



CITY OF COMPTON

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2021



CITY OF COMPTON


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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable City Council
City of Compton
Compton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Compton, California (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 18, 2024. Our report includes qualified opinions on those financial statements, because the City has not maintained sufficient records and we were unable to obtain sufficient appropriate audit evidence about the allocation of cash to the various funds. In addition, our report includes an emphasis of matters paragraph to bring attention to deficit fund balances in the general fund and other funds totaling approximately \$39 million.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be 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 as findings 2021-009 and 2021-010 (marked MW) to be material weaknesses.

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 accompany schedule of findings and questioned as findings 2021-011 to 2021-016 (marked SD) to be significant deficiencies.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 finding 2021-017 (marked NC).

City of Compton's Response to Findings

The City's response to the 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 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.

Eadie and Payne, LLP

Riverside, California
May 24, 2024



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable City Council
City of Compton
Compton, California

Report on Compliance for Each Major Federal Program

We have audited City of Compton's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of 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 the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Assistance Listing Number 14.871 Section 8 Housing Choice Vouchers

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Assistance Listing Number 14.871 Section 8 Housing Choice Vouchers as described in finding number 2021-002 for reporting. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Assistance Listing Number 14.871 Section 8 Housing Choice Vouchers

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Assistance Listing Number 14.871 Section 8 Housing Choice Vouchers for the year ended June 30, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed other 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 items 2021-001 and 2021-004 to 2021-007. 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

The 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify 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 2021-001 and 2021-002 to be material weaknesses.

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 2021-003, 2021-006 to 2021-008 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the City's basic financial statements. We have issued our report thereon dated May 8, 2024, which contains qualified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Eadie and Payne, LLP

Riverside, California
May 24, 2024

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF COMPTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Program Identification Number	Federal Expenditures	Expenditures to Subrecipients	Total Federal Awards Expended for Loan or Loan Guarantee Programs
U.S. Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster					
Direct:					
Community Development Block Grants/Entitlement Grants COVID-19-CDBG - CV, Cares Act	14.218	B-19-MC-06-0515 B-20-MW-06-0515	\$ 1,380,679 4,068	\$ 116,057 -	\$ - -
Total CDBG - Entitlement Grants Cluster			<u>1,384,747</u>	<u>116,057</u>	<u>-</u>
Direct:					
Community Development Block Grants Section 108 Section 108 Note Payable - current expenditures Section 108 Loans Receivable - balance at beginning of year	14.248	Loans	\$ 506,125 522,691	\$ - -	\$ 506,125 522,691
Total CDBG Section 108			<u>1,028,816</u>	<u>-</u>	<u>1,028,816</u>
Direct:					
Community development Block Grants/Disaster Recovery Grants (DRGR)	14.228	B-08-MN-06-0505	4,420	-	-
Direct:					
HOME Investment Partnership Program	14.239	M-19-MC-06-0506	148,848	-	-
Housing Voucher Cluster					
Direct:					
Section 8 Housing Choice Vouchers	14.871	CA-071	8,699,620	-	-
Direct:					
CARES Act - Supplemental Housing Assistance Payment (HAP) Funding Impacted by COVID-19, Extraordinary Circumstances	14.HCC		300,953	-	-
CARES Act -Supplemental Administrative Fee Funding Impacted by COVID-19			67,493	-	-
			<u>368,446</u>	<u>-</u>	<u>-</u>
Total Housing Voucher Cluster			<u>9,068,066</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>12,663,713</u>	<u>116,057</u>	<u>2,057,632</u>
U.S. Department of Justice					
Direct:					
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1040	149,719	-	-
Total U.S. Department of Justice			<u>149,719</u>	<u>-</u>	<u>-</u>
U.S. Department of Treasury					
Pass Through CA Department of Finance (#11918):					
Coronavirus Relief Fund (CRF)	21.019		1,210,414	-	-
Total U.S. Department of Treasury			<u>1,210,414</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 14,023,846</u>	<u>\$ 116,057</u>	<u>\$ 2,057,632</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

CITY OF COMPTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of City of Compton (City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Such expenditures are recognized following the Cost Principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The City has not elected to use the 10% de minimis cost rate.

4. SUBAWARDS

The City passes through Federal awards to certain subrecipients. The programs and amounts passed through as of June 30, 2021 are as follows:

Program Name	Subawards
CDBG - Entitlement Grants Cluster	
ERD Campfire Safety Self	\$ 55,000
ERD Domestic Violence Prevention	13,457
Champions of Caring	17,600
Youth Building	20,000
Fair Housing	10,000
Total Subawards	\$ 116,057

5. LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The City participates in the Community Development Block Grants Section 108 Loan Guarantees (Assistance Listing No. 14.248) of the U.S. Department of Housing and Urban Development, which is subject to continuing compliance requirements for outstanding loans. The program's outstanding balance on loans with continuing compliance requirements as of June 30, 2021 are as follows:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2021
14.248	Rosewood Family Loan	\$ 378,667
14.248	Fatburger Loan	144,024
		\$ 522,691

See accompanying notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

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

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CURRENT YEAR

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CITY OF COMPTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

2021-001 – Filing of Single Audit Report (MW, NC)

Criteria: Pursuant to the Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, Section 8-7-3, IV. Due Date for Audit Reports, the copy of the data collection from should be filed 'with the Federal Audit Clearinghouse (FAC) as the date 9 months after the end of the audit period". The OMB extended the Single Audit submission deadline for fiscal years ended June 30, 2020 and June 30, 2021 by six months.

Condition: The City did not complete the audit and submit the Single Audit Reporting Package (the City's audited financial statements and single audit reports) for the fiscal years ended June 30, 2012, 2013, 2014, 2015, 2016, 2017, 2018, and 2019 within nine months after the end of audit period. The City did not complete the audit and submit the Single Audit Reporting Package for the fiscal years ended June 30, 2020 and 2021 within 15 months after the end of the audit period (the extended deadline).

