



CPAs AND ADVISORS

CITY OF INGLEWOOD, CALIFORNIA

SEPTEMBER 30, 2018

SINGLE AUDIT REPORT

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CITY OF INGLEWOOD, CALIFORNIA

SINGLE AUDIT REPORT

SEPTEMBER 30, 2018

CITY OF INGLEWOOD

SEPTEMBER 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 22, 2019.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.



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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
May 22, 2019



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 THE UNIFORM GUIDANCE

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 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, 2018. 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 federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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, 2018.



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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-002 and 2018-003. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003, that we consider to be significant deficiencies.

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.



CPAs AND ADVISORS

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 22, 2019, 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

June 5, 2019 (except for our report on the Schedule of Federal Awards, for which the date is May 22, 2019)

CITY OF INGLEWOOD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Expenditures	Amounts Provided to Subrecipients
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Community Development Block Grants/Entitlement Grants *	14.218	N/A	\$ 2,763,655	\$ 58,000
Home Investment Partnerships Program	14.239	N/A	1,219,400	-
Economic Development Initiative - Senior Center	14.246	N/A	174,045	-
Neighborhood Stabilization Program	14.264	N/A	1,800	-
Section 8 Housing Choice Vouchers	14.871	N/A	10,512,111	-
Subtotal			14,671,011	58,000
U.S. Department of Justice				
Direct Assistance:				
Community Oriented Policing-COPS Hiring Recovery Prog Grant *	16.710	N/A	202,763	-
Justice Assistance Grant	16.738	N/A	60,331	-
Asset Forfeiture and Seizure	16.922	N/A	1,462,678	-
Subtotal			1,725,772	-
U.S. Department of Transportation				
Direct Assistance:				
Airport Improvement Program *	20.106	N/A	11,604,034	-
Pass-through the California Department of Transportation				
Inglewood Active Transportation and Safe Route to School Plan	20.205	ATPLNI-5164(029)	43,238	-
Pass-through the Office of Traffic Safety				
Selective Traffic Safety Enforcement Program (STEP)	20.600	PT18060-402PT	101,682	-
Selective Traffic Safety Enforcement Program (STEP)	20.608	PT18060-164AL	76,063	-
Pass-through Total			220,983	-
Subtotal			11,825,017	-
U.S. Department of Health and Human Services				
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	SSP-141811	68,625	-
Special Programs for the Aging Title III				
Part C Nutrition Services	93.045	ENP-162008	599,319	-
Nutrition Services Incentive Program	93.053	ENP-162008	82,310	-
Aging Cluster Total			750,254	-
Subtotal			750,254	-
Total Federal Expenditures			28,972,054	58,000
Federal Loan Balances with a Continuing Compliance Requirement				
CDBG Loans (beginning balance) *	14.218	N/A	9,323,657	-
Total Expenditure of Federal Awards Including Loans with Continuing Compliance Requirement			\$ 38,295,711	-

* 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.

Note c: During the fiscal year ended September 30, 2018, the City received repayments on CDBG Loans totaling \$79,489 which were applied to the loans receivable balance.

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, 2018**

Federal Grantor/Pass-Through Grantor Program Title	Federal Domestic Assistance Number	Contract	Period	Award Contracted	Amount Expended
Department of Health and Human Services:					
Title III Part B - Special Programs for the Aging - Grants for Supportive Services and Senior Centers	93.044	40291	2017-2018	\$ 3,262	\$ 3,262
Grants for Supportive Services and Senior Centers	93.044	SSP-1014-12	2017-2018	65,363	65,363
Title IIIC1 Congregate Nutrition	93.045	AAA-ENP2-0809-011	2017-2018	308,724	308,724
Title IIIC 2 Home Delivered Meals	93.045	AAA-ENP2-0809-011	2017-2018	290,595	290,595
Subtotal - Department of Health and Human Services				<u>667,944</u>	<u>667,944</u>
Older Americans Act:					
NSIP/USDA Title IIIC1	93.053	AAA-ENP2-0809-011	2017-2018	40,527	40,527
NSIP/USDA Title IIIC2	93.053	AAA-ENP2-0809-011	2017-2018	41,783	41,783
Subtotal - Older Americans Act (Nutritional Services Incentive Program)				<u>82,310</u>	<u>82,310</u>
Total - LA County Contracts AAA-ENP2-0809-011 and SSP-1014-12/40291				<u>\$ 750,254</u>	<u>\$ 750,254</u>

Federal Funds - Reconciliation to Schedule of Expenditures of Federal Awards

Older Americans Act (Department of Agriculture) Fiscal Year Ended 6/30/17	\$ 61,565
Less: July through September 2017 Expenditures	(14,603)
Add: July through September 2018 Expenditures (40291)	<u>13,725</u>
Older Americans Act (Nutritional Services Incentive Program) Fiscal Year Ended 9/30/18	<u>\$ 60,687</u>
Department of Health and Human Services Fiscal Year Ended 6/30/17	\$ 639,463
Less: July Through September 2017 Expenditures	(174,098)
Add: July through September 2018 Expenditures (40291/40128)	<u>155,477</u>
Department of Health and Human Services Fiscal Year Ended 9/30/18	<u>\$ 620,842</u>

