures of Federal Awards

Older Americans Act (Department of Agriculture) Fiscal Year Ended 6/30/14 $64,337
Less: July through September 2013 Expenditures (17,375) 18,223

Older Americans Act (Nutritional Services Incentive Program) Fiscal Year Ended 9/30/15 $65,185

Department of Health and Human Services Fiscal Year Ended 6/30/14 $622,629
Less: July through September 2014 Expenditures (157,264) 170,463

Department of Health and Human Services Fiscal Year Ended 9/30/15 $635,828

See accompanying notes to the schedule of expenditures of federal awards
Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Inglewood, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance 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 portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. 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 program.
SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?  X  yes  ____ no
- Material weaknesses identified?  X  yes  ____ none reported

Noncompliance material to financial statements noted?  X  yes  ____ no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?  X  yes  ____ no
- Material weaknesses identified?  X  yes  ____ none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  X  yes  ____ no

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.218</td>
<td>Community Development Block Grants/Entitlement Grants</td>
</tr>
<tr>
<td>14.871</td>
<td>Section 8 Housing Choice Vouchers</td>
</tr>
<tr>
<td>16.710</td>
<td>Public Safety Partnership and Community Policing Grants</td>
</tr>
<tr>
<td>20.106</td>
<td>Airport Improvement Program</td>
</tr>
<tr>
<td>20.205</td>
<td>Highway Planning and Construction</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B program  $1,041,667

Auditee qualified as low-risk auditee?  ____ yes  X  no
SECTION II - FINANCIAL STATEMENT FINDINGS

Accounting Policies and Procedures (Material Weaknesses):
Accounting policies and procedures are both the foundation and backbone of internal controls over financial reporting. These policies and procedures dictate how financial information is initiated, processed, authorized, recorded, and reported. Without written and enforced accounting policies and procedures, the risk of financial information being presented inaccurately, untimely to make financial decisions, and fraudulently increases significantly. During our audit, we noted that, while the City has written policies and procedures, for the fiscal year that ended September 30, 2015, accounting errors and the override of accounting controls existed in which the City’s accounting policies and procedures did not catch or correct until after the fiscal period. Some of these issues were identified to us by City accounting staff; however, there were issues identified by us as a result of our audit procedures. During our audit, the following internal control over financial reporting deficiencies resulted in accounting errors:

FINDING 2015-001

Manual accounting adjustments should be reviewed for the following characteristics prior to the approval and posting of the accounting adjustments: (1) the adjustment is in accordance with generally accepted accounting principles (GAAP), (2) recorded in the proper period, (3) recorded in the proper account and fund. During our audit, we noted the following accounting entries that were not in accordance with GAAP and required audit adjustments:

1. An $11.5 million accounting adjustment performed by the Finance Department to correct an error in the classification of cash balances being reported across the City’s funds.

2. Several expense and revenue items were recorded directly to various fund balance and fund equity accounts as accounting adjustments that did not follow GAAP for recording corrections to fund balance/net position.

3. Accounting adjustments were made to expense accounts for Successor Agency related debt payments to convert to the full accrual basis of accounting.

4. Accounting adjustments by City staff were recorded incorrectly in the City’s accounting system which related to the Successor Agency’s long-term debt recording.

5. Accounting adjustments were made to accumulated depreciation for Capital Assets of the Sanitation and Sewer fund to break out amounts into the various funds.

6. Cost reimbursements between the Successor Agency, the City’s General Fund, and the Civic Debt Service Fund were treated and recorded as inter-fund activity for tracking and reconciliation by City staff. Under GAAP, cost reimbursements between the City and Successor agency should be treated as a form of revenue and expenditure.

Recommendation:
Management has corrected these errors by making the necessary accounting adjustments. We recommend management to continue reviewing journal entries to ensure conformity with GAAP.
FINDING 2015-001 (CONTINUED)

Management Response and Corrective Action Plan:
The City ensures that transactions are recorded in the proper period as well as the proper fund and account. In certain instances, transactions noted by the auditors reflected corrections of errors from the prior year. Staff made corrections to these errors with the intent of providing a clear audit trail and were not an attempt to circumvent GAAP. The complexity of the City’s financial system and accounts requires thousands of journal entries throughout the fiscal year and those journal entries are properly supported, reviewed and approved on a timely basis.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-002

Accounting policies and procedures ensure that account balances are properly reconciled and reflect the actual activity of the fiscal period. This includes accruing for any potential revenue earned during the fiscal period, or any expenditures that were incurred during the fiscal period. As a result of our audit, we noted the following errors that required audit adjustments:

1. As of September 30, 2015, there were approximately $480,000 of accounting activity captured by Bank of America that had not been recorded in the City’s general ledger. This was either due to sub-ledger information, such as customer receipts, and deposits received by other City Departments that did not communicate such information to the Finance Department in a timely manner.

2. A prior period adjustment of $5,718,880 was necessary to correct the reporting of accreted interest values for 2003 and 2003A Tax Allocation Bonds for the Successor Agency Fund.

3. The City collects monies for parking citation processing in the City’s Parking Fund which incorrectly reflected a negative balance as of September 30, 2015. The City had incorrectly recorded an accrual, which was subsequently reversed.

Recommendation:
Management has corrected these errors by making the necessary accounting adjustments to each respective balance. We recommend management to continue reviewing and reconciling these account balances; identifying and correcting errors prior to the annual financial statement audit.

