



CITY OF DOWNEY, CALIFORNIA

JUNE 30, 2021

SINGLE AUDIT REPORT

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on YOU



CITY OF DOWNEY, CALIFORNIA

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JUNE 30, 2021

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Downey, 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 December 16, 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 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. 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 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*. This matter is described in the accompanying Schedule of Findings and Questioned Costs as finding 2021-001.





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

City's Response to Findings

The City's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Brea, California
December 16, 2021



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Downey (the City), California'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, 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Basis for Opinion

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; 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 government programs.



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

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, 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 the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and 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 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 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 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 Finding and Questioned Costs as items 2021-002 through 2021-005 to be significant deficiencies.

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. Given these limitations, during our audit we did not identify



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

any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been 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.

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 16, 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Lance, Solt & Lughard, LLP

Brea, California

March 29, 2022 (Except for the Schedule of Expenditures of Federal Awards, which is as of December 16, 2021)

CITY OF DOWNEY

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assitance Listing Number	Pass-Through Grantor's DUNS	Expenditures	Amount Provided to Subrecipients
<u>CDBG -Entitlement Grants Cluster *</u>				
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 1,560,647	\$ 77,253
Community Development Block Grants/Entitlement Grants - Section 108 Loan Programs (Note 2)	14.218	N/A	2,123,637	-
Community Development Block Grants/Entitlement Grants - Loan Programs (Note 3)	14.218	N/A	456,355	-
Total U.S. Department of Housing and Urban Development			4,140,639	77,253
Total CDBG -Entitlement Grants Cluster			4,140,639	77,253
<u>Highway Planning and Construction Cluster</u>				
U.S. Department of Transportation				
Passed Through:				
State of California Department of Transportation (Caltrans): Highway Planning and Construction Program	20.205	11-099-9732	6,217,878	-
Total U.S. Department of Transportation			6,217,878	-
Total Highway Planning and Construction Cluster			6,217,878	-
<u>Highway Safety Cluster</u>				
U.S. Department of Transportation				
Passed Through:				
State of California Office of Traffic and Safety: State and Community Highway Safety	20.600	96-505-3908	302,758	-
Total U.S. Department of Transportation			302,758	-
Total Highway Safety Cluster			302,758	-
<u>Other Programs</u>				
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Home Investment Partnerships Program *	14.239	N/A	299,612	29,145
Home Investment Partnerships Program - Loans program (Note 3)*	14.239	N/A	5,369,934	-
Total U.S. Department of Housing and Urban Development			5,669,546	29,145
<u>U.S. Department of Justice</u>				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	36,364	-
Equitable Sharing Program	16.922	N/A	182,285	-
Total U.S. Department of Justice			218,649	-
<u>U.S. Department of Treasury</u>				
Passed through:				
State of California Controllers Office: COVID-19 Coronavirus Relief Fund*	21.019	06-779-0386	1,401,094	-
COVID-19 American Rescue Plan*	21.027	N/A	4,197,314	-
Total U.S. Department of Treasury			5,598,408	-
<u>U.S Small Business Administration</u>				
Direct Programs:				
COVID-19 Shuttered Venue Operators Grant Program*	59.075	N/A	305,318	-
Total U.S. Small Business Administration			305,318	-
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
COVID-19 CARES Provider Relief Fund	93.498	N/A	23,312	-
Total U.S. Department of Health and Human Services			23,312	-
<u>U.S. Department of Homeland Security</u>				
Passed Through:				
County of Los Angeles: Homeland Security Grant Program	97.067	05-223-8763	97,042	-
Total U.S. Department of Homeland Security			97,042	-
Total Other Programs			11,912,275	29,145
Total Federal Expenditures			\$ 22,573,550	\$ 106,398

* Major Program

¹ There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

CITY OF DOWNEY

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

Note 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 (the "Schedule") includes the federal award activity of the City of Downey, California (the "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 net position, or cash flows of the City.

b. Basis of Accounting

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized, as applicable, under the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2: Section 108 Loan Program

In 2011, the City entered into a Contract for Loan Guarantee Assistance under Section 108 with the U.S. Department of Housing and Urban Development. Principal is payable in annual installments of \$81,000 commencing in 2011 and ending in 2026. The balance outstanding as of June 30, 2021, is \$405,000.