Cause: The City has been severely behind on its recording and reconciliations for financial transactions. The City's Single Audit for 2013 was not completed until February of 2016. The City's predecessor auditor withdrew from the audit after issuance of the 2014 financial statements in November 2016 and did not issue a Single Audit report. Due to substantial employee turnover within the City at all levels, and incomplete records, the 2015, 2016, and 2017 audits were not completed and City did not issue financial statements. The City has been working diligently to update its records since 2018, however it still continues to experience a lack of qualified personnel and substantial employee turnover in the City Controller's Office.

Effect or Potential Effect: Failure to submit the required Single Audit Reporting Package timely automatically results in the City not qualifying for low risk auditee status for the following year's single audit. In addition, failure to file the required Single Audit Reporting Package timely could result in the loss of federal funding.

Questioned Cost: None

Context: The physical single audit reports for fiscal years 2015, 2016, and 2017, were submitted to the U.S. Department of Housing and Urban Development (Attn: Mr. Miguel Fontanez, Director of Housing Voucher Financial Management Division) at the Office of Public and Indian Housing, Washington, DC 20410-5000 on March 27, 2019. The Single Audit Reporting Package for fiscal years 2019 and 2020 were submitted on April 28, 2021 and March 28, 2022, respectively.

Statistical Sampling Validity: Not applicable. Sampling was not performed in relation to this finding.

Repeat of a Prior-Year Finding: 2020-003, 2019-007, 2018-011, 2017-011, 2016-007, 2015-010, 2014-009

Recommendation: We recommend that the City bring its accounting records up to date and have financial statement and Single Audits prepared timely. We also recommend the City develop, document, and implement policies and procedures for timely submission of the Single Audit Reporting Package.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has hired outside CPA's with the goal of completing all audits through FY 2023 by December 2024.

Planned Implementation Date: December 2024

Responsible Person(s): Sharon Rahban, City Controller

2021-002 – Missing Reports (MW, NC)

Federal Program Title:	Section 8 Housing Choice Vouchers
Federal Catalog Number:	14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	CA-071 - 2021
Category of Finding:	Reporting

Criteria: The Office of Management and Budget 2021 Compliance Supplement states that the following reports are required to be submitted to the U.S. Department of Housing and Urban Development.

HUD-52681-B, Voucher for Payment of Annual Contributions and Operating Statement (OMB No. 2577-0169). The PHA submits this form monthly to HUD electronically via the VMS. Congress has instructed HUD to use VMS data to determine renewal funding levels. HUD also uses VMS data for other funding, monitoring, and SEMAP-related decisions. HUD relies on the audit of the key line items below to determine the reasonableness of the data submitted for the purposes of calculating funding under the program.

Financial Reports (OMB No. 2535-0107) – Financial Assessment Subsystem, FASS-PH. The Uniform Financial Reporting Standards (24 CFR section 5.801) require PHAs to submit timely GAAP-based unaudited and audited financial information electronically to HUD. The FASS-PH system is one of HUD's main monitoring and oversight systems for the HCVP.

HUD-52648, SEMAP Certification – PHAs with jurisdiction in metropolitan Fair Market Rent areas have the option of submitting data to HUD with their annual SEMAP certifications on the percent of their tenant-based Section 8 families with children who live in and who have moved during the PHA fiscal year to low poverty census tracts in the PHA's principal operating area. Submission of this information with the SEMAP certification makes the PHA eligible for bonus points under SEMAP (24 CFR section 985.3(h)).

HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons (OMB No. 2529-0043) – Each recipient that administers covered public and Indian housing assistance, regardless of the amount expended, and each recipient that administers covered housing and community development assistance in excess of \$200,000 in a program year, must submit HUD 60002 information using the automated Section 3 Performance Evaluation and Registry System (SPEARS) (24 CFR sections 135.3(a)(1) and 135.90).

HUD-50058, Family Report (OMB No. 2577-0083) – The PHA is required to submit this form electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA's jurisdiction under portability (24 CFR Part 908 and 24 CFR section 982.158).

Condition: We were unable to obtain the following reports: HUD-52681-B, FASS-PH, and HUD-52648.

Cause: Turnover of staff in the Housing Authority and delay in recruitment. Lack of internal control over the retention of program reports.

Effect or Potential Effect: The City is facing sanctions from the Office of Inspector General (OIG) with a reduced Section 8 Management Assessment Program (SEMAP) rating from High Performer to Standard Performer. A reduced rating may result in HUD withholding additional grant funds or offset the Housing Choice Voucher (HCV) administrative fees.

Questioned Cost: None.

(MW) – Material Weakness (SD) – Significant Deficiency (NC) – Noncompliance

Context: The Housing Authority did not provide required reports.

Statistical Sampling Validity: Not applicable.

Repeat of a Prior-Year Finding: 2020-001, 2019-005, 2018-007

Recommendation: We recommend the City establish policies and procedures that will ensure the retention of program documents.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City Controller's Office drafted a grants policy that is currently under review by City Management. Community development staff will ensure a succession plan is in place for any staff turnover and for report preparation compliance.

Planned Implementation Date: December 31, 2024

Responsible Person(s): City Manager, Community Development Director, and City Controller

2021-003 – Incorrect Payrates (SD)

Federal Program Title:	Section 8 Housing Choice Vouchers
Federal Catalog Number:	14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	CA-071 - 2021
Category of Finding:	Allowable Costs/Cost Principles

Criteria: Title 2, Subtitle A, Chapter II, Part 200, General Provisions for Selected Items of Cost, Section 200.430, Compensation – Personal Services requires that costs of compensation are allowable to the extent that they satisfy specific requirements which include that the total compensation of individual employees is determined and supported as provided in the Standards for Documentation of Personnel Expenses. The said standards require charges to Federal awards for salaries and wages must be based on records that must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Condition: The City uses personnel action forms (PA101) to document the approved payrates of City employees. During our audit, we noted that the payrates used to determine the amounts claimed for payroll costs associated with the program were lower than what was reflected in the PA 101 form.

Cause: The City approved retroactive pay increases for employees and the pay increases were processed as lump sum adjustments. The payroll records prior to the approval of the retroactive pay were not adjusted to reflect the change. The program costs were not adjusted either.

