

**CITY OF INGLEWOOD, CALIFORNIA**

**SINGLE AUDIT REPORT**

**SEPTEMBER 30, 2017**

CITY OF INGLEWOOD, CALIFORNIA

SINGLE AUDIT REPORT

SEPTEMBER 30, 2017

**CITY OF INGLEWOOD**

**SEPTEMBER 30, 2017**

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

### **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inglewood, California, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 28, 2018, 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 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.

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.

*Lance, Soll & Lughard, LLP*

Brea, California

May 24, 2018 (except for our report on the Schedule of Expenditures of Federal Awards which is dated March 28, 2018)



CITY OF INGLEWOOD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures	Amounts Provided to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
Direct Assistance:				
Community Development Block Grants/Entitlement Grants *	14.218	B-16-MC-06-0520	\$ 1,190,167	\$ 62,837
Home Investment Partnerships Program	14.239	M-16-MC-06-0516	598,556	-
Section 8 Housing Choice Vouchers *	14.871	CA082	10,513,082	-
<b>Subtotal</b>			<b>12,301,805</b>	<b>62,837</b>
<b>U.S. Department of Justice</b>				
Direct Assistance:				
Community Oriented Policing-COPS Hiring Recovery Prog Grant	16.710	2013UMWX0023	2,218	-
Justice Assistance Grant	16.738	2015-DJ-BX-0950	23,997	-
Asset Forfeiture and Seizure	16.922	CA0193300	558,044	-
<b>Subtotal</b>			<b>584,259</b>	<b>-</b>
<b>U.S. Department of Transportation</b>				
Direct Assistance:				
Airport Improvement Program	20.106	3-06-0139-081-2014, 3-06-0139-084-2015	3,542,206	-
Pass-through the California Department of Transportation				
Crenshaw Blvd & 84th Street *	20.205	HSIPL-5164(025)	210,142	-
Inglewood Active Transportation and Safe Route to School Plan *	20.205	ATPLNI-5164(029)	159,133	-
Pass-through Total			369,275	-
<b>Subtotal</b>			<b>3,911,481</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>				
Aging Cluster:				
Pass-through the County of Los Angeles:				
Special Programs for the Aging Title III				
Part B Grants for Supportive Services and Senior Centers	93.044	40291	5,555	-
Special Programs for the Aging Title III				
Part C Nutrition Services	93.045	AAA-ENP2-0809-011	648,059	-
Nutrition Services Incentive Program	93.053	AAA-ENP2-0809-011	70,276	-
Aging Cluster Total			723,890	-
<b>Subtotal</b>			<b>723,890</b>	<b>-</b>
<b>Total Federal Expenditures</b>			<b>\$ 17,521,435</b>	<b>\$ 62,837</b>

\* 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.

CITY OF INGLEWOOD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 LOS ANGELES COUNTY GRANTS  
 AAA-ENP2-0809-011/SSP-1014-12/  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	Federal Domestic Assistance Number	Contract	Period	Award Contracted	Amount Expended
<b>Department of Health and Human Services:</b>					
Title III Part B - Special Programs for the Aging - Grants for Supportive Services and Senior Centers	93.044	AAA-ENP-162008	2016-2017	\$ 5,555	\$ 5,555
Title IIIC1 Congregate Nutrition	93.045	AAA-ENP-162008	2016-2017	272,458	272,458
Title IIIC 2 Home Delivered Meals	93.045	AAA-ENP-162008	2016-2017	375,601	375,601
Subtotal - Department of Health and Human Services				<u>653,614</u>	<u>653,614</u>
<b>Older Americans Act:</b>					
NSIP/USDA Title IIIC1	93.053	AAA-ENP-162008	2016-2017	29,329	29,329
NSIP/USDA Title IIIC2	93.053	AAA-ENP-162008	2016-2017	40,947	40,947
Subtotal - Older Americans Act (Nutritional Services Incentive Program)				<u>70,276</u>	<u>70,276</u>
Total - LA County Contracts AAA-ENP-162008				<u>\$ 723,890</u>	<u>\$ 723,890</u>
<b>Federal Funds - Reconciliation to Schedule of Expenditures of Federal Awards</b>					
Older Americans Act (Department of Agriculture) Fiscal Year Ended 6/30/16				\$ 63,927	
Less: July through September 2016 Expenditures					(16,965)
Add: July through September 2017 Expenditures (40291)					<u>14,603</u>
Older Americans Act (Nutritional Services Incentive Program) Fiscal Year Ended 9/30/17				<u>\$ 61,565</u>	
Department of Health and Human Services Fiscal Year Ended 6/30/16				\$ 633,002	
Less: July Through September 2016 Expenditures					(167,637)
Add: July through September 2017 Expenditures (40291/40128)					<u>174,098</u>
Department of Health and Human Services Fiscal Year Ended 9/30/17				<u>\$ 639,463</u>	