In 2019, the City entered into a Contract for Loan Guarantee Assistance under Section 108 with the U.S. Department of Housing and Urban Development. The Nissan Loan principal is payable with annual installments of \$114,000 commencing in 2019 and ending in 2026. The balance outstanding as of June 30, 2021, is \$684,000.

In 2019, the City entered into a Contract for Loan Guarantee Assistance under Section 108 with the U.S. Department of Housing and Urban Development. The Soccer Field Loan principal is payable with annual installments of \$158,000 commencing in 2020 and ending in 2038. The balance outstanding as of June 30, 2021 is \$2,842,000.

CITY OF DOWNEY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

Note 3: Loan Programs with Continuing Compliance Requirements

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs required servicing arrangements with the City. The funds are returned to the programs upon repayment of the principal and interest. Current year transactions relating to these programs are included in the Schedule of Expenditures of Federal Awards. In accordance with 2 CFR section 200.502(b), the balance of loan program outstanding June 30, 2021, are as follows:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2021
14.218	CDBG Loans	\$ 451,335
14.239	HOME Loans	5,115,480
	Total Loans Outstanding	<u>\$ 5,566,815</u>

CITY OF DOWNEY

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unmodified Opinion for all major programs

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant / Entitlement Grant Cluster
14.239	HOME Investment Partnership Program
21.019	Coronavirus Relief Fund Program
21.027	American Rescue Plan
59.075	Shuttered Venue Operators Grant Program

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

Auditee qualified as low-risk auditee? yes no

CITY OF DOWNEY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding: 2021-001; Housing and Community Development (HCD) Annual Report Filing
Noncompliance/Significant Deficiency

Condition:

Housing and Community Development (HCD) Annual Report was not filed by the April 1st deadline.

Criteria:

Section 65400 of the Government Code states if the Housing Successor is a City of County, it will provide by April 1 of each year an Annual Progress Report to the legislative body, the Office of Planning and Research, and the Department of Housing and Community Development (HCD).

Cause of Condition:

The City of Downey did not submit the HCD report electronically by April 1, 2021, and therefore, the report was not filed as of April 1, 2021.

Effect or Potential Effect of Condition:

The City is out of compliance.

Recommendation:

We recommend that the City implement a process to ensure that the report is submitted timely each year.

Management's Response and Corrective Action:

We are in agreement with the Auditor's recommendation and will incorporate into next year's reporting procedures.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-002: Loan Continuing Compliance Requirements
Noncompliance/Significant Deficiency

Federal Award Information

Assistance Listing Number: 14.218

Program Title: Community Development Block Grant

Federal Award Number: B-17-MC-06-0516; B-18-MC-06-0516; B-19-MC-06-0516; B-20-MW-06-0516;
B-20-MC-06-0516

Federal Award Year: 2017; 2018; 2019; 2020

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

Assistance Listing Number: 14.239

Program Title: Home Investment Partnerships

Federal Award Number: M-15-MC-06-0541; M-16-MC-06-0541; M-17-MC-06-0541; M-18-MC-06-0541;
M-20-MC-060541

Federal Award Year: 2015; 2016; 2017; 2018; 2020

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

CITY OF DOWNEY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Criteria or Specific Requirement

Per the loan agreements between the residents and the City, the homeowners are required to maintain the property as their primary residence or repayment is due on the loan. The City is required to review the outstanding loans and ensure residents are in compliance with the loan agreement. The City will need to verify through support, such as utility or insurance payment, that the residence is the primary address under the loan holder.

Condition

While the City did not have any new loans within the fiscal year, the City has not performed continuing compliance checks on the loans reported on the SEFA.

Cause of the Condition

The Housing Department at the City has not documented the insurance documents it received for the loan continuing compliance requirements or perform follow up checks to ensure principal residence.

Effect or Possible Effect

Failure to timely document continuing loan compliance checks has resulted in noncompliance.

Questioned Costs

No questioned costs were identified (\$0).

Context

The City of Downey does receive insurance notification of expiring insurance then the Housing Department would check for loan compliance.

Repeat Finding

This is a repeat finding. Refer to Finding 2020-005 in the Schedule of Findings and Questioned Costs for fiscal year ended June 30, 2020.