Effect or Potential Effect: The City missed the opportunity to claim higher payroll costs to the program.

Questioned Cost: None.

Context: Six instances of incorrect payrates were found out of 20 sample items. Since the costs claimed were lower than what they should have been, no questioned cost is reported.

Statistical Sampling Validity: Samples are haphazardly selected.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City improve procedures to ensure that payrate changes are approved timely and payroll costs charged to the grant are also adjusted whenever payrate changes are approved.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The general accounting policy will be updated for the accountant to check the payroll register to accrue retroactive pay changes to the correct period.

Planned Implementation Date: June 30, 2024

Responsible Person(s): City Controller

2021-004 – Distribution of Hours Worked (NC)

Federal Program Title:	Section 8 Housing Choice Vouchers
Federal Catalog Number:	14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	CA-071 – 2021
Category of Finding:	Allowable Cost/Cost Principles

Criteria: Title 2, Subtitle A, Chapter II, Part 200, General Provisions for Selected Items of Cost, Section 200.430, Compensation – Personal Services requires that costs of compensation are allowable to the extent that they satisfy specific requirements which include that the total compensation of individual employees is determined and supported as provided in the Standards for Documentation of Personnel Expenses. The said standards require charges to Federal awards for salaries and wages must be based on records that must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Federal award recipients should support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Condition: If an employee works on more than one program or fund, the employee's salary or wages and benefits are distributed by the City to the respective programs or funds based on the number of hours worked. The basis for the distribution is the employee's timecard. During our audit, we noted one employee's timecard did not indicate the number of hours worked for Section 8 or another program/fund, however only 10% of his/her payroll cost was charged to Section 8.

Cause: The City was unable to provide the timecard that showed the hours worked by the employee by program/fund.

Effect or Potential Effect: Over or understatement of payroll cost charged to the program.

Questioned Cost: None.

Context: One exception out of 20 sample items.

Statistical Sampling Validity: Samples are haphazardly selected.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend that the City improve procedures to ensure that they retain all timecards that reflect the distribution of costs to programs/funds and make them available for the auditors.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The payroll policy will be updated to require that timecards be updated with supervisor signature if changes are made to change allocation to another fund.

Planned Implementation Date: June 30, 2024

Responsible Person(s): City Controller

2021-005 – Housing Quality Standards Inspection (NC)

Federal Program Title:	Section 8 Housing Choice Vouchers
Federal Catalog Number:	14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Not applicable
Federal Award Number and Year:	CA-071 – 2021
Category of Finding:	Special Tests and Provisions

Criteria: The public housing agency (PHA) must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections.

Condition: In one instance, the City did not perform the required annual inspection.

Cause: We were informed that the HUD system did not release the address for inspection so no inspection was performed.

Effect or Potential Effect: The City’s failure to comply with stated requirements exposes the City to sanctions from the federal agency, including loss of funding.

Questioned Cost: None

Context: The exception was noted in one out of 60 participants tested. The City has noted that they will investigate the issue.

Statistical Sampling Validity: Samples are haphazardly selected.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City to improve procedures to ensure that all annual inspections are performed.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: Policies will be enforced or monitored more closely by Housing Authority management to ensure all inspections and re-inspections are complete and documented.

Planned Implementation Date: December 31, 2024

Responsible Person(s): Community Development Director

2021-006 – Incorrect Payrates (SD, NC)

Federal Program Title: Coronavirus Relief Fund
Federal Catalog Number: 21.019
Federal Agency: U.S. Department of the Treasury
Pass-Through Entity: CA Department of Finance
Federal Award Number and Year: N/A - 2021
Category of Finding: Allowable Costs/Cost Principles

Criteria: Title 2, Subtitle A, Chapter II, Part 200, General Provisions for Selected Items of Cost, Section 200.430, Compensation – Personal Services requires that costs of compensation are allowable to the extent that they satisfy specific requirements which include that the total compensation of individual employees is determined and supported as provided in the Standards for Documentation of Personnel Expenses. The said standards require charges to Federal awards for salaries and wages must be based on records that must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Condition: The City used incorrect payrates when calculating payroll costs charged to the program.

Cause: When the City calculated the Fire Department payroll and payroll costs related to Covid Leave, they used a report that reflected payrates that were higher than what the payroll register reported.

Effect or Potential Effect: The City overstated the payroll costs charged to the program.

Questioned Cost: \$32,314

Context: The exception was found in 10 out of 28 employees selected. The questioned cost is the amount projected to the entire population.

Statistical Sampling Validity: Samples are haphazardly selected.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City enhance procedures to double check the payrates used when calculating charges to federal awards.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has other eligible costs that were not claimed for this grant that can be used to offset the questioned cost. Procedures are already in place to enhance payrate calculations in the future.

Planned Implementation Date: Implemented as of April 2024

Responsible Person(s): City Controller

2021-007 – Missing Reports (SD, NC)

Federal Program Title:	Community Development Block Grant/Entitlement Grants
Federal Catalog Number:	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	No applicable
Federal Award Number and Year:	B-19-MC-06-0515 - 2019
Category of Finding:	Reporting

Criteria: The Office of Management and Budget 2021 Compliance Supplement states that the following reports are required to be submitted to the U.S. Department of Housing and Urban Development.

SF-425, Federal Financial Report – Applicable (cash status only) (this is the IDIS C04PR29 Cash on Hand Quarterly Report made available in IDIS on August 12, 2019, which allows grantees to generate this report by custom date ranges and export data to Excel and PDF)

Integrated Disbursement and Information System (IDIS) (OMB No. 25060077) – Grantees may include reports generated by IDIS as part of their annual performance and evaluation report that must be submitted for the CDBG Entitlement program 90 days after the end of a grantee’s program year.

- (1) C04PR03 – Activity Summary Report
- (2) C04PR26 – CDBG Financial Summary Report
- (3) C04PR26 – CDBG-CV Financial Summary Report
- (4) C04PR26 – CDBG Activity Summary by Selected Grant

Section 3 of the Housing and Urban Development Act of 1968 – The purpose of Section 3 is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing federal, state, and local laws and regulations, be directed to low-and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low-and very low-income persons. Section 3 projects are housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a threshold of \$200,000.