Management Response and Corrective Action Plan:
The City agrees with the comments above and have made the necessary accounting entries to correct the balances.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-003

Proper levels of segregation should exist to ensure that controls are not overridden, a dependency on a select few individuals exist, and that fraud is not colluded or covered up. During our audit, we noted that segregation of duties did not exist in the following areas:

1. Individuals performing the cashiering functions at the Police Department utilizes a sub-ledger system to capture payments made by citizens for fines and other fees. However, only one unique ID is used by the staff that receipt the cash payments on a daily basis to access the sub-ledger system. Therefore, if errors or improprieties take place, it is difficult for the City or Police Department to determine how the error or impropriety took place.
FINDING 2015-003 (CONTINUED)

2. Individuals performing the cashiering functions at the Police Department are able to post void transactions to customer payments without an approval from a supervisor. This is a significant risk because cashiers are the individuals directly receiving cash, and having the ability to delete the receipt of cash from the system allows for the concealment of fraud.

3. During our audit procedures, it was brought to our attention that accounting controls were overridden by the former Accounting Manager, in which journal entries were recorded with little to no support on the basis of those entries; and were not approved by the Chief Financial Officer prior to posting in the general accounting ledger. The Finance Department investigated the entries, in which most were reversed by the Finance Department due to the lack of support or reasoning behind the entry. Accounting staff personnel should not have the ability to both initiate and post journal entries directly to the accounting system; this increases the risk of financial misstatements due to errors or fraud not being identified or corrected in a timely manner.

4. During our audit we also noted that Deputy Treasurers are allowed to directly receive financial statements and transaction reports from banking institutions; with little to no interaction from the Finance Department. Financial statements from banking institutions and transaction reports should be received by the City’s Finance Department directly to allow for reconciliation and validation of transactions performed by the Treasury Department; to also ensure that treasury transactions are properly being recorded into the general accounting system.

Recommendation:
We recommend the City to review its internal procedures, to ensure that the proper level of segregation exists. The City should consider having financial statements and transaction reports be received directly by the Finance Department, and independent of the Treasury Department. The City should consider performing a cost benefit analysis on implementing a robust cashiering equipment that allows for multiple users.

Management Response and Corrective Action Plan:
The City agrees with the comments above and have taken corrective actions to address the issues noted.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-004

The City’s internal controls over financial reporting should foster an environment that ensures bank accounts are properly reconciled on a monthly basis, the aging of accounts receivable balances are periodically reviewed, accounts payable balances and other accruals are properly stated, and that assets and other liabilities are properly stated. The City needs to review its monthly and year-end closing procedures to ensure that such processes are being performed. During our audit we noted the following deficiencies as it relates to the financial closing process:

1. Cash accounts for the City were not properly reconciled from October 1, 2014 through March 31, 2016. While the City did in fact perform monthly bank reconciliations, during our audit, we noted, and it was also brought to our attention that the monthly bank reconciliations included unreconciled information for that period. The City was able to identify the errors and issues causing the irreconcilable differences and recreated bank reconciliations for both years ended September 30, 2015 and 2014. This resulting in both material client and audit adjustments to cash for the period ended September 30, 2015.
FINDING 2015-004 (CONTINUED)

2. In addition to the above deficiency, the City had several reconciling items that were received and recorded by the Bank, however, were not recorded into the City’s accounting system until the subsequent month. This is due to the fact that some of the accounting functions at the City are decentralized. City Departments outside of the Finance Department are performing accounting duties such as cash receipting, credit card payments to vendors and payroll time keeping. It is important that financial transactions administered by the departments are timely and accurately reported to the Finance Department, to prevent such reconciling issues from happening. In addition, closing procedures of the Finance Department should include procedures of ensuring that all accounting transactions are accounted for in order to reconcile the books and properly report financial activity.

Recommendation:
We recommend that all cash accounts are properly reconciled within 10 business days following the close of the previous month. For example, September bank accounts should be reconciled no later than the 10th business day in October. We also recommend that the City does not close out month ends until all reconciling information has been properly supported and reviewed; and all irreconcilable information has been investigated and resolved.

Management Response and Corrective Action Plan:
The City performs monthly bank reconciliations in a timely fashion although, unfortunately, during the 2014-2015 fiscal year, former accounting staff recorded certain un-reviewed transactions which were subsequently corrected by the finance department. Because of those transactions, the accounts were not completely reconciled and the City engaged an outside consultant to review and perform an additional reconciliation of cash to ensure that all potential incorrect transactions had been properly rectified.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-005

Internal Control Environment (Significant Deficiencies):
During our audit, we noted that the City is a very large entity with multiple departments and various complexities. In addition, the City has decentralized processes, including accounting functions. Due to the size, and complexities within the City, it is imperative that the City have a strong internal control environment that perform monitoring functions; ensuring the safeguarding of City assets. We noted that the City’s internal control environment did not have the following functionalities within its framework:

Monitoring of Internal Controls

Due to the size, complexity, and decentralized processes of the City, a robust monitoring system of internal controls is necessary and may be accomplished through an internal audit function. The City should assess operational and financial risks city-wide, and develop a plan to assess, monitor, and manage those risks.