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

**CITY OF INGLEWOOD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?                    \_\_\_yes            Xno
- Material weaknesses identified?                    Xyes            \_\_\_none reported

Noncompliance material to financial statements noted?                    \_\_\_yes            Xno

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?                    Xyes            \_\_\_no
- Material weaknesses identified?                    \_\_\_yes            Xnone 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 Title 2 U.S. Code of Federal Regulations Part 200?                    Xyes            \_\_\_no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
14.871	Section 8 Housing Choice Vouchers
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B program                    \$750,000

Auditee qualified as low-risk auditee?                    \_\_\_yes            Xno

CITY OF INGLEWOOD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 2017-001

**Material Audit Adjustments and Restatement**

**Land Held for Resale Adjustment:** A material adjustment in the amount of \$4,112,226 was necessary to correct how the City recorded land held for resale in the General Fund. During our testwork it was noted the City recorded expenditures for the purchase of the property and that the property was designated as land held for resale during the same year. The City failed to book the transaction onto the General Fund balance sheet as land held for resale at that time, which is not in line with Generally Accepted Accounting Principles (GAAP). An entry was necessary to reverse the expenditures recorded in the General Fund to properly account for the purchase as land held for resale in the balance sheet.

**Recommendation:** We recommend the City establish procedures to have management review all non-routine activity the City is involved in and review all capital outlay accounts to ensure fixed asset additions and land held for resale activity is reconciled properly.

**Management Response and Corrective Action Plan:** The City is currently working on implementing a fixed asset database in Eden, the City's financial management software, which will eliminate the need for manual reconciliations which is the primary reason for the finding. The City also reviewed its current accounting process on capitalization, and made several changes including the following:

1. Perform a reconciliation of all fixed asset ledger accounts to the year-end schedules to ensure it is reconciled properly
2. Enhance communication with departments Citywide and emphasize the importance of submitting fixed asset reports to ensure reporting of fixed asset activity is appropriate

In addition to the above two actions the City is looking into system enhancements as discussed above.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2017-002

**Community Development Block Grants/Entitlement Grants – Reporting**

**Information on the Federal Program:**

CFDA Number: 14.218

Program Title: Community Development Block Grants/Entitlement Grants

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

Federal Award Number: B-16-MC-06-0520

Federal Award Year: 2016

**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 sub award was made.

**CITY OF INGLEWOOD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**FINDING 2017-002 (CONTINUED)**

***Condition:***

During our audit, we noted that a sub award was made on September 20, 2016, but the Transparency Act report was not filed until April 2018.

***Cause:***

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

***Effect:***

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

***Questioned Costs:*** \$0

***Context:***

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

***Repeat Finding:***

This is related to finding 2016-008 from the prior fiscal year. Refer to the Schedule of Prior Year Findings and Questioned Costs for Fiscal Year Ended September 30, 2016.

***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:***

Management has implemented procedures to ensure that the required reports are reviewed and submitted using the Federal Funding Accountability and Transparency Act Subaward Reporting System by the end of the month following the month in which the sub award was made, in accordance with the Transparency Act. The Community Development department will maintain a report submission checklist that is reviewed by staff and management and reporting deadlines will be included on a calendar to ensure that reporting deadlines are met. This policy change will allow staff to identify and rectify any compliance issues prior to the reporting deadline.

Also, the subaward agreement policies and procedures are being modified to comply with the Uniform Guidance and the City will ensure compliance with the Transparency Act.

