

City of La Mesa
La Mesa, California

Single Audit Report on Federal Awards

Year Ended June 30, 2021

CITY OF LA MESA
Single Audit Report on Federal Awards
Year Ended June 30, 2021

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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

PARTNERS

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Scott W. Manno, CPA, CGMA
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Jenny W. Liu, CPA, MST
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To the Honorable City Council
City of La Mesa
La Mesa, California

MANAGERS / STAFF

Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
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Julia Rodriguez Fuentes, CPA, MSA

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 the City of La Mesa (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 December 17, 2021.

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 City'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.

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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. However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 17, 2021



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

Independent Auditor's Report

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To the Honorable City Council
City of La Mesa
La Mesa, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of La Mesa's (the City) compliance with the types of compliance requirements identified as subject to audit 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.

In our opinion, the City complied, in all material respects, with the 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, 2021.

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 the City's 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 the 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be 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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-004 and 2021-005, to be significant deficiencies.

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. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated December 17, 2021, 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California

April 25, 2022 (except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 17, 2021).

CITY OF LA MESA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

| Federal Grantor / Pass-through Grantor/Program Title | Assistance Listing | Program Identification Number | Federal Expenditures | Amounts provided to Subrecipients |
|--|--------------------|---|----------------------|-----------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| <i>Direct Award</i> | | | | |
| CDBG-Entitlement Grants Cluster: | | | | |
| Community Development Block Grant ¹ | 14.218 | B-18-MC-06-0551 | \$ 62,513 | \$ - |
| Community Development Block Grant ¹ | 14.218 | B-19-MC-06-0551 | 16,094 | - |
| COVID-19 Community Development Block Grant ¹ | 14.218 | B-20-MW-06-0551 | 59,735 | 59,735 |
| Community Development Block Grant ¹ | 14.218 | B-20-MC-06-0551 | 54,710 | 30,000 |
| Community Development Block Grant ¹ | 14.218 | Program Income | 1,984 | - |
| Total CFDA 14.218 / CDBG-Entitlement Grants Cluster | | | 195,036 | 89,735 |
| Total - U.S. Department of Housing and Urban Development | | | 195,036 | 89,735 |
| <u>U.S. Department of Justice</u> | | | | |
| <i>Direct Award</i> | | | | |
| COVID-19 Bureau of Justice Assistance Coronavirus Emergency Supplemental Funding Program | 16.034 | Bureau of Justice Assistance 2020-VD-BX-1453 | 27,341 | - |
| Total CFDA 16.034 | | | 27,341 | - |
| <i>Direct Award</i> | | | | |
| Equitable Sharing Funds (Asset Forfeiture Funds) | 16.922 | Unknown | 52,430 | - |
| Total CFDA 16.922 | | | 52,430 | - |
| Total - U.S. Department of Justice | | | 79,771 | - |
| <u>U.S. Department of Transportation</u> | | | | |
| <i>Passed through the State of California Department of Transportation</i> | | | | |
| Highway Bridge Program | 20.200 | BRLS-5207(036) | 142,051 | - |
| Total CFDA 20.200 | | | 142,051 | - |
| <i>Highway Planning and Construction Cluster:</i> | | | | |
| Highway Safety Improvement Program ¹ | 20.205 | HSIPL-5207(043) | 641,494 | - |
| Highway Safety Improvement Program ¹ | 20.205 | HSIPL-5207(045) | 4,584 | - |
| Total CFDA 20.205 / Highway Planning and Construction Cluster | | | 646,078 | - |
| <i>Passed through the San Diego Association of Governments (SANDAG)</i> | | | | |
| <i>Transit Services Programs Cluster:</i> | | | | |
| Federal Transit Administration (New Freedom) ¹ | 20.521 | 5001083 | 34,634 | - |
| Total CFDA 20.521 / Transit Services Programs Cluster | | | 34,634 | - |
| <i>Passed through the State of California Department of Transportation</i> | | | | |
| <i>Highway Safety Cluster:</i> | | | | |
| 2019-2020 STEP Grant ¹ | 20.600 | PT20066 | 2,737 | - |
| 2020-2021 STEP Bike and PED ¹ | 20.600 | PS21008 | 4,247 | - |
| 2020-2021 STEP Grant ¹ | 20.600 | PT21035 | 24,674 | - |
| Total CFDA 20.600 / Highway Safety Cluster | | | 31,658 | - |
| <i>Passed through the State of California Department of Transportation</i> | | | | |
| 2019-2020 STEP Grant | 20.608 | PT20066 | 569 | - |
| 2020-2021 STEP Grant | 20.608 | PT21035 | 6,987 | - |
| Total CFDA 20.608 | | | 7,556 | - |
| Total - U.S. Department of Transportation | | | 861,977 | - |