Consolidated Annual Performance and Evaluation Report (CAPER) (24 CFR 91.520) -- A grantee’s CAPER, submitted through the IDIS e-Con Planning Suite, is due 90 days after the close of a jurisdiction’s program year.

Condition: We were unable to obtain the following reports: SF-425, Section 3 report and CAPER.

Cause: Turnover of staff and lack of internal control over the retention of program reports.

Effect or Potential Effect: The City’s failure to comply with stated reporting requirements exposes the City to sanctions from the federal agency, including loss of funding.

Questioned Cost: None

Context: The City did not provide the abovementioned reports.

Statistical Sampling Validity: Not applicable.

Repeat of a Prior-Year Finding: Yes, 2019-001, 2018-001

Recommendation: We recommend the City establish policies and procedures that will ensure the retention of program reports.

(MW) – Material Weakness (SD) – Significant Deficiency (NC) – Noncompliance

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City Controller drafted a grants policy which is currently under review by the City Manager, that includes succession planning in case of staff turnover and parameters for grant reporting compliance.

Planned Implementation Date: December 31, 2024

Responsible Person(s): City Manager, Grants Manager

2021-008 – Incorrect Payrate and Hours Worked (SD)

Federal Program Title: Community Development Block Grant/Entitlement Grants
Federal Catalog Number: 14.218
Federal Agency: U.S. Department of Housing and Urban Development
Pass-Through Entity: No applicable
Federal Award Number and Year: B-19-MC-06-0515 - 2019
Category of Finding: Allowable Cost/Cost Principles

Criteria: Title 2, Subtitle A, Chapter II, Part 200, General Provisions for Selected Items of Cost, Section 200.430, Compensation – Personal Services requires that costs of compensation are allowable to the extent that they satisfy specific requirements which include that the total compensation of individual employees is determined and supported as provided in the Standards for Documentation of Personnel Expenses. The said standards require charges to Federal awards for salaries and wages must be based on records that must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Condition: During our audit, we found one instance where the employee's timecard did not reflect the number of hours worked for CDBG and another instance where the employee's payrate did not agree to the payrate stated on the personnel action form (PA 101).

Cause: For the exception related to timecard: The City was unable to provide the timecard that showed the hours worked by the employee by program/fund.

For the exception related to payrate: The City approved retroactive pay increases for employees and the pay increases were processed as lump sum adjustments. The payroll records prior to the approval of the retroactive pay were not adjusted to reflect the change. The program costs were not adjusted either.

Effect or Potential Effect: Over or understatement of costs charged to the program.

Questioned Cost: None

Context: One exception related to timecard and another exception related to payrate were found, out of 20 items selected.

Statistical Sampling Validity: Samples are haphazardly selected.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend the City improve procedures to ensure completeness and accuracy of payroll costs charged to federal programs.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The general accounting policy will be updated for the accountant to check the payroll register to accrue retroactive pay changes to the correct period. The payroll policy will also be updated to require that timecards be updated with supervisor signature if changes are made to change allocation to another fund.

Planned Implementation Date: June 30, 2024

Responsible Person(s): City Controller

CITY OF COMPTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2021-009 – Allocation of Cash to City Funds/ Negative Cash Balances/ Fund Balance Deficits (MW)

Criteria: Negative cash balances occur within a fund when there is mismatch of expenditures and revenue. Since the City pools its cash, other funds (usually the General Fund) will cover temporary negative cash balances through interfund payable/receivable accounts. Interfund payable/receivable accounts should be settled within the current period.

In addition, the City should operate to maintain adequate fund balances in all of its funds to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures.

Condition: The City did not have consistent cash allocation and tracking procedures in place, which resulted in negative cash balances rolling forward from prior years through June 30, 2020. The City was able to reconcile the cash allocation among the various funds at June 30, 2021 in FY 2023, two years after the end of FY 2021. However, the City's general ledger continues to report a negative cash balance in excess of \$28.9 million in the general fund (Fund 1001) at June 30, 2021.

Furthermore, there are negative fund balances for various funds including the general fund, nonmajor governmental funds, and internal service funds.

Cause: There was a lack of policy over interfund transactions and weakness in internal control over reconciliations during FY 2021. Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations and monitoring of cash balances across funds. There was also a weakness in internal control over operational spending and lack of consideration of long-term financial planning.

Effect or Potential Effect: Cash allocation could be materially misstated. Operating cash deficiencies for amounts not properly recorded, reimbursed, or transferred could exist and not detected and corrected on a timely basis. The fund balance deficits could also have a significant effect on operations on a go-forward basis. City programs and services involved with the fund may be curtailed.

Repeat of a Prior-Year Finding: 2018-014, 2018-037, 2019-010, 2019-025

Recommendation: We recommend the City review cash balances on a regular basis and prepare a plan to eliminate these negative cash balances. Policies and procedures need to be put in place for the regular review of cash balances and the initiation of transfers for reimbursements as needed. We also recommend that management review the negative fund balances and the affected operations to make provisions to eliminate the deficit balances going forward.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City hired a consultant to prepare a cost allocation plan which will be implemented in FY22 and future years. The City hired a consultant to prepare a fiscal sustainability plan and fee study, and City has issued an RFP for utility rate study. Also, the City has issued a request for proposal for collection agency, as well as for SB90 collection consultant. The City has approved a contract for consultant to study fire OT cost analysis which greatly contributes to overspending in the general fund. All of these efforts are expected to alleviate the negative cash balances across funds, including the General Fund.

(MW) – Material Weakness (SD) – Significant Deficiency (NC) – Noncompliance

Planned Implementation Date: December 31, 2024

Responsible Person(s): City Manager, City Controller

2021-010 – Information Technology (IT) Controls (MW)

Criteria: IT controls are a critical mechanism for ensuring the integrity of information systems and the reporting of the City’s financial information. IT general controls (ITGC) are basic controls applied to IT systems. The objectives of ITGC are to ensure the integrity of data and processes that the IT systems support. ITGC have a pervasive effect on the City’s system of internal control over financial reporting.