Recommendation

We recommend that the City implement controls to document the insurance that is received by the City and the name listed is the homeowner of the loan.

Management Response and Corrective Action

The City began a implementation of a monitoring process for existing first-time homebuyer outstanding loans, and is continues working on a process to review all loans. The City will complete implementation of a monitoring process in the following fiscal year.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding 2021-003: Subrecipient Monitoring

Noncompliance/Significant Deficiency

Federal Award Information

Assistance Listing Number: 14.239

Program Title: Home Investment Partnerships

Federal Award Number: M-15-MC-06-0541; M-16-MC-06-0541; M-17-MC-06-0541; M-18-MC-06-0541; M-20-MC-060541

Federal Award Year: 2015; 2016; 2017; 2018; 2020

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

Criteria or Specific Requirement

According to *Title 2 CFR, Subpart D, Subrecipient Monitoring and Management, Section 200.331, Requirements for pass-through entities*, all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- Reviewing financial and performance reports required by the pass-through entity
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means
- Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by management's decision (per Section 200.521)

Condition

As part of our audit testing, we sampled participants through the subrecipient for eligibility requirements and special test requirements that received HOME program funds from the City. We noted that while the subrecipient does perform the necessary eligibility requirements and special tests, the City was not maintaining responsibility over monitoring the subrecipient for these requirements.

Cause of the Condition

The Housing Division has not performed inspections of participants from the subrecipient to ensure the subrecipient is conforming to federal grant requirements.

Effect or Possible Effect

The subrecipient is performing the eligibility and special test requirements over their participants without oversight from the City. There is an increased risk of ineligible participants receiving funding.

Questioned Costs

No questioned costs were identified (\$0).

Context

The Housing Division is overseeing the allowability of costs from the subrecipient through the required bi-weekly reports. The reports also list the performance of the program funds.

CITY OF DOWNEY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Repeat Finding

This is a repeat finding. Refer to Finding 2020-006 in the Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 2020.

Recommendation

We recommend that the City conduct an annual onsite inspection of documentation to ensure compliance with income verification and eligibility of participants, and to monitor subrecipient.

Management Response and Corrective Action

The City will establish Subrecipient monitoring program in Fiscal Year 2021-22.

Finding 2021-004: FFATA Reporting

Noncompliance/Significant Deficiency

Federal Award Information

Assistance Listing Number: 14.239

Program Title: Home Investment Partnerships

Federal Award Number: M-16-MC-06-0541, M-17-MC-060541

Federal Award Year: 2016, 2017

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

Criteria or Specific Requirement

The grant award agreement stipulates that the grantee shall comply with the Federal Funding Accountability and Transparency Act (FFATA) in Appendix A to 2 CFR part 170. The City is required under the FFATA to report subawards greater than or equal to \$25,000 using the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) by the end of the month following the month in which the subaward was made.

Condition

Instance of Non-Compliance – As part of our audit testing, we obtained and inspected the subrecipient agreements filed for the program year and determined that the City did not prepare FFATA reports in a timely manner for the fiscal year ended June 30, 2021. The subrecipient awards in excess of \$25,000 were made in July 2020, but the FFATA reports were not filed.

Cause of the Condition

In prior years, the City was not aware that the FFATA reporting requirements were applicable, resulting from inadequate internal controls relating to identification of reporting requirement for the grant program. In fiscal year 2020-2021, the City did not file the report by the required reporting deadline.

Effect or Possible Effect

The City did not comply with the reporting requirements of the FFATA or the grant agreement.

Questioned Costs

No questioned costs were identified (\$0).

Context

The subrecipient agreements greater than \$25,000 were signed and implemented during the fiscal year 2020-21, but the City did not file the necessary FFATA report.

CITY OF DOWNEY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Repeat Finding

This is a repeat finding. Refer to Finding 2020-007 in the Schedule of Findings and Questioned Costs for fiscal year ended June 30, 2020.

Recommendation

We recommend that the City continue to implement procedures and controls to identify required reports and reporting deadlines and to verify that all reports required by the federal agencies are prepared, reviewed, approved, and filed with the agency in a timely manner.

Management Response and Corrective Action

The City acknowledges LSL's recommendation and will incorporate the recommendation in the next fiscal year.