Employee Training

During our audit, we noted multiple accounting entries made by accounting personnel that were not in the accordance with generally accepted accounting principles (GAAP). It is unclear if these entries were done due to limited knowledge of accounting principles or oversight. We recommend that the City look to train accounting personnel on an annual basis on generally accepted accounting principles and ethics.
FINDING 2015-005 (CONTINUED)

Fraud Hotline

Due to the size, complexity, and decentralized processes of the City, a fraud hotline is needed. The fraud hotline should be anonymous in nature and handled through an independent and objective method. For example, this could be accomplished through an internal audit department. City employees and citizens should be allowed to contact the hotline anonymously. We recommend the City to implement a fraud hotline within the next fiscal year.

Management's Response and Corrective Action:
Management will review the assessments and recommendations and will identify the necessary steps needed to implement these recommendations.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-006

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

Continuing Disclosure

The City and the City of Inglewood Public Financing Authority (a blended component unit of the City) are required to issue audited financial statements within two-hundred and eighty five days (285) of its fiscal year or July 11, 2016, as required by Section 4.04 of the continuing disclosure agreement. The City and the City of Inglewood Public Financing Authority did not meet this covenant requirement. We recommend that the City to review its closing policies and procedures to ensure that debt covenant requirements are meet on an annual basis.

Assembly Bill 2766

The City received over $100,000 in funding from the South Coast Air Quality Management District under State of California Assembly Bill 2766. Under the assembly, large recipients who receive in excess of $100,000 are required to have a financial statement audit performed and submitted no later than the first Friday in February each year. The City failed to meet this requirement for fiscal years ended September 30, 2015 and 2014. We recommend that the City create a checklist of all annual compliance and financial reports due on an annual basis.

OMB Circular A-133

The City received over $500,000 in federal awards for the fiscal year ended September 30, 2015; which requires a Single Audit in compliance with Office and Management and Budget's (OMB) Circular A-133. The OMB Circular requires that such audits are completed and submitted to the Federal Clearinghouse within nine (9) months of the City's fiscal year end, or June 30, 2016. The
FINDING 2015-006 (CONTINUED)

City did not comply with this requirement. We recommend that the City to review its closing policies and procedures to ensure that requirements are meet on an annual basis.

GANN Limit Calculation

The City incorrectly calculated its annual GANN Limit for the fiscal year ended September 30, 2015. We recommend that the City calculate its GANN limit and have the City Attorney’s office review for compliance on an annual basis; to ensure its calculation is correct.

Real Estate Assessment Center (REAC) Submission

On an annual basis, the City is required to submit audited financial trial balances to HUD through the use of its Real Estate Assessment Center (REAC) within nine (9) months of its fiscal year end or June 30, 2016. In addition, agreed upon procedures are to be performed on these submissions by the City’s external independent auditors prior to completion of the submission to HUD. The City did not comply with these requirements. We recommend that the City complete its REAC requirements within the required timeframe.

Management's Response and Corrective Action:
The City is aware of these compliance and financial reporting due dates, and will work with the auditors in order to meet the financial reporting dates in a timely manner.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager
FINDING 2015-007

Community Development Block Grants/Entitlement Grants – Allowable Costs/Cost Principles (Material Weakness)

Information on the Federal Program:
CFDA Number: 14.218
Program Title: Community Development Block Grants/Entitlement Grants
Federal Award Number: B-14-MC-06-0520
Federal Award Year: 2014
Name of Federal Agency: U.S. Department of Housing and Urban Development

Criteria:
The Department of Housing and Urban Development (HUD) requires that grantees that elect to allocate overhead/indirect costs to their award programs, prepare a cost allocation plan (CAP) in accordance with OMB Circular A-87. This CAP must be submitted and approved by HUD before the grantee may begin allocating overhead/indirect costs to the award program.

Condition:
During our audit, we identified that the City allocated overhead charges to the CDBG program without an approved CAP by HUD for the fiscal year ended September 30, 2015.

Questioned Costs: $37,845

Context:
Based on our communication with the City, the City followed the proper procedures in preparing and submitting a CAP to HUD. However, as of our audit, HUD has not approved or denied the CAP and has only requested the City provide additional documentation as support, in which the City has provided.

Effect:
We cannot determine the eligibility of the overhead costs charged to the CDBG program for the fiscal year ended September 30, 2015 without the approval of the CAP from HUD.

Cause:
The City did not receive a response from HUD, either approving or denying the CAP.

Repeat Finding:
This is a new finding for the fiscal year ended September 30, 2015.

Recommendation:
We recommend that the City implement processes and controls to include follow-up procedures to ensure the CAP is approved by the appropriate federal agency in a timely manner, prior to allocating costs to the program. Additionally, the City should monitor charges made to federal awards to ensure that overhead/indirect costs are not charged to federal awards, in the absence of an approved CAP.

Views of Responsible Officials and Planned Corrective Actions:
The City has submitted an updated cost allocation plan to HUD and has asked for HUD’s approval, however no response from HUD has been received. The Office of the Inspector General has directed HUD to work
FINDING 2015-007 (CONTINUED)

with the City and to respond to the City’s inquiries and requests in order to address any issues that HUD may have with the City’s cost allocations. To date, no response from HUD has been received and the matter is still open.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-008

Community Development Block Grants/Entitlement Grants – Procurement, Suspension, and Debarment (Significant deficiency)

Information on the Federal Program:
CFDA Number: 14.218
Program Title: Community Development Block Grants/Entitlement Grants
Federal Award Number: B-14-MC-06-0520
Federal Award Year: 2014
Name of Federal Agency: U.S. Department of Housing and Urban Development

Criteria:
The program requires that the City perform a review of the System for Award Management (SAM) to ensure that the prospective contractors’ and subrecipients’ respective licenses have not been suspended or debarred.