***Responsible Official:***

Artie Fields, City Manager

**FINDING 2017-003**

***Community Development Block Grants/Entitlement Grants – Reporting***

***Information on the Federal Program:***

CFDA Number: 14.218

Program Title: Community Development Block Grants/Entitlement Grants

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

Federal Award Number: B-16-MC-06-0520

**CITY OF INGLEWOOD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**FINDING 2017-003 (CONTINUED)**

Federal Award Year: 2016

***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 personnel did not submit the Section 3 Summary Report to HUD by the deadline.

***Cause:***

There is a lack of procedures and controls surrounding the timeliness of reporting required by the OMB Compliance Supplement. Due to staff turnover across departments, the Community Development department failed to communicate the SPEARS login information which lead to not having the necessary login for accessing the SPEARS website to submit the report.

***Effect:***

The City's failure to submit the report by the required deadline has resulted in noncompliance.

***Questioned Costs:*** \$0

***Context:***

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

***Repeat Finding:***

This is a new finding for the fiscal year ended September 30, 2017.

***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:***

Management agrees with the finding. On November 27, 2017, the Community Development department staff requested a login from HUD to meet the Section 3 Report December 31st reporting deadline. Although the staff had requested the login necessary to submit the report, the process of obtaining a password would take 4-8 weeks and there was no extension filed with a HUD representative or follow up when the login information was not received. The City will assign staff to serve as the Secure Connection Coordinator. The City will also register with SPEARS immediately and be more proactive in filing the Section 3 Summary Report in a timely fashion.

All password expiration dates and reporting deadlines will be included on a calendar that is reviewed by Community Development department staff and management to ensure that reporting deadlines are met.

Also, the policies and procedures are being modified to comply with the Uniform Guidance and the City will ensure compliance with the OMB Compliance Supplement.

***Responsible Official:***

Artie Fields, City Manager

**CITY OF INGLEWOOD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**FINDING 2017-004**

***Highway Planning and Construction – Procurement, Suspension, and Debarment***

***Information on the Federal Program:***

CFDA Number: 20.205  
Program Title: Highway Planning and Construction  
Name of Federal Agency: U.S. Department of Transportation  
Federal Award Number: ATPLNI-5164(029)  
Federal Award Year: 2016

***Criteria:***

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

***Condition:***

During our audit, we noted that the City did not perform a SAM check for the contractors until after the contract was awarded.

***Cause:***

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

***Effect:***

Without performing SAM checks for contractors or sub recipients, 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.

***Questioned Costs:*** \$0

***Context:***

For the fiscal year ended September 30, 2017, the City passed through DOT funds to two contractors. We tested the contractors for compliance, noting one of two contractors did not have a proper SAM check performed prior to awarding the contract.

***Repeat Finding:***

This is related to finding 2016-007 from the prior fiscal year. Refer to the Schedule of Prior Year Findings and Questioned Costs for Fiscal Year Ended September 30, 2016.

***Recommendation:***

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

***Views of Responsible Officials and Planned Corrective Actions:***

The City's Planning Division revised its policies and procedures to include, as part of required supporting documentation, a clearance printout from the System of Award Management (SAM) in submission of proposals for all eligible consultants and projects.

***Responsible Official:***

Christopher Jackson, Director of Economic and Community Development



CITY OF INGLEWOOD

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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SECTION IV - FINANCIAL STATEMENT FINDINGS

**FINDING 2016-001**

**Untimely Bank Reconciliation Preparation and Improper Reconciliation Method:** Bank reconciliations in some instances were outstanding for several months before they were reconciled to the appropriate general ledger control accounts. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. During our testwork, it was also noted the City booked adjustments to cash accounts and other various general ledger accounts in a method that was not in line with generally accepted accounting principles (GAAP). A reversal of this entry and proper reconciliation was necessary and resulted in a net restatement to the general fund's fund balance and the government-wide net position of (\$394,720).

***Recommendation:***

We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

***Management Response and Corrective Action Plan:*** The City continues to complete monthly bank reconciliations timely and has also implemented a secondary monitoring control process that consists of another staff member who concurrently completes the bank reconciliations separate and independent from the senior staff who completes them monthly as a check and balance control. The secondary monitoring control process was not fully implemented at the time of this report; however, it is expected to be fully implemented by the end of the current fiscal year.

