

City of Glendora

Glendora, California

Single Audit Report

For the year ended June 30, 2023

City of Glendora
Single Audit Report
For the year ended June 30, 2023

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**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**

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
of the City of Glendora
Glendora, 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, each major fund, and the aggregate remaining fund information of the City of Glendora, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 11, 2024.

Report on 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

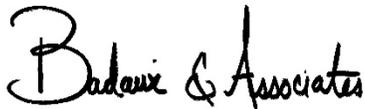
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Report on Compliance and Other Matters

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

Purpose of this Report

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



Badawi & Associates, CPAs
Berkeley, California
June 11, 2024

REPORT ON COMPLIANCE FOR EACH FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND ON THE SCHEDULE OF FEDERAL EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Glendora (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 June 30, 2023. 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.

In our opinion, the City complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to each of the City's major federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole..

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

To the Honorable Mayor and Members
of the City Council of the City of Glendora
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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 were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated June 11, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Badawi & Associates, CPAs
Berkeley, California
June 11, 2024

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City of Glendora
Single Audit Report
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Subrecipient Expenditures
<u>U.S. Department of Housing and Urban Development:</u>				
CDBG - Entitlement Grants Cluster:				
<i>Direct Program:</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-06-0589	\$ 722,134	\$ -
Total CDBG - Entitlement Grants Cluster			722,134	-
Total U.S. Department of Housing and Urban Development			722,134	-
<u>U.S. Department of Justice</u>				
<i>Direct Program:</i>				
Bulletproof Vest Partnership Program	16.607	Not available	7,059	-
Equitable Sharing Program	16.922	Not available	87,565	-
Total U.S. Department of Justice			94,624	-
<u>U.S. Department of the Transportation</u>				
Highway Safety Cluster				
<i>Passed through California Office of Traffic Safety:</i>				
State and Community Highway Safety	20.600	402PT	41,040	-
Total Highway Safety Cluster			41,040	-
Highway Planning and Construction Cluster				
<i>Passed through California Department of Transportation:</i>				
Highway Safety Improvement Program	20.205	HSIP-5204(023)	14,048	-
Highway Safety Improvement Program	20.205	HTPL-5204(019)	373,074	-
Total Highway Planning and Construction Cluster			387,122	-
<i>Passed through California Office of Traffic Safety:</i>				
Minimum Penalties for Repeated Offenders for Driving While Intoxicated	20.608	164AL	54,094	-
Total U.S. Department of the Transportation			482,256	-
<u>U.S. Department of the Treasury</u>				
<i>Direct Program:</i>				
Coronavirus State and Local Fiscal Recovery Fund - CSLFRF	21.027	Not available	5,590,082	-
<i>Passed through California State Water Resources Control Board:</i>				
Coronavirus State and Local Fiscal Recovery Fund - CSLFRF	21.027	Not available	207,816	-
Total U.S. Department of the Treasury			5,797,898	-
Total Federal Expenditures			\$ 7,096,912	\$ -

City of Glendora

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

A. Reporting Entity

The financial reporting entity consists of the primary government, the City of Glendora, California (the "City") organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City and there is a financial benefit and burden relationship between the City and the component unit.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The Glendora Public Financing Authority

The City had no discretely presented component units.

B. Basis of Accounting

The activity of the City's federal award programs is reported within the General Fund and the special revenue funds of the City. The City utilizes the modified accrual basis of accounting for the General Fund and the special revenue funds as described in Note 1 to the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (the "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* (the "Uniform Guidance"). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the City's basic financial statements.

C. Relationship of Schedule of Expenditures of Federal Awards to Financial Statements

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

D. Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

E. Indirect Cost Rate

The City did not elect to use the 10% de minimis indirect cost rate.

**City of Glendora
Single Audit Reports
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023**

Section I – Summary of Auditor’s Results

Financial Statements

Types of auditors’ report issued on whether financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Any noncompliance material to the financial statements noted No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Expenditures
21.027	Coronavirus State and Local Fiscal Recovery Fund - CSLFRF	\$ 5,797,898
	Total Expenditures of All Major Federal Programs	\$ 5,797,898
	Total Expenditures of Federal Awards	\$ 7,096,912
	Percentage of Total Expenditures of Federal Awards	81.7%

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

Auditee qualified as low-risk auditee under section 200.520? Yes

City of Glendora
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Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

Section II - Current Year Findings

A. Financial Statement Audit

2023-001 - Financial Closing and Audit Preparedness (Significant Deficiency)

Criteria

The City is responsible for a timely preparation and presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. In addition, an effective internal control system over financial closing and reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Condition

During the performance of the audit, we noted that the City was not fully prepared for the audit. Several of the documents requested for the audit were not provided timely. In addition, numerous adjusting entries were proposed by the City after the final trial balance was provided to us at the start of the audit. This resulted in significant delays in the audit process.

Cause

The City has experienced staff turnover in key positions involved in the closing and financial reporting process.

Effect

The City's trial balance did not include all adjustments necessary to close the books and be ready for the audit. This resulted in a significant delay to complete the audit.

Recommendation

We recommend that the City enhance its internal control over financial reporting and its closing procedures to ensure its books are thoroughly completed before the commencement of the audit.

Management Response

The City of Glendora recognizes the importance of timely financial reporting. During this audit the City experienced staff vacancies/turnover in critical positions (Assistant Director-Finance, Accounting Manager, Payroll Supervisor and Senior Accountant) as well as undergoing a new enterprise resource system implementation replacing the City's financial software. The City went live with the new financial software on January 2, 2024 and managed staff vacancies with recruitments to fill those positions, bringing in part-time help, and a consultant.

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Schedule of Findings and Questioned Costs
For the year ended June 30, 2023

Section II - Current Year Findings, Continued

A. Financial Statement Audit, Continued

2023-002 - Vendor File Management (Significant Deficiency)

Criteria

The City's accounting policies and procedures for procurement and accounts payable should be designed and implemented to ensure vendor information change requests are valid.

Condition

During the fiscal year, the City received a fraudulent vendor request to change payment information that resulted in loss of City funds.

Cause

The City's policies and procedures over vendor file management did not identify the request as fraudulent.

Effect

The City incurred a loss of funds due to the fraudulent vendor request.

Recommendation

We recommend that the City update policies and procedures over the vendor file management to ensure all vendor file change requests come from authorized personnel of the City's vendors. This can be achieved by requiring a call back verification on all changes requested by the vendors using the phone number in the City's record.

Management Response

Management has since reviewed procedures, making changes to strengthen internal controls by implementing formal processes when validating vendor information change requests, such as call back verification and taxpayer identification number matching available information on the Internal Revenue service website. At the time of the loss, all existing City procedures were followed. The City continues to work with its own Police Department and the Federal Bureau of Investigation in efforts to reclaim funds lost in relation to the fraudulent vendor request.

B. Federal Award Program Audit

No current year federal award program audit findings.

Section II - Prior Year Findings

A. Financial Statement Audit

No prior year financial statement audit findings.

B. Federal Award Program Audit

No prior year federal award program audit findings.