CITY OF LA MESA
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2021

| Federal Grantor / Pass-through Grantor/Program Title | Assistance Listing | Program Identification Number | Federal Expenditures | Amounts provided to Subrecipients |
|---|--------------------|-------------------------------|----------------------------|-----------------------------------|
| <u>U.S. Department of the Treasury</u> | | | | |
| <i>Passed through the State of California Department of Finance</i> | | | | |
| Covid-19 - CARES Act - State Grant | 21.019 | 20-1892-0-1-806 | \$ 740,408 | \$ - |
| <i>Passed through the County of San Diego</i> | | | | |
| Covid-19 - CARES Act - SD County Grant | 21.019 | 05192020-14-9 | 941,239 | 724,659 |
| Covid-19 - CARES Act - Childcare Provider Grant | 21.019 | County of San Diego | 6,552 | - |
| Total CFDA 21.019 | | | <u>1,688,199</u> | <u>724,659</u> |
| Total - U.S. Department of the Treasury | | | <u>1,688,199</u> | <u>724,659</u> |
| <u>U.S. Department of Homeland Security</u> | | | | |
| <i>Passed through the City of San Diego</i> | | | | |
| FY 18 Urban Area Security Initiative Grant | 97.067 | City of San Diego | 4,581 | - |
| <i>Passed through the County of San Diego</i> | | | | |
| Operation Stonegarden Grant 2018 | 97.067 | CalEMA | 110,522 | - |
| Total CFDA 97.067 | | | <u>115,103</u> | <u>-</u> |
| Total - U.S. Department of Homeland Security | | | <u>115,103</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,940,086</u> | <u>\$ 814,394</u> |

¹Cluster

Notes:

Covid-19 - FEMA donated trailers of \$52,000 - Unaudited

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) *Scope of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal activity of the City of La Mesa (City) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared 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 net position or cash flows, where applicable, of the City.

(b) *Basis of Accounting*

The expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(c) *Subrecipients*

The City passes certain federal awards received from the U.S. Department of Housing and Urban Development. The City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

(d) *De Minimis Indirect Cost Rate*

The City did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance, as there were no indirect costs charged to the City's grant programs.

CITY OF LA MESA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

| | | | | |
|---|-----------------------------|-----|----------------------|---------------|
| Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| Significant deficiency(ies) identified? | <u> </u> | Yes | <u> X </u> | None Reported |
| Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | No |

Federal Awards

Internal control over major federal programs:

| | | | | |
|---|-----------------------------|-----|-----------------------------|---------------|
| Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| Significant deficiency(ies) identified? | <u> X </u> | Yes | <u> </u> | None Reported |

Type of auditor's report issued on compliance for major federal programs: unmodified

| | | | | |
|--|----------------------|-----|-----------------------------|----|
| Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a) | <u> X </u> | Yes | <u> </u> | No |
|--|----------------------|-----|-----------------------------|----|

Identification of major federal programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--------------------------------|
| 21.019 | CARES ACT |

| | | | |
|--|-----------------------------|-----------------------|----------------------------|
| Dollar threshold used to distinguish between type A and type B programs: | <u> </u> | <u> \$ </u> | <u> 750,000 </u> |
|--|-----------------------------|-----------------------|----------------------------|

| | | | | |
|--|----------------------|-----|-----------------------------|----|
| Auditee qualified as low-risk auditee? | <u> X </u> | Yes | <u> </u> | No |
|--|----------------------|-----|-----------------------------|----|

SECTION II. FINANCIAL STATEMENT FINDINGS

No matters to be reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-001 – Subrecipient and Contractor Determinations
Noncompliance

Federal Program

CARES Act, Assistance Listing No. 21.019

Criteria

Per Title 2 CFR section 200.331, a pass-through entity must make case-by-case determinations whether the agreements it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

Condition

During the audit, we noted one agreement with another non-Federal entity where the determination was not made by the City.

Cause

The City relied on the form of the agreement rather than the substance of the relationship therefore they did not classify the recipient as a subrecipient.

Effect

The City was not aware of its additional subrecipient monitoring requirements that it needed to perform to meet its own responsibility to the Federal Awarding Agency.