Condition: During FY 2020, we evaluated the design and implementation of ITGCs and noted 23 findings. We communicated such findings to the IT department and City management. Because those findings reveal vulnerabilities to, or otherwise increase the potential for an attack on, information technology systems of the City, the details of the findings will not be published in this document.

Repeat of a Prior-Year Finding: 2018-040, 2019-034

Recommendation: Our recommendations will be communicated to the City Council through a separate confidential written report.

Management Response and Corrective Action Plan

City’s Response: The City concurs with the recommendation.

Corrective Action Plan: The City will update the IT risk assessment and develop a corrective action plan.

Planned Implementation Date: December 31, 2024

Responsible Person(s): City Manager, IT Director

2021-011 – Contingent Liabilities (SD)

Criteria: The City has been named a defendant in numerous lawsuits and claims arising in the course of operations. In aggregate, these claims seek monetary damages in significant amounts. Insurance claims payable reflected on the financial statements should represent the actual obligations and liabilities for incidents that have occurred during the year. Additional accruals for probable losses relating to uninsured risks should be made for incidents occurring during the year when the loss estimates can be made. The City should also disclose the contingency when there could be a material effect to the financial statements.

Condition: The City Controller's Office uses an actuarial report supplied by an outside actuary and risk management staff to record the liability for self-insurance claims. However, there are instances when contingent liabilities may have occurred, but they only learn about the liability when it is time to pay for the claim, which may be many months after the liability had been incurred. The City Attorney's office tracks the lawsuits and status of the lawsuits. However, they do not always inform the risk management team about any probable losses in a timely manner.

Cause: There is no established procedure for timely communication between the City Attorney's Office and the Risk Manager regarding potential contingent liabilities.

Effect or Potential Effect: Incomplete or inaccurate reporting of loss contingencies. Potential prior period adjustments.

Repeat of a Prior-Year Finding: No

Recommendation: The City should develop procedures to foster information-sharing between the City Attorney's Office and the risk management team.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City Attorney will provide litigation reports to keep all parties abreast of pending litigation.

Planned Implementation Date: April 31, 2024

Responsible Person(s): City Attorney, City Manager, Risk Manager

2021-012 – Procurement Policy (SD)

Criteria: A current official written policy should be in place for procurement and contracts conforming to applicable federal statutes and the updated procurement requirements per 2 CFR part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Condition: A grants policy which includes Uniform guidance on procurement and conflict of interest has been taken to the City Council for receive and file action in March 2022. The City Manager has yet to implement this policy and make it into the Standard Operating Manual.

Cause: Turnover in the City Manager position.

Effect or Potential Effect: Goods or services could be acquired in violation of the administrative requirements federal regulations and other procurement requirements, such as inappropriately acquired from debarred or suspended parties or providers. Failure to document and retain evidence that procurement procedures were followed could result in the need to reimburse federal funds.

Repeat of a Prior-Year Finding: 2019-029

Recommendation: We recommend the City adopt and implement an official written policy for procurement and contracting and Conflict of Interest Code that are in line with the requirements of the Uniform Guidance.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City Manager will coordinate the implementation of the grants policy.

Planned Implementation Date: December 31, 2024

Responsible Person(s): City Manager

2021-013 - Bank Reconciliations (SD)

Criteria: Bank reconciliations should be prepared and reviewed in a timely manner.

Condition: Bank reconciliations are not prepared and reviewed in a timely manner. While the City Controller's Office has been working on preparing the bank reconciliations continuously since FY 2021, bank reconciliations for FY 2021 were completed only in FY 2023. As of April 2024, the City is working on bank reconciliations for FY 2024.

Cause: Weakness in internal control over reconciliations, lack of training, and lack of resources allocated to the bank reconciliation function. Due to the vacancies in key positions in the City Controller's Office, staff fell behind on the monthly reconciliations of the over 30 bank accounts.

Effect or Potential Effect: Potential fraud and misstatements in cash and other accounts.

Repeat of a Prior-Year Finding: 2018-013, 2019-009

Recommendation: The City should dedicate appropriate resources and have City employees trained to perform monthly bank reconciliations for all City bank accounts. Subsequently, a documented review and approval of the bank reconciliations should be performed in a timely manner to ensure that any discrepancies are discovered and addressed appropriately.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: In July of 2023 the City hired CPA firms and temp agency workers to assist City staff with catching up on bookkeeping and on audit preparation including bank reconciliation. At that point the City was 24 months behind in the general checking bank rec. As of April 2024, the City is only 9 months behind. Improvement has been made, but full catchup of bank reconciliations is expected to be done by October 2024.

Planned Implementation Date: October 2024

Responsible Person(s): Sharon Rahban, City Controller

2021-014 – Staffing (SD)

Criteria: City employees should have adequate qualifications, competency, and experience to effectively carry out day-to-day responsibilities directly correlated with their job description in a qualitative and timely manner.

Condition: The City Controller’s Office filled some vacancies since FY 2021 however it still has vacancies in positions that are vital in the City’s day-to-day accounting.

Cause: The City’s recruitment process is lengthy. Additionally, departments are encouraged to explore internal recruitments more extensively, rather than initiating external recruitments.

Effect or Potential Effect: Upper management has been compensating for the lack of lower management available in the City Controller’s Department, which results in delays of getting complex projects completed, i.e. financial statement audits, cost allocation plan revision, capital assets valuation, etc. The City Controller’s Department has been delayed in its financial statement audits and other projects because vacancies are preventing day-to-day accounting activities from being effectively carried out. This has resulted in the City not having enough resources to move other projects forward.

Repeat of a Prior-Year Finding: 2020-007

Recommendation: We recommend that the City implement a remedial action plan to adequately staff the departments with qualified and experienced individuals who can contribute immediately to the performance of its accounting functions.

Management Response and Corrective Action Plan

City’s Response: The City concurs with the recommendation.