Condition:
During our audit, we noted that the City did not perform SAM checks for the three contractors and a subrecipient until after the contracts were awarded.

Questioned Costs: $0

Context:
For the fiscal year ended September 30, 2015, the City contracted with three construction companies for CDBG-funded projects and passed through CDBG funds to a single subrecipient agency. We tested each of the construction companies and the subrecipient agency for compliance.

Effect:
Without performing SAM checks for contractors or subrecipients, the City may inadvertently award federal funds to entities which are suspended or debarred from receiving such funds or working on projects funded with such funds.

Cause:
The condition was caused by a lack of procedures and controls surrounding the requirements for SAM checks on prospective contractors and subrecipients before award of the contract is made.

Repeat Finding:
This is a repeat finding for the fiscal year ended September 30, 2015. Refer to finding 2014-012 on the Schedule of Prior Year Findings and Questioned Costs for Fiscal Year Ended September 30, 2014.
FINDING 2015-008 (CONTINUED)

Recommendation:
We recommend that the City develop and implement procedures necessary to ensure that the SAM is reviewed for all prospective contractors and subrecipients of federal awards prior to awarding a contract or subaward agreement.

Views of Responsible Officials and Planned Corrective Actions:
The City acknowledges the finding and has subsequently updated our procurement policies and procedures to state that SAM checks are required for contractors and subrecipients.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-009

Community Development Block Grants/Entitlement Grants – Reporting (Significant deficiency)

Information on the Federal Program:
CFDA Number: 14.218
Program Title: Community Development Block Grants/Entitlement Grants
Federal Award Number: B-14-MC-06-0520
Federal Award Year: 2014
Name of Federal Agency: U.S. Department of Housing and Urban Development

Criteria:
The OMB Compliance Supplement requires that direct recipients of CDBG program funding file the HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons, (OMB No. 2529-0043) electronically through HUD’s online submission portal (SPEARS) within 90 days of the end of the grantee’s program year.

Condition:
The City was unable to provide sufficient documentation of the Section 3 Summary Report or its timely submission to HUD.

Questioned Costs: $0

Context:
The Section 3 Summary Report is an annual report filed once per year.

Effect:
The auditor was unable to verify that the Section 3 Summary Report was filed timely.

Cause:
The City does not have any personnel registered with SPEARS as a coordinator for the system. System coordinators have access to retrieve information regarding reports previously submitted. The City personnel with access to SPEARS, have “user” access, which only allows for submission of the reports. Also, the City did not retain any electronic or hard copies of the Section 3 Summary Report for their own records.

Repeat Finding:
This is a new finding for the fiscal year ended September 30, 2015.
FINDING 2015-009 (CONTINUED)

Recommendation:
We recommend that the City retain a copy of the Section 3 Summary Report for their records, and that they appoint a responsible individual as a SPEARS coordinator to give them access look up reports previously submitted.

Views of Responsible Officials and Planned Corrective Actions:
The City acknowledges the finding and has subsequently registered with SPEARS and included the timely submission of the Section 3 Summary Report in our policies and procedures.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-010

Community Development Block Grants/Entitlement Grants – Reporting (Significant deficiency)

Information on the Federal Program:
CFDA Number: 14.218
Program Title: Community Development Block Grants/Entitlement Grants
Federal Award Number: B-14-MC-06-0520
Federal Award Year: 2014
Name of Federal Agency: U.S. Department of Housing and Urban Development

Criteria:
Program requirements state that for prime contracts awarded in amounts equal to or greater than $25,000, the City must report the disbursements under the guidelines of the Federal Funding Accountability and Transparency Act (Transparency Act) by the end of the month following the month in which the subaward was made.

Condition:
During our audit, we noted that a subaward was made on September 15, 2015, but the Transparency Act report was not filed until September 2016.

Questioned Costs: $0

Context:
The City only made one subaward for the CDBG program during the fiscal year and did not timely submit the Transparency Act report.

Effect:
The Transparency Act report was not filed in a timely manner.

Cause:
There is a lack of procedures and controls surrounding the timeliness of reporting required by the Transparency Act.

Repeat Finding:
This is related to finding 2014-011 from the prior fiscal year. Refer to the Schedule of Prior Year Findings and Questioned Costs for Fiscal Year Ended September 30, 2014.
FINDING 2015-010 (CONTINUED)

Recommendation:
We recommend that the City improve their controls to ensure that all grant reporting requirements are complied with, including meeting filing deadlines.

Views of Responsible Officials and Planned Corrective Actions:
The City acknowledges the finding and has subsequently updated our policies and procedures to ensure compliance with the Transparency Act by reporting the subawards in excess of $25,000 by the end of the month following the month in which the subaward was made.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

Finding 2015-011

Section 8 Housing Choice Vouchers – Allowable Costs/Cost Principles (Material Weakness)

Information on the Federal Program:
CFDA Number:  14.871
Program Title:  Section 8 Housing Choice Vouchers
Federal Award Number:  CA082
Federal Award Year:  2014
Name of Federal Agency:  U.S. Department of Housing and Urban Development

Criteria:
The Department of Housing and Urban Development (HUD) requires that grantees that elect to allocate overhead/indirect costs to their award programs, prepare a cost allocation plan (CAP) in accordance with OMB Circular A-87. This CAP must be submitted and approved by HUD before the grantee may begin allocating overhead/indirect costs to the award program.