CITY OF INGLEWOOD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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.

c. Indirect Cost Rate

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

d. Loan Programs with Continuing Compliance Requirements

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs require servicing arrangements with the City. The funds are returned to the programs upon repayment of the principal and interest. Current year transactions relating to these programs are included in the Schedule of Expenditures of Federal Awards. In accordance with 2 CFR section 200.502(b), the balance of loans outstanding at September 30, 2018 are as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at September 30, 2018</u>
14.218	CDBG Loans	\$ 10,591,374

CITY OF INGLEWOOD

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? yes no
- Material weaknesses identified? 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 Title 2 U.S. Code of Federal Regulations Part 200? yes 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
16.710	Public Safety Partnership and Community Policing Grants
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? yes no

CITY OF INGLEWOOD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 2018-001

Grants Reconciliation

Criteria:

Appropriate reconciled preparation of the Schedule of Expenditures of Federal Awards.

Condition:

During our audit, the Schedule of Expenditures of Federal Awards (SEFA) prepared by staff for our audit required certain revisions and corrections. It was noted that programs were incorrectly omitted from the schedule and that information on the schedule was not reconciled appropriately with the general ledger.

Cause:

There is a lack of procedures and controls surrounding the accuracy of reporting required by Uniform Guidance.

Effect:

The Schedule of Expenditures of Federal Awards would have been misreported.

Questioned Costs: Not Applicable

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.

Recommendation:

We recommend that management thoroughly review the SEFA at year-end to ensure all grants are properly reconciled.

Views of Responsible Officials and Planned Corrective Actions:

Management has reviewed the existing policies and procedures surrounding grant accounting, and have made several changes to ensure that all federal grants are correctly recorded in the grant schedules, including the following:

1. Enhance communication with departments Citywide, specifically those using federal grant funds, and emphasize the importance of disclosing new grants and/ or the use of grant monies to Finance.
2. Reconciliation of grants will be performed quarterly and reviewed by management.

These policy changes will allow staff to identify and rectify any issues prior to year-end when the final SEFA is compiled.

Responsible Official:

Finance Department and Responsible Grant Monitoring Representatives

CITY OF INGLEWOOD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2018-002

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-17-MC-06-0520

Federal Award Year: 2017

Criteria: §200.331 of the Code of Federal Regulations provides requirements for pass-through entities making subawards.

Condition: We noted that subawards made by the City did have a subrecipient agreement however did not contain all required information of §200.331. Specifically, subrecipient agreements of federal funds must provide complete information on the federal award including the CFDA Number and the Federal Award Identification Number (FAIN). In addition, the agreement should also contain the subrecipient unique identification number, usually a DUNS number.

Cause: The subaward agreements were not updated to comply with requirements.

Effect: The City did not comply with certain requirements of §200.331 of the Code of Federal Regulations pertaining to subaward agreements.

Questioned Costs: \$0

Context: Subawards made to subrecipients for the fiscal year were \$58,000.

Recommendation: Update subaward agreements to comply with all requirements identified in §200.331 of the Code of Federal Regulations.

Views of Responsible Officials and Planned Corrective Actions: The City has modified its policies and procedures to comply with the Uniform Guidance. The City is in the process of updating the subaward agreements to include the required grant information.

Responsible Official: Artie Fields, City Manager

CITY OF INGLEWOOD

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

FINDING 2018-003

Community Oriented Policing – COPS Hiring Recovery Prog. Grant - Reporting

Information on the Federal Program

CFDA Number: 16.710

Program Title: COPS Hiring Recovery Prog. Grant

Name of Federal Agency: U.S. Department of Justice

Federal Award Number: 2013UMWX0023

Federal Award Year: 2013

Criteria: The grant agreement provides certain reporting requirements which include the preparation of a Utilization Report and submitted to the U.S. Department of Justice for review within 60 days of the notification of award.

Condition: We noted that the City received an extension for the grant dated October 1, 2016 for another three years, however a Utilization report was submitted on August 3, 2017 and outside the 60-day requirement contained in the grant award.

Cause: The City failed to complete the Utilization report in compliance with the grant award.

Effect: The Utilization report was filed late.

Questioned Costs: \$0

Context: The requirement to prepare and submit the Utilization report is made upon award.

Recommendation: Ensure grant award provisions including reporting requirements be clearly identified and made known to those responsible for grant compliance requirements.

Views of Responsible Officials and Planned Corrective Actions: As part of the initial award or extension process, personnel responsible for meeting programmatic requirements will review relevant grant agreements and/or manuals to ensure compliance with requirements established by the funding agency.

Responsible Official: Mark Fronterotta, Chief of Police

CITY OF INGLEWOOD

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

SECTION IV - 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 test work 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.

Status: Items were addressed.

CITY OF INGLEWOOD

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

SECTION V - 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.

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.

CITY OF INGLEWOOD

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

FINDING 2017-002 (Continued)

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

Status: Items were addressed.

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

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.

CITY OF INGLEWOOD

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

FINDING 2017-003 (Continued)

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

Status: Items were addressed.

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
Pass Through Entity: California 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.

CITY OF INGLEWOOD

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

FINDING 2017-004 (Continued)

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

Status: Items were addressed.