Corrective Action Plan: The City has hired CPA firms and temp agencies to assist with catchup of work. The City is also en route to completing a compensation study that will likely yield compensation increases needed to attract the necessary talent to fully staff the controller's office with qualified personnel.

Planned Implementation Date: December 31, 2024

Responsible Person(s): City Manager, HR Director

2021-015 – Internal Audits (SD)

Criteria: Internal audits should be performed to ensure that information processed is accurate and valid. Departments should cooperate and make all information available for internal audits to be performed and completed effectively and efficiently.

Condition: There is a lack of cooperation from departments when supporting documentation is requested for internal audit purposes.

Cause: Departments other than the City Controller's Office do not agree that providing information to the internal auditor is their responsibility. These departments are not willing to use resources to fulfill a task that they believe is not included in their job description. Internal audit requests have not been common practice in the City in the recent years and, therefore, might not have been addressed in job descriptions. However, the City has been making efforts to resolve operational, accounting, and internal control issues that will allow the City to move forward.

Effect or Potential Effect: Lack of transparency results in information that cannot be considered timely or reliable. Additionally, failing to perform regular and timely internal audits creates an opportunity for malicious activities, including waste and abuse of City funds.

Repeat of a Prior-Year Finding: 2020-006

Recommendation: We recommend that City Council and City Management establish and reinforce policies and procedures that promote cooperation of all departments and educate them on the importance of checks and balances within departments across the City.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City Manager will formally adopt the internal audit policy.

Planned Implementation Date: December 31, 2024

Responsible Person(s): City Manager

2021-016 – Turnover and Lack of Consistent Leadership (SD)

Criteria: An entity in a governmental environment must have adequate and consistent, competent leadership demonstrating and exercising oversight responsibility.

Condition: The City has been experiencing a high degree of management turnover for years, since at least 2010, which can result in a lack of consistent leadership, lack of operational stability, and inefficient provision of services to its citizens. Between January 1, 2010, and January 1, 2024, more than ten different individuals served as City Manager. In addition, the City also experienced numerous turnover of the City Controller position in past years through FY 2021.

Cause: The high turnover has contributed to a lack of leadership and, in some cases, a lack of management oversight.

Effect or Potential Effect: In addition to potential effects noted above, for purposes of financial reporting, the City was unable to produce financial statements on a timely basis.

Repeat of a Prior-Year Finding: 2019-033

Recommendation: In line with SCO's comment, we recommend the City evaluate its hiring practices for its upper management positions. In addition, the City should develop a succession plan that will help it to ensure continued leadership even during management turnover.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: Per the State Auditor's report of October 2022, the City Manager and HR Director will prepare hiring policies and succession plans.

Planned Implementation Date: December 31, 2024

Responsible Person(s): City Manager, HR Director

2021-017 – Bond Compliance (NC)

Criteria: Governmental entities are subject to a variety of laws, regulations, and contracts that have a direct and material effect on their financial statements. Accordingly, governmental entities should establish a system of internal control over compliance to ensure compliance with laws, regulations, and contracts. Personnel assigned to monitor compliance should have the appropriate knowledge and experience related to the requirements.

Pursuant to Section 5.11 (c) of the Indenture dated July 1, 1993 with US Bank, the City is required to cause the independent certified public accountant to deliver to the City and the trustee a certificate showing that during such fiscal year the City was in compliance with its rate covenant as set forth in Section 5.09.

SEC Rule 15c2-12 requires local governments issuing bonds to provide certain information to the Municipal Securities Rulemaking Board (MSRB) about the securities on an ongoing basis.

Condition: The City and the Successor Agency were not in compliance with reporting provisions of the indentures for various bonds for the fiscal year ended June 30, 2021 because the City's audited financial statements were not issued within 180 to 270 days of the year-end. Additionally the City and the Successor Agency were not in compliance with continuing disclosure requirements under SEC Rule 15c2-12.

Cause: Lack of audited financial statements.

Effect or Potential Effect: Bonds could be deemed in default and could become due and payable. The City could not issue new bonds or refinance existing bonds.

Repeat of a Prior-Year Finding: 2018-036, 2019-024

Recommendation: We recommend the City develop a tactical plan to complete the audits for the City and become current by fiscal year 2024. For the long-term, we recommend the City develop, document, and implement policies and procedures to ensure the City's compliance with applicable laws, regulations, and contracts. Personnel assigned to monitor compliance should have the appropriate knowledge and experience with requirements.

Management Response and Corrective Action Plan

City's Response: The City concurs with the recommendation.

Corrective Action Plan: The City has hired outside CPAs and temp agencies to assist with audit catchup, and expects to be caught up on all audits through FY 2023 by December 2024.

Planned Implementation Date: December 2024

Responsible Person(s): Sharon Rahban, City Controller

**CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL AWARDS**

Finding No.	Federal Program Name	Assistance Listing No.	Compliance Requirement(s)	Status of Corrective Action	Repeat Finding No.
2020-001	Section 8 Housing Choice Vouchers	14.871	Reporting (MW, NC)	In progress; FY 2018 to FY 2020 have been submitted	2021-002
2020-002	Section 8 Housing Choice Vouchers	14.871	Special Tests and Provisions - Rolling Forward Equity Balances (MW, NC)	Resolved for FY 2021	
2020-003	N/A; General finding	N/A	Filing of Single Audit Report (MW, NC)	In progress; FY 2018 to FY 2020 have been submitted.	2021-001
2020-004	N/A; General finding	N/A	Schedule of Expenditures of Federal Awards Preparation (SD, NC)	Resolved for FY 2021	
2019-001	Community Development Block Grants/Entitlement Grants	14.218	Reporting (MW, NC)	In progress. Grants policy was received and filed by the City Council in March 2022 but it needs to be implemented.	2021-006
2019-002	Community Development Block Grants/Entitlement Grants	14.218	Program Income - Identification, Determination, Assessment, and Recording (MW, NC)	Loans receivable balances were verified as of June 30, 2021. No program income in FY 2021.	
2019-003	Community Development Block Grants/Entitlement Grants	14.218	Program Income - CDBG Loan Listing (MW, NC)	Loans receivable balances were verified as of June 30, 2021. No program income in FY 2021.	
2019-004	Community Development Block Grants/Entitlement Grants	14.218	Equipment and Real Property Management (MW, NC)	Resolved for FY 2021	
2019-005	Section 8 Housing Choice Vouchers	14.871	Reporting (MW, NC)	In progress	2021-002
2019-006	Section 8 Housing Choice Vouchers	14.871	Special Tests and Provisions - Rolling Forward Equity Balances (MW, NC)	Resolved for FY 2021	
2019-007	N/A; General finding	N/A	Filing of Single Audit Report (MW, NC)	In progress; FY 2018 to FY 2020 have been submitted.	2021-001
2019-008	N/A; General finding	N/A	Schedule of Expenditures of Federal Awards Preparation (MW)	Resolved for FY 2021	
2018-001	Community Development Block Grants/Entitlement Grants	14.218	Reporting (MW, NC)	In progress. Grants policy was received and filed by the City Council in March 2022 but it needs to be implemented.	2021-006
2018-002	Community Development Block Grants/Entitlement Grants	14.218	Program Income - Identification, Determination, Assessment, and Recording (MW, NC)	Loans receivable balances were verified as of June 30, 2021. No program income in FY 2021.	