Condition:
During our audit, we identified that the City allocated overhead charges to the Section 8 program without an approved CAP by HUD for the fiscal year ended September 30, 2015.

Questioned Costs:  $287,638

Context:
Based on our communication with the City, the City followed the proper procedures in preparing and submitting a CAP to HUD. However, as of our audit, HUD has not approved or denied the CAP and has only requested the City provide additional documentation as support, in which the City has provided.

Effect:
We cannot determine the eligibility of the overhead costs charged to the Section 8 program for the fiscal year ended September 30, 2015 without the approval of the CAP from HUD.

Cause:
The City did not receive a response from HUD, either approving or denying the CAP.

Repeat Finding:
This is a new finding for the fiscal year ended September 30, 2015.
FINDING 2015-011 (CONTINUED)

Recommendation:
We recommend that the City implement processes and controls to include follow-up procedures to ensure the CAP is approved by the appropriate federal agency in a timely manner, prior to allocating costs to the program. Additionally, the City should monitor charges made to federal awards to ensure that overhead/indirect costs are not charged to federal awards, in the absence of an approved CAP.

Views of Responsible Officials and Planned Corrective Actions:
The City has submitted an updated cost allocation plan to HUD and has asked for HUD’s approval, however no response from HUD has been received. The Office of the Inspector General has directed HUD to work with the City and to respond to the City’s inquiries and requests in order to address any issues that HUD may have with the City’s cost allocations. To date, no response from HUD has been received and the matter is still open.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-012

Highway Planning and Construction – Procurement, Suspension, and Debarment (Significant deficiency)

Information on the Federal Program:
CFDA Number: 20.205
Program Title: Highway Planning and Construction
Federal Award Numbers: HSIPL-5164(025), HSIPL-5164(027), HPLUL-5164(024), TILUL-5164(014), and ESPL-5164(017)
Federal Award Year: 2009-2014
Name of Federal Agency: U.S. Department of Transportation

Criteria:
The program requires that the City perform a review of the System for Award Management (SAM) to ensure that the prospective contractors’ and subrecipients’ respective licenses have not been suspended or debarred.

Condition:
During our audit, we noted that the City did not perform SAM checks for the three contractors who worked on Highway Planning and Construction-funded projects until after the contracts were awarded.

Questioned Costs: $0

Context:
For the fiscal year ended September 30, 2015, the City contracted with three construction companies for program-funded projects. We tested each of the construction companies for compliance.

Effect:
Without performing SAM checks for contractors, the City may inadvertently award federal funds to entities which are suspended or debarred from working on projects funded with such funds.

Cause:
The condition was caused by a lack of procedures and controls surrounding the requirements for SAM checks on prospective contractors and subrecipients before award of the contract is made.
FINDING 2015-012 (CONTINUED)

Repeat Finding:
This is a new finding for the fiscal year ended September 30, 2015.

Recommendation:
We recommend that the City develop and implement procedures necessary to ensure that the SAM is
reviewed for all prospective contractors and subrecipients of federal awards prior to awarding a contract or
subaward agreement.

Views of Responsible Officials and Planned Corrective Actions:
The City acknowledges the finding and has subsequently updated our procurement policies and procedures to
state that SAM checks are required for contractors and subrecipients.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2015-013

Highway Planning and Construction – Reporting (Significant deficiency)

Information on the Federal Program:
CFDA Number: 20.205
Program Title: Highway Planning and Construction
Federal Award Numbers: ESPL-5164(017)
Federal Award Year: 2010
Name of Federal Agency: U.S. Department of Transportation

Criteria:
The special covenants and remarks of the grant agreement stipulated Recovery Act funds are available for
liquidation only until September 30, 2015 when the remaining balance of Recovery Act funds will expire and
that the City agreed to submit an invoice for the balance of the project Recovery Act funds to the State of
California prior to July 1, 2015.

Condition:
During our audit, we noted the final invoice for Recovery Act funds was not prepared until
August 8, 2015, which is past the deadline to submit invoices for reimbursement.

Questioned Costs: $0

Context:
The final invoice had to be submitted by the filing deadline stipulated in the grant agreement.

Effect:
The City did not timely file the final invoice for Recovery Act funding.

Cause:
This condition was caused by a lack of procedures and controls to ensure timely filing of the final invoice.

Repeat Finding:
This is a new finding for the fiscal year ended September 30, 2015.
FINDING 2015-013 (CONTINUED)

Recommendation:
We recommend that the City improve procedures and controls to ensure that all grant reporting requirements are complied with, including meeting filing deadlines.

Views of Responsible Officials and Planned Corrective Actions:
The City acknowledges this finding and has modified policies and procedures to ensure timely submission of reports.
SECTION IV - FINANCIAL STATEMENT FINDINGS

FINDING 2014-001

Adjustments Detected Through the Audit Process:
An important element of control over financial reporting is for management to identify adjustments necessary for financial statements to be fairly stated. Whenever possible, adjustments should be reflected in the accounting records prior to the start of the audit. When this is not possible, management should identify and communicate to the auditors the potential areas of adjustment that may need to be addressed during the audit process.