***Status:*** Items were addressed.

**FINDING 2016-002**

**Call for Projects Fund – Century Blvd Project Over Budget/Accounting:** During our testwork it was noted the City had costs related to the Century Blvd project that were over budget in the Call for Projects Fund. It was noted that the City had overcharged this fund and under charged the use of the Successor Agency bond proceeds for the project in the amount of \$2,157,070. In addition, the City did not record the amount owed back to the Call for Projects Fund as a receivable from the Successor Agency (\$2,157,070 and the reimbursable portion from Metro (\$1,420,812) at the end of the fiscal year which resulted in expenses and liabilities being understated in the Successor Agency at fiscal yearend, and an overstatement in the Call for Projects Fund.

***Recommendation:*** It appears grant activity from City departments is decentralized and vital information necessary for the proper recording of grant activity is failing to be presented to the finance department. We recommend the monitoring of all grant activity to be monitored by a single or small group of individuals(s) who are knowledgeable of grants and their requirements. As well, we also recommend any grant expenditures and reimbursement requests be presented to the finance department for proper accounting and to assist in decentralizing the management of grants.

***Management Response and Corrective Action Plan:*** The City acknowledges the finding, and the reimbursement from the Successor Agency bond proceeds was completed and the Call for Projects fund was corrected.

***Status:*** Items were addressed.

CITY OF INGLEWOOD

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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**FINDING 2016-003**

**Material Audit Adjustments and Restatement**

**Debt Service Adjustment:** A material adjustment was required in the amount of \$698,168 to correct activity between the Successor Agency and the Low Mod fund in regards to debt service expenses.

***Recommendation:*** We recommend the City establish a more thorough review procedure for activities that occur less frequently compared to typical daily activities to ensure proper recording is established.

***Management Response and Corrective Action Plan:*** All debt outstanding related to the former Redevelopment Agency has been transferred to the Successor Agency and should no longer flow through any other funds.

***Status:*** Items were addressed.

**FINDING 2016-004**

**Material Audit Adjustments and Restatement**

**Land Held for Resale Adjustment:** A material adjustment in the amount of \$2,900,000 was necessary to correct how the City recorded a sale of land between the General Fund and the CDBG fund. During our testwork it was noted the City recorded the sale in the General Fund by hitting fund balance accounts, which is not in line with GAAP. An entry was necessary to reverse the entry posted to fund balance and correctly show the transaction as current year activity in the General Fund rather than a restatement to prior year fund balance.

***Recommendation:*** We recommend the City establish procedures to have management review all non-routine activity the City is involved in, especially paying attention to all journal entries posting adjustments to fund balance accounts. Journal entries posting to fund balance should primarily only involve corrections to errors.

***Management Response and Corrective Action Plan:*** The City acknowledges the recommendation.

***Status:*** Items were addressed. However, a finding with similarities was noted in the FY 2016-2017 Audit (please refer to item 2017-001).

**FINDING 2016-005**

**Internal Control Environment**

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.

**CITY OF INGLEWOOD**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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**FINDING 2016-005 (Continued)**

**Management Response and Corrective Action Plan:** The City has made some operational assessments and has already implemented a monitoring check and balance as it relates to monthly bank reconciliations. This monitoring control process consists of another staff member who concurrently completes the bank reconciliations separate and independent from another staff who completes the bank reconciliations monthly as a check and balance control. The secondary monitoring control process was not fully implemented at the time of this report; however, it is expected to be fully implemented by the end of the current fiscal year.

**Status:** Items were addressed.

**FINDING 2016-006**

**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, 2016, 2015 and 2014. We recommend that the City create a checklist of all annual compliance and financial reports due on an annual basis.

**Single Audit**

The City expended over \$750,000 in federal awards for the fiscal year ended September 30, 2016; which requires a Single Audit in compliance with Uniform Guidance. 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, 2017. This compliance requirement was not met.