(MW) – Material Weakness (SD) – Significant Deficiency (NC) – Noncompliance

**CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL AWARDS (CONTINUED)**

Finding No.	Federal Program Name	Assistance Listing No.	Compliance Requirement(s)	Status of Corrective Action	Repeat Finding No.
2018-003	Community Development Block Grants/Entitlement Grants	14.218	Program Income - CDBG Loan Listing (MW, NC)	Loans receivable balances were verified as of June 30, 2021. No program income in FY 2021.	
2018-005	Community Development Block Grants/Entitlement Grants	14.218	Allowable Costs/Cost Principles - Lack of Drawdown Supporting Documentation (MW, NC)	Not a finding in 2021	
2018-006	Community Development Block Grants/Entitlement Grants	14.218	Equipment and Real Property Management (MW, NC)	Resolved for FY 2021	
2018-007	Section 8 Housing Choice Vouchers	14.871	Reporting (MW, NC)	In progress; FY 2018 to FY 2020 have been submitted	2021-002
2018-010	Section 8 Housing Choice Vouchers	14.871	Special Tests and Provisions - Rolling Forward Equity Balances (MW, NC)	Resolved for FY 2021	
2018-011	N/A; General finding	N/A	Filing of Single Audit Report (MW, NC)	In progress; FY 2018 to FY 2020 have been submitted.	2021-001
2018-012	N/A; General finding	N/A	Schedule of Expenditures of Federal Awards Preparation (MW)	Resolved for FY 2021	

Findings for FYE 2017 and prior have been omitted in this report.

**CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS – FINANCIAL
STATEMENTS**

Findings No.	Level	Title	Status of Corrective Action	Repeat Finding No.
2020-005	SD	Land Held for Resale Appraisals	Resolved for FY 2021. Comparable sales and appraisals were obtained.	
2020-006	MW	Internal Audits	In progress. The internal audit policy was received and filed by the City Council. The internal audit division is still being staffed.	2021-015
2020-007	MW	Staffing	In progress. Staffing is still ongoing.	2021-014
2019-009	MW	Bank Reconciliations	In progress. Bank reconciliation policy was received and filed by the City Council in March 2022. Bank reconciliations through June 2023 have been completed.	2021-013
2019-010	MW	Cash - Negative Balances	In progress. Some of the negative balances have been removed as of June 30, 2021. A cost allocation plan and fiscal sustainability plan is being conducted to eventually remove the negative cash in the general fund. The City will adopt a grants policy that will allow grant funds to drawdown reimbursements on a timely manner.	2021-009
2019-011	SD	Accounts Receivable Roll Forward Balances	Resolved for FY 2021. A general accounting policy was received and filed by the City Council in March 2022. Procedures are in place to perform the reconciliations and staff are fully trained.	
2019-012	MW	Notes and Loans Receivable	Resolved for FY 2021. A general accounting policy was received and filed by the City Council in March 2022. Procedures are in place to perform the reconciliations and staff are fully trained.	
2019-013	SD	Utilities Allowance for Doubtful Accounts	Resolved for FY 2021. A general accounting policy was received and filed by the City Council in March 2022. Procedures are in place to perform the reconciliations and staff are fully trained.	
2019-014	SD	Prepaid Expenses and Roll Forward Balances	Resolved for FY 2021. A general accounting policy was received and filed by the City Council in March 2022. Procedures are in place to perform the reconciliations and staff are fully trained.	
2019-015	MW	Capital Assets	Resolved for FY 2021. The City conducted a full inventory and valuation of capital assets.	

(MW) – Material Weakness (SD) – Significant Deficiency (NC) – Noncompliance

**CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS – FINANCIAL
STATEMENTS (CONTINUED)**

Finding No.	Level	Title	Status of Corrective Action	Repeat Finding No.
2019-016	MW	Land Held for Resale	Resolved in 2021. Comparable sales and appraisals were obtained.	
2019-017	SD	Interfund Balances	Resolved for FY 2021. Interfund balances were reviewed in detail in FY 2021. The policies and procedures related to interfund balances are included in the grants policy that was received and filed by the City Council in March 2022.	
2019-018	MW	Interfund Balances - Advances to/from Repayment	Resolved for FY 2021. Interfund balances were reviewed in detail in FY 2021. The policies and procedures related to interfund balances are included in the grants policy that was received and filed by the City Council in March 2022. A repayment plan was approved by the City Council.	
2019-019	SD	Accrued Interest	Resolved for FY 2021. A general accounting policy was received and filed by the City Council in March 2022. Procedures are in place to perform the reconciliations and staff are fully trained.	
2019-020	MW	Accrued Liabilities	Resolved for FY 2021. A general accounting policy was received and filed by the City Council in March 2022. Procedures are in place to perform the reconciliations and staff are fully trained.	
2019-021	SD	Accrued Wages Payable	Resolved for FY 2021. A general accounting policy was received and filed by the City Council in March 2022. Procedures are in place to perform the reconciliations and staff are fully trained.	
2019-022	MW	Deferred Grant Revenues	Resolved for FY 2021	
2019-023	SD	Fund Balance Classification	Resolved for FY 2021. The recommendations were included in the general accounting policies received and filed by the City Council in March 2022.	
2019-024	MW	Bond Compliance	In progress. Bond covenant testing was performed in FY 2021.	2021-017