There were material adjustments that were identified during the audit for the year ended September 30, 2014. These material adjustments detected through the audit process included the following: adjustments to correct the accounting for the termination of the Cooperation Agreement, adjustments to correct unearned and unavailable revenue, adjustments to correct interfund transfers and receivables, adjustments to correct activity initially recorded in the wrong fund, adjustments to correct prior period adjustments recorded in error, adjustments to capital assets, adjustments to correct allowance for doubtful accounts, adjustments to correct compensated absences, an adjustment to loans receivable, adjustments to record expenditures in fiscal year 2014 that were paid in fiscal year 2015, a prior period adjustment to record unbilled receivables, an entry to correct land held for resale, an entry to correct wages payable, an entry to correct cash balances.

Recommendation:
Auditing standards require the reporting of material adjustments identified through the audit process as weaknesses in an entity’s internal control structure. Efforts should be made to enhance the City’s year-end closing procedures to include areas that resulted in audit adjustments in 2014.

Management’s Response Regarding Corrective Action Taken or Planned:
The City recognizes that the general ledger accounts need to be reviewed, analyzed and reconciled on a regular basis, and audit preparation needs to be performed at the end of each fiscal year prior to the arrival of the auditors upon commencement of the final audit. The Finance Dept. has developed a check list to follow each month to ensure all postings are being recorded timely. In addition, this check list is being expanded to include timely postings from other system modules in order to help assure all transactions are being recorded timely. All accounts or funds are being assigned to individual staff accountants to reconcile and monitor on a regular basis in order to avoid incorrect postings and to allow for corrections in a timely manner. It has become the department’s goal to analyze and reconcile all accounts prior to the month end closing of the general ledger. As the department works towards this common goal, it is anticipated that the financial information reported will be more accurate and timely.

Status of Prior Period Finding:
Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as items 2015-001.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager
FINDING 2014-002

Need for Improved Capital Assets Records:
During our testwork over the City’s capital asset records for the year ended September 30, 2014, we noted the following items:
1. Our testwork revealed that certain assets were recorded in both the Land and Buildings subsidiary ledgers resulting in double counting of assets.
2. The value and ownership of certain capital assets recorded in the General Ledger were not in agreement with the historical sale and deed information.
3. The City did not record asset deletions where applicable in relation to current year asset additions.

Recommendation:
We recommend that the Finance Department enhance controls over capital asset recordkeeping and review historical purchase and deed records for land to ensure conformity of the General Ledger reporting.

Management’s Response Regarding Corrective Action Taken or Planned:
The City will review its capital asset policies and procedures and will ensure that there are steps taken to schedule meetings with the Public Works department in order to discuss the status of capital projects so Finance can maintain proper accounting records of the City’s assets. This will help determine asset additions and deletions on an annual basis.

Status of Prior Period Finding:
Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2015-001.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2014-003

Accounting and Monitoring over Loan Receivables:
During audit testwork over the City’s loans receivable records for the year ended September 30, 2014, it was noted the following items:
1. Payments were received on First Time Homebuyer Loans for which the City did not have a loan receivable recorded in the General Ledger.
2. The City had not performed a thorough review of the collectability of Loans Receivable.
3. Certain loans receivable were recorded in the wrong fund.

Recommendation:
It was recommended that the City develop and implement a tracking system to properly monitor the accuracy of the outstanding loan portfolio and payments of the loan balances to prevent a loss in revenue to the City. The City should assume that all loans be titled to the City as beneficiary and trustee. It was also recommended that the City review and properly monitor its contracts with all outside contracted entities to prevent possible defalcation, abuse or fraud in the accounting for these loans and to perform their fiduciary duties under the terms of the grant agreements, OMB requirements and City internal control policies and procedures. It was also recommended that the City perform an assessment of collectability of loans receivable at least annually, including a review of financial statement information for residual receipts loans.

Management’s Response Regarding Corrective Action Taken or Planned:
The CDBG division and the Housing Authority for the City of Inglewood acknowledges the finding and will implement the recommended tracking system to properly monitor the accuracy of the outstanding loan portfolio and payments of the loan balances for both the First Time Homebuyers and the Rehabilitation loan
FINDING 2014-003 (CONTINUED)

programs to prevent a loss in revenue to the City. The City will also conduct an annual assessment of collectability of loans receivable, including a review of financial statement information for residual receipts loans.

Status of Prior Period Finding:
This finding is considered to be resolved.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

Finding 2014-004

Review of Fund Structure:
Through discussion with the City it was noted that the Affordable Housing Fund was inappropriately recorded as part of the Successor Agency during previous years. This resulted in a prior period adjustment to move this fund out of the SA and into the nonmajor governmental funds. Additionally, there were a number of journal entries intended to correct activity recorded in the wrong fund.

Recommendation:
It was recommend that the City review how funds in the general ledger will consolidate into the Comprehensive Annual Financial Statements. It was recommended that the City review the intended purpose of each fund with employees responsible for coding revenues and expenditures to ensure clarity on the appropriate fund for activities susceptible to improper recording in the General Ledger.

Management's Response Regarding Corrective Action Taken or Planned:
City staff will evaluate the fund structure in the current fiscal year with staff.

Status of Prior Period Finding:
This finding is considered to be resolved.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

Finding 2014-005

Journal Entry Review Procedures:
During the audit it was noted that a number of the correcting journal entries provided by the City did not correctly resolve underlying misstatements. As a result a number of additional entries were required to correct the underlying financial statement accounts in question.

Recommendation:
It was recommended the City consider implementing more thorough Journal Entry review procedures including additional approvers, checklists, and consultation with the Audit Firm regarding unusual or complex entries.