Questioned Costs

No questioned costs.

2021-001 – Subrecipient and Contractor Determinations (continued)

Noncompliance

Identification as a Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the City evaluate its agreements to determine if the non-Federal agency receiving the funds constitutes a subrecipient or a contractor.

Views of Responsible Officials

See attached Corrective Action Plan.

2021-002 – Failure to Identify the Award and Applicable Requirements

Noncompliance

Federal Program

CARES Act, Assistance Listing No. 21.019

Criteria

Per Section 2 A pass-through entity (PTE) must *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in Title 2 CFR section 200.332(a)(1).

Condition

During the audit, we noted one agreement with a subrecipient where the City failed to notify them of the required information through the original agreement or through modification of the subaward.

Cause

The City failed to make a determination whether the agreement it made for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

Effect

The City did not include the subrecipient's unique identifier, Federal Award Identification Number, Federal Award Date of award to the City by the Federal agency, the Name of Federal awarding agency; or the Assistance Listings number and Title in the original agreement or through a subsequent modification.

2021-002 – Failure to Identify the Award and Applicable Requirements (continued)
Noncompliance

Questioned Costs

No questioned costs.

Identification as a Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the City include all required Federal Identification criteria in subrecipient awards as set forth by the compliance supplement.

Views of Responsible Officials

See attached Corrective Action Plan.

2021-003 – Documentation of the Monitoring of the Subrecipient Activities
Noncompliance

Federal Program

CARES Act, Assistance Listing No. 21.019

Criteria

Per Section 2 A pass-through entity (PTE) must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)).

Condition

During the audit, we noted that the review of the subrecipients activities was not adequately documented and therefore could not be verified through the audit procedures performed.

Cause

The City did not have effective policies and procedures to ensure that the review was properly documented.

2021-003 – Documentation of the Monitoring of the Subrecipient Activities (continued)
Noncompliance

Effect

The City's review of the reports and activities of the subrecipient could not be ascertained as there was insufficient documentation of the review process.

Questioned Costs

No questioned costs.

Identification as a Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the City document reviews performed and maintain records to show when, where and what was reviewed.

Views of Responsible Officials

See attached Corrective Action Plan.

2021-004 – Subrecipient and Contractor Determinations
Significant Deficiency

Federal Program

CARES Act, Assistance Listing No. 21.019

Criteria

Per Title 2 CFR section 200.331, a pass-through entity must make case-by-case determinations whether the agreements it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

Condition

During the audit, we noted one agreement with another non-Federal entity was treated as a contractor rather than a subrecipient since the determination was not made by the City.

Cause

The City did not have effectively designed controls to ensure that proper subrecipient or contractor determinations regarding agreements were made.

2021-004 – Subrecipient and Contractor Determinations (continued)

Significant Deficiency

Effect

The City incorrectly treated the agreement as a contractor and therefore was not aware of its additional subrecipient monitoring requirements that needed to be performed to meet the City's responsibility to the Federal Awarding Agency.

Questioned Costs

No questioned costs.

Identification as a Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the City implement controls to ensure its agreements with non-Federal agency receiving the funds are evaluated to determine if they are a subrecipient or a contractor.

Views of Responsible Officials

See attached Corrective Action Plan.

2021-005 – Documentation of the Monitoring of the Subrecipient Activities

Significant Deficiency

Federal Program

CARES Act, Assistance Listing No. 21.019

Criteria

Per Section 2 A pass-through entity (PTE) must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)).

Condition

During the audit, we noted that the review of the subrecipients activities was not adequately documented and therefore couldn't be verified through the audit procedures performed.

2021-005 – Documentation of the Monitoring of the Subrecipient Activities (continued)
Significant Deficiency

Cause

The City's control was not effectively designed to document the review of the weekly reports.

Effect

The City's review of the reports and activities of the subrecipient could not be ascertained as there was insufficient documentation of the review process.

Questioned Costs

No questioned costs.

Identification as a Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the City implement controls to ensure the reviews performed are properly documented to demonstrate what was reviewed, by who and when.

Views of Responsible Officials

See attached Corrective Action Plan.

CITY OF LA MESA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

STATUS OF PRIOR YEAR FINDINGS:

SECTION II. FINANCIAL STATEMENT FINDINGS

No prior year findings.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No prior year findings.