(MW) – Material Weakness **(SD)** – Significant Deficiency **(NC)** – Noncompliance

**CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS – FINANCIAL
STATEMENTS (CONTINUED)**

Finding No.	Level	Title	Status of Corrective Action	Repeat Finding No.
2019-025	MW	Negative Fund Balances	In progress. The City is taking several steps to resolve this finding: A cost allocation plan will be completed to properly allocate costs to various funds; a fee study is underway; a fiscal sustainability plan was also initiated. In the meantime, the City has resolved some of the negative fund balances with only a few funds remaining with negative fund balances.	2021-009
2019-026A	MW	Payroll Allocations	In progress. A payroll policy was submitted to the City Council and City Management for implementation.	
2019-026B	MW	Human Resources	In progress. A payroll policy was submitted to the City Council and City Management for implementation.	
2019-027	SD	Self-Insurance Liabilities and Expenditures/Expenses	In progress pending policy adoption by City Manager.	
2019-028	SD	Cash Disbursements - Payments Based on Quotes	Not observed in 2021. The accounts payable policy was submitted to City Council for review and file and is ready for implementation.	
2019-029	SD, NC	Procurement Policy	In progress. The purchasing policy was submitted to the City Council for review and file. It is awaiting approval by the City Manager to be included in the Standard Operating Manual of the City.	2021-012
2019-030	SD, NC	Procurement - Requests for Proposal (RFP) Documentation	In progress. The purchasing policy was submitted to the City Council for review and file. It is awaiting approval by the City Manager to be included in the Standard Operating Manual of the City.	2021-012
2019-031	SD	Journal Entries	Resolved for FY 2021	
2019-032	MW	Lack of Budgeted Fund Balances	Fully implemented for FY 2023 and FY 2024.	

(MW) – Material Weakness (SD) – Significant Deficiency (NC) – Noncompliance

**CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS – FINANCIAL
STATEMENTS (CONTINUED)**

Finding No.	Level	Title	Status of Corrective Action	Repeat Finding No.
2019-033	MW	Turnover and Lack of Consistent Leadership	In progress. The City has filled some of the executive positions at the City. A consultant will be engaged to provide succession planning services.	2021-016
2019-034	MW	Information Technology (IT) Controls	In progress	2021-010
2018-013	MW	Bank Reconciliations	In progress. Bank reconciliation policy was received and filed by the City Council in March 2022. Bank reconciliations through June 2023 have been completed.	2021-013
2018-014	MW	Cash - Negative Balances	In progress. Some of the negative balances have been removed as of June 30, 2021. A cost allocation plan and fiscal sustainability plan is being conducted to eventually remove the negative cash in the general fund. The City will adopt a grants policy that will allow grant funds to drawdown reimbursements on a timely manner.	2021-009
2018-015	SD	Accounts Receivable Roll Forward Balances	Resolved for FY 2021	
2018-016	MW	Notes and Loans Receivable	Resolved for FY 2021	
2018-017	MW	First Time Home Buyer Loan Program	Resolved for FY 2020	
2018-018	MW	Grants Receivable	Resolved for FY 2020	
2018-019	SD	Utilities Allowance for Doubtful Accounts	Resolved for FY 2021	
2018-020	SD	Prepaid Expenses and Roll Forward Balances	Resolved for FY 2021	
2018-021	SD	Interfund Balances	Resolved for FY 2021	
2018-022	MW	Interfund Balances - Advances to/from Repayment	Resolved for FY 2021	
2018-023	MW	Capital Assets	Resolved for FY 2021	
2018-024	SD	Land Held for Resale	Resolved for FY 2021	
2018-025	SD	Accounts Payable Supporting Documentation	Resolved for FY 2020	
2018-026	SD	Accrued Interest	Resolved for FY 2021	
2018-027	MW	Accrued Payroll	Resolved for FY 2021	
2018-028	MW	Accrued Liabilities	Resolved for FY 2021	
2018-029	SD	Retentions Payable	Resolved for FY 2021	
2018-030	SD	Deposits	Resolved for FY 2021	
2018-031	SD	Special Revenue Funds not Budgeted	Resolved for FY 2021	
2018-032			Resolved for FY 2019	
2018-033	SD	Deferred Grant Revenues	Resolved for FY 2021	
2018-034	SD	Bonds Payable	Resolved for FY 2021	

(MW) – Material Weakness (SD) – Significant Deficiency (NC) – Noncompliance

**CITY OF COMPTON
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS – FINANCIAL
STATEMENTS (CONTINUED)**

Finding No.	Level	Title	Status of Corrective Action	Repeat Finding No.
2018-035	SD	Bond Refunding	Resolved for FY 2021	
2018-036	MW	Bond Compliance	In progress. Bond covenant testing was performed in FY 2021.	2021-017
2018-037	MW	Fund Balance - Negative Fund Balances	In progress. The City is taking several steps to resolve this finding: A cost allocation plan will be completed to properly allocate costs to various funds; a fee study is underway; a fiscal sustainability plan was also adopted. In the meantime, the City has resolved some of the negative fund balances with only a few funds remaining with negative fund balances.	2021-009
2018-038	MW	Human Resources - Employee Compensation	In progress. A consultant was hired by the City Manager to prepare HR policies and procedures.	
2018-039	MW	Management Oversight and Control - Payroll Segregation of Duties	In progress. A consultant was hired by the City Manager to prepare HR policies and procedures.	
2018-040	MW	Information Technology (IT) Controls	In progress	2021-010

Findings for FYE 2017 and prior have been omitted in this report.