Management's Response Regarding Corrective Action Taken or Planned:
The City will enhance procedures to improve the review of journal entries.

Status of Prior Period Finding:
Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as items 2015-001.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager
Finding 2014-006

**Monthly Bank and General Ledger Reconciliations:**
It was noted that although bank reconciliations are being completed on a monthly basis, there are material reconciling items that are not being resolved timely.

**Recommendation:**
It was recommended that monthly bank reconciliations be completed in a timely manner to ensure that all activity has been properly reconciled to the accounting records. Furthermore, the City should take the necessary steps to process and monitor unresolved reconciling items on a regular basis.

**Management’s Response Regarding Corrective Action Taken or Planned:**
Significant reconciling items have been resolved and the City will continue to monitor them on an ongoing basis.

**Status of Prior Period Finding:**
Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2015-004.

**Responsible Official:**
David Esparza, Chief Financial Officer/Assistant City Manager

Finding 2014-007

**Review of Subsidiary Ledgers in the Eden Accounting Software:**
During prior year audit testwork performed over utility billing accounts receivable and related allowances, and deposits payable, discrepancies were found between the accounting system’s subsidiary ledgers and amounts reported in the general ledger. By maintaining subledgers, documentation could be increased to indicate the payee, and the date due, to allow for enhanced controls over outstanding receivables and payables. It was also noted that the subsidiary ledger was not able to produce an accurate accounts receivable aging report that agreed to the general ledger.

**Recommendation:**
It was recommended that the City reconcile the amounts recorded in subsidiary ledgers to the amounts recorded in the general ledger to ensure that the amounts are in agreement.

**Management’s Response Regarding Corrective Action Taken or Planned:**
The City will reconcile the amounts recorded in subsidiary ledgers to the amounts recorded in the general ledger to ensure the amounts agree. In addition, further work on the utility billing subsidiary ledger is current in progress in the current fiscal year.

**Status of Prior Period Finding:**
Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2015-003.

**Responsible Official:**
David Esparza, Chief Financial Officer/Assistant City Manager

Finding 2014-008

**Disposition of Discontinued PARS Plan:**
As of September 30, 2014, the City has set funds aside from a prior PARS plan that was terminated several years ago at the time the current PARS plan was created. The City has yet to determine if these funds need to be distributed to plan participants.
FINDING 2014-008 (CONTINUED)

Recommendation:
It was recommended that the City review the origination of these funds and seek legal counsel as to the process for making any necessary distribution.

Management's Response Regarding Corrective Action Taken or Planned:
The City’s legal department is currently reviewing this plan in order to determine if any distributions are necessary, and if so, what additional steps if any are required at this time.

Status of Prior Period Finding:
This finding is considered to be resolved.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

Finding 2014-009

Compliance Requirements of SB 341:
Senate Bill 341 requires that the City report certain information on the City’s website regarding the Housing Successor, however this information was not posted in a timely manner. It was unclear to the extent with which the City has complied with spending limitations prescribed by SB 341.

Recommendation:
It was recommended that the City review Senate Bill 341 and ensure that its compliance with all provisions at least annually. The City should also investigate whether the Housing Successor has exceeded certain spending limitations prescribed by SB 341.

Management's Response Regarding Corrective Action Taken or Planned:
The City will review Senate Bill 341 to ensure compliance with all provisions is maintained at least annually. Staff is currently reviewing expenditures of the Housing Successor in order to determine if certain spending limitations have been exceeded as prescribed in SB 341.

Status of Prior Period Finding:
Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2015-006.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

Finding 2014-010

Retention of Documentation:
During the audit, an agreement was requested related to the South Bay Realignment to satisfy certain audit procedures, however the City was unable to locate the document.

Recommendation:
It was recommended that the City develop and implement procedures necessary to ensure that all significant financial agreements are retained.

Management's Response Regarding Corrective Action Taken or Planned:
The City will develop and implement procedures to ensure that all significant financial agreements are retained.
CITY OF INGLEWOOD, CALIFORNIA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

FINDING 2014-010 (CONTINUED)

Status of Prior Period Finding:
Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as items 2015-011.
FINDING 2014-011

Community Development Block Grants/Entitlement Grants – Reporting:

Information on the Federal Program:
CFDA Number: 14.218
Program Title: Community Development Block Grants/Entitlement Grants
Federal Award Number: B-12-MC-06-0520
Federal Award Year: 2014
Name of Federal Agency: U.S. Department of Housing and Urban Development

Criteria:
Program requirements state that for prime contracts awarded in amounts equal to or greater than $25,000, the City must report the disbursements under the guidelines of the Federal Funding Accountability and Transparency Act (Transparency Act).

Condition:
During the testwork performed over the City’s compliance with reporting requirements related to the Community Development Block Grant (CDBG), we found that for the fiscal year ended September 30, 2014, the City had not been reporting major disbursements under the Transparency Act. These reports are required to be submitted by the City to the Department of Housing and Urban Development and the Federal Government.

Questioned Costs: $0

Recommendation:
It was recommended that the City improve their controls to ensure that all grant reporting requirements are complied with.

Management’s Response Regarding Corrective Action Taken or Planned:
The CDBG Division for the City of Inglewood will improve its controls to ensure that all grant reporting requirements are complied with in accordance with the Federal Funding Accountability and Transparency Act (Transparency Act).