**Bond Compliance**

As described under the City's bond indenture, the City is subject to preparing and filing with the Trustee and the Bond Insurer, annually as soon as practicable, but in any event not later than one hundred eighty (180) days after the close of each fiscal year, so long as any bonds are outstanding. For the fiscal year ending September 30, 2016, the City was not in compliance with having audited statements issued by June 30, 2017.

**Management Response and Corrective Action Plan:** The City met with the auditors Lance, Soll and Lunghard (LSL) and discussed the necessary planning of the 9/30/2016 audit. During this meeting, the due dates for all the City's reports was also discussed so that the team could work towards meeting all the required due dates for all the City's reports. The audit began in February 2017 and all audit data requests submitted to the City were provided and submitted back to the auditors within 24 hours or less. Subsequent delays in the completion of the City's audits was a result of additional data requests that were not submitted to the City initially, and the coordination of the availability of the audit firms staff schedules were out of sync with the City's audit timelines.

**Status:** Items were addressed.

CITY OF INGLEWOOD

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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SECTION V - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**FINDING 2016-007**

***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

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

Federal Award Number: B-15-MC-06-0520

Federal Award Year: 2015

***Criteria:***

The program requires that the City perform a review of the System for Award Management (SAM) to ensure that the prospective sub recipients' respective licenses have not been suspended or debarred.

***Condition:***

During our audit, we noted that the City did not perform a SAM check for the sub recipient until after the contract was awarded.

***Cause:***

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

***Effect:***

Without performing SAM checks for contractors or sub recipients, 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.

***Questioned Costs:*** \$0

***Context:***

For the fiscal year ended September 30, 2016, the City passed through CDBG funds to a single sub recipient agency. We tested the sub recipient agency for compliance.

***Repeat Finding:***

This is related to finding 2015-008 from the prior fiscal year. Refer to the Schedule of Prior Year Findings and Questioned Costs for 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 sub recipients of federal awards prior to awarding a contract or sub award 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 sub recipients.

***Responsible Official:***

David Esparza, Chief Financial Officer/Assistant City Manager

**CITY OF INGLEWOOD**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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**FINDING 2016-007 (CONTINUED)**

***Status:***

Items were addressed.

**FINDING 2016-008**

***Community Development Block Grants/Entitlement Grants – Reporting***

***Information on the Federal Program:***

CFDA Number: 14.218

Program Title: Community Development Block Grants/Entitlement Grants

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

Federal Award Number: B-15-MC-06-0520

Federal Award Year: 2015

***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 sub award was made.

***Condition:***

During our audit, we noted that a sub award was made on November 17, 2015, but the Transparency Act report was not filed until September 2016.

***Cause:***

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

***Effect:***

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

***Questioned Costs: \$0***

***Context:***

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

***Repeat Finding:***

This is related to finding 2015-010 from the prior fiscal year. Refer to the Schedule of Prior Year Findings and Questioned Costs for Fiscal Year Ended September 30, 2015.

***Recommendation:***

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

**CITY OF INGLEWOOD**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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**FINDING 2016-008 (CONTINUED)**

***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 sub awards in excess of \$25,000 by the end of the month following the month in which the sub award was made.

***Responsible Official:***

David Esparza, Chief Financial Officer/Assistant City Manager

***Status:***

Repeat finding for the FY 2016-2017 Audit (please refer to item 2017-002).

**Finding 2016-009**

***Section 8 Housing Choice Vouchers – Allowable Costs/Cost Principles***

***Information on the Federal Program:***

CFDA Number: 14.871

Program Title: Section 8 Housing Choice Vouchers

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

Federal Award Number: CA082

Federal Award Year: 2015

***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 the Uniform Guidance. 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, 2016.

***Cause:***

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

***Effect:***

We cannot determine the eligibility of the overhead costs charged to the Section 8 program for the fiscal year ended September 30, 2016 without the approval of the CAP from HUD.

***Questioned Costs:*** \$267,013

***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.

***Repeat Finding:***

This is related to finding 2015-011 from the prior fiscal year. Refer to the Schedule of Prior Year Findings and Questioned Costs for Fiscal Year Ended September 30, 2015.

**CITY OF INGLEWOOD**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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**Finding 2016-009 (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 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

***Status:***

Items were addressed.