April 25, 2022
Single Audit Report on Federal Awards Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

Rogers, Anderson, Malody & Scott, LLP
Certified Public Accountants
735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408

AUDIT FINDINGS

Finding Reference Number: 2021-001

Description of Finding: The City was not aware of its additional sub-recipient monitoring requirements that it needed to perform to meet its own responsibility to the Federal Award Agency.

Statement of Concurrence of Non-concurrence:

The City worked in good faith to provide services to the community with limited allowable time. We entered into a contract with subject matter experts not realizing that the method of agreed upon payment to the public would change the status of the relationship to a sub-recipient. As such, we agree with this finding.

Corrective Action:

The City has hired a Grants Administrator to oversee all grants issued to the City. This position will have continuous training and consult with the outside auditors about any agreements we enter; after which the City will determine sub-recipient status.

Finding Reference Number: 2021-002

Description of Finding: The City did not include the sub-recipient's unique identifier, Federal Award Identification Number, Federal Awards Date of award to the City by the Federal agency, the Name of Federal awarding agency; or the Assistance Listings number and Title in the original agreement or through a subsequent modification.

Statement of Concurrence of Non-concurrence:

The City worked in good faith to provide services to the community with limited allowable time. We entered into a contract with subject matter experts not realizing that the method of agreed upon payment to the public would change the status of the relationship to a sub-recipient. As such, we agree with this finding.

Corrective Action:

The City has hired a Grants Administrator to oversee all grants issued to the City. This position will have continuous training and consult with the outside auditors about any agreements we enter; after which the City will determine sub-recipient status.

Finding Reference Number: 2021-003

Description of Finding: The City's review of the reports and activities of the sub-recipient could not be ascertained as there was insufficient documentation of the review process.

Statement of Concurrence of Non-concurrence:

The City worked in good faith with the East County Economic Development Council (ECEDC) to ensure that the most vulnerable of our community was assisted within the limited time available to exhaust the fund. There were emails and phone calls on a weekly basis discussing applications and making determinations. While we feel we were doing what needed to be done, based on the assumption that this should have been a sub-recipient and not a contractor, we agree with this finding.

Corrective Action:

The City has hired a Grants Administrator to oversee all grants issued to the City. Along with this position will be a complete follow-up file for each grant to ensure that all appropriate back-up is in writing, including phone conversations. New procedures will ensure that any discussions about future programs where applicants and their status is discussed will be followed up by a spreadsheet and signature approval.

Finding Reference Number: 2021-004

Description of Finding: The City incorrectly treated the agreement as a contractor and therefore was not aware of its additional sub-recipient monitoring requirements that needed to be performed to meet the City's responsibility to the Federal Awarding Agency.

Statement of Concurrence of Non-concurrence:

When processing the required documents to the County of San Diego as their sub-recipient, we stated the action of administering funds under contract with the East County Economic Development Council and as such, provided documentation to them as requested. No further action was taken by the County to assume this was a sub-recipient. This oversight was done by lack of knowledge and understanding. We agree with this finding.

Corrective Action:

The City has hired a Grants Administrator to oversee all grants issued to the City. This position will work with the granting agency to make determinations of sub-recipient status on all future grants.

Finding Reference Number: 2021-005

Description of Finding: The City's review of the reports and activities of the sub-recipient could not be ascertained as there was insufficient documentation of the review process.

Statement of Concurrence of Non-concurrence:

During the process of this program, there were a series of phone calls and emails going back and forth about certain applications and whether or not they were qualified under the agreed upon conditions in the contract. Based on the lack of extensive paperwork, we agree with this finding.

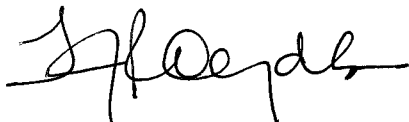
Corrective Action:

The City has hired a Grants Administrator to oversee all grants issued to the City. This position will make sure to create electronic files for each grant that will have all documentation in one place that shows compliance. All emails and follow up to phone conversations will be documented as well.

Name of Contact Person: Tammi Royales, Director of Finance, 619-667-1112, troyales@cityoflamesa.us.

Projected Completion Date: The position of Grants Administrator was filled on March 14, 2022. Comprehensive training and education has begun and will continue indefinitely. Any additional completion dates will be based on any future Federal award to ensure we comply with all rules and regulations that are required.

Sincerely yours,

A handwritten signature in black ink, appearing to read "T. Royales", with a long horizontal flourish extending to the right.

Tammi J Royales
Director of Finance