Status of Prior Period Finding:
Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2015-010.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2014-012

Community Development Block Grants/Entitlement Grants – Procurement, Suspension, and Debarment:

Information on the Federal Program:
CFDA Number: 14.218
Program Title: Community Development Block Grants/Entitlement Grants
Federal Award Number: B-12-MC-06-0520
Federal Award Year: 2014
Name of Federal Agency: U.S. Department of Housing and Urban Development
FINDING 2014-012 (CONTINUED)

Criteria:
The program requires that the City perform a review of the Excluded Parties List System (EPLS) to ensure that the prospective contractors’ licenses have not been suspended or debarred.

Condition:
It was noted that for one of the contractors used for CDBG projects, the City did not perform a review of the EPLS until after the contract was awarded.

Questioned Costs: $0

Recommendation:
It was recommended that the City develop and implement procedures necessary to ensure that the EPLS is reviewed for all prospective contractors prior to awarding the contract.

Management’s Response Regarding Corrective Action Taken or Planned:
The CDBG Division for the City of Inglewood will improve its controls to ensure that all grant reporting requirements are complied with and to perform a review of the EPLS for all prospective contractors prior to awarding a contract.

Status of Prior Period Finding:
Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2015-008.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2014-013

Home Investment Partnerships Program – Reporting:

Information on the Federal Program:
CFDA Number: 14.239
Program Title: Home Investment Partnerships Program
Federal Award Number: B-12-MC-06-0516
Federal Award Year: 2014
Name of Federal Agency: U.S. Department of Housing and Urban Development

Criteria:
Program requirements state that for prime contracts awarded in amounts equal to or greater than $25,000, the City must report the disbursements under the guidelines of the Federal Funding Accountability and Transparency Act (Transparency Act).

Condition:
During the testwork performed it was noted that for the fiscal year ended September 30, 2014, the City did not report its subawards as required by the Transparency Act.

Questioned Costs: $0

Recommendation:
It was recommended that the City improve their controls to ensure that all grant reporting requirements are complied with.
FINDING 2014-013 (CONTINUED)

Management’s Response Regarding Corrective Action Taken or Planned:
The CDBG Division for the City of Inglewood will improve its controls to ensure that all grant reporting requirements are complied with in accordance with the Federal Funding Accountability and Transparency Act (Transparency Act).

Status of Prior Period Finding:
This finding is considered to be resolved.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager

FINDING 2014-014

Section 8 Housing Choice Vouchers – Special Tests and Provisions:

Information on the Federal Program:
CFDA Number: 14.871
Program Title: Section 8 Housing Choice Vouchers
Federal Award Number: CA082VO
Federal Award Year: 2014
Name of Federal Agency: U.S. Department of Housing and Urban Development

Criteria:
24 CFR 928.202 (d) states that the PHA must admit applicants for participation in accordance with HUD regulations and other requirements, including, but not limited to, 24 CFR part 5, subpart L, protection for victims of domestic violence, dating violence, or stalking, and with PHA policies stated in the PHA administrative plan and the PHA plan. The PHA admission policy must state the system of admission preferences that the PHA uses to select applicants from the waiting list, including any residency preference or local preference.

Condition:
During the testwork performed it was noted that the IHA admitted 24 eligible families facing loss of federal aid as a result of lack of funding from other HUD programs to the Section 8 program prior to amending the administrative plan to allow for special admissions.

Questioned Costs: $0

Recommendation:
It was recommended that the City improve their controls to ensure that actions that are taken as part of the Housing Choice Voucher program be in accordance with Federal guidelines, the Housing Authority’s policies and that those policies be approved by the governing body.

Management’s Response Regarding Corrective Action Taken or Planned:
The City will ensure that the administrative plan to allow for special admissions is properly amended before allowing special admissions.

Status of Prior Period Finding:
This finding is considered to be resolved.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager
FINDING 2014-015

Community Oriented Policing-COPS Hiring Recovery Program Grant – Allowable Costs/Cost Principles

Information on the Federal Program:
CFDA Number: 16.710
Program Title: Community Oriented Policing-COPS Hiring Recovery Program Grant
Federal Award Number: 2009RKWX0119
Federal Award Year: 2009
Name of Federal Agency: U.S. Department of Justice

Criteria:
Per Part 4 of the Compliance Supplement, Section (A) Activities Allowed or Unallowed, this grant may have expenditures for programs, projects, and other activities related to:

1. Hire and train new, additional career law enforcement officers for deployment into community-oriented policing.
2. Rehire law enforcement officers who have been laid off or who are scheduled to be laid off on a specific future date as a result of State, local and/or tribal budget reductions for financial reasons unrelated to the availability of COPS grant funds for deployment in community-oriented policing.

Condition:
During the testwork performed over payroll expenditures, it was noted that one employee charged under the program was not originally budgeted and approved by the granting agency and also, the employee charged had not been laid off and/or threatened with a layoff in accordance with the Grant requirements. Additionally, six employees had charges greater than the maximum salary limit chargeable to the grant.

Questioned Costs: $96,742

Recommendation:
It was recommended that the City improve their controls and correct this error to ensure that the appropriate approved employees are being charged to the federal program.

Management's Response Regarding Corrective Action Taken or Planned:
The Police Department grants coordinator will be working with the Finance Department to ensure the proper employees and allowable expenses are charged against the grant.

Status of Prior Period Finding:
This finding is considered to be resolved.

Responsible Official:
David Esparza, Chief Financial Officer/Assistant City Manager