Finding 2021-005: Reporting Requirements

Noncompliance/Significant Deficiency

Federal Award Information

Assistance Listing Number: 59.075

Program Title: Shuttered Venue Operators Grant Program

Federal Award Number: SBAHQ21SV003394

Federal Award Year: 2020;2021

Name of Federal Agency: U.S. Small Business Administration

Criteria or Specific Requirement

Recipients are required to submit a final report which outlines how all of award funds were expended and is part of the grant close out requirements.

Condition

Instance of Non-Compliance – As part of our audit testing, we requested the close out report as the grant had been fully spent and the grant closing should have been done at the end of the reporting period. A task within the reporting website is to be initiated after budget period of 7/12/2021. The City has not yet submitted the close out report as of our fieldwork date.

Cause of the Condition

This is a new grant for the City and the City was not aware of the reporting requirements. Due to inadequate controls and procedures for identifying grant reporting requirements, the City did not file the close out report by the required date.

Effect or Possible Effect

The City did not comply with the close out reporting requirements of the granting agency.

Questioned Costs

No questioned costs were identified (\$0).

Context

This is a new grant for the City and the City was not aware of the reporting requirements. As a result, the close out reports for the grant were not submitted.

CITY OF DOWNEY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Repeat Finding

This is a new finding for the fiscal year ended June 30, 2021.

Recommendation

We recommend that the City implement procedures and controls to identify reporting requirements and to verify that reports required by the federal agencies are prepared, reviewed, approved, and filed in a timely manner.

Management Response and Corrective Action

The City acknowledges LSL's recommendation and will incorporate the recommendation in the next fiscal year.



SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Accounts Payable Accrual Material Weakness

Condition

The City did not accrue a check relating to services performed in fiscal year 2019-2020 as of June 30, 2020.

Criteria

Generally Accepted Accounting Principles

Cause of Condition

Error due to oversight during the AP review process at year end.

Effect or Potential Effect of Condition

The misstatement resulted in understated expenditures and accounts payable at year end.

Recommendation

LSL recommends that the City perform a thorough review over the AP accrual, beyond the City's AP cutoff period to ensure any late invoices are properly accrued, if necessary.

Management's Response and Corrective Action

The City acknowledges the LSL's recommendation and will incorporate the recommendation in the next fiscal year.

Status of Prior Period Finding

This finding is considered resolved.

Finding 2020-002: Uniform Guidance Purchasing Policy Material Noncompliance

Condition

The City did not have a formal adopted purchasing or bidding policy that adheres to the Uniform Guidance, a requirement as of July 1, 2018, under the audit period.

Criteria

A formal adopted Purchasing or Bidding policy, in accordance with the Uniform Guidance, will facilitate the implementation of stronger internal controls and oversight over the procurement process.

Cause of Condition

LSL noted that the City had not implemented the Uniform Guidance requirements into the City's purchasing policy as of June 30, 2020.

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Effect or Potential Effect of Condition

The absence of a Purchasing or Bidding policy, which complies with Uniform Guidance, could provide a lack of guidance for City employees to follow when performing procurement procedures for federal awards.

Recommendation

We recommend the City update the procurement policy, to comply with Uniform Guidance and have the policy adopted by Council, to ensure that all approved policies are being followed.

Management's Response and Corrective Action

The City formally adopted a policy that adheres the Uniform Guidance according to the Office of Management and Budget's Guidance for Grants and Agreements on November 24, 2020.

Status of Prior Period Finding

This finding is considered resolved.

Finding 2020-003: Allowable Costs/Cost Principles

Material Weakness

Federal Award Information

CFDA Number: 14.218

Program Title: Community Development Block Grant

Federal Award Number: B-17-MC-06-0516; B-18-MC-06-0516; B-19-MC-06-0516

Federal Award Year: 2017; 2018; 2019

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

Criteria or Specific Requirement

The 2018 Community Development Block Grant Special Conditions require that if funding assistance is used for payment of indirect costs pursuant to 2 CFR 200, Subpart E – Cost Principles, the City must attach a schedule to the executed Grant Agreement that is returned to the U.S. Department of Housing and Urban Development (HUD). The schedule shall identify each department/agency that will carry out activities with the funding assistance, the indirect cost rate applicable to each department/agency (including if the de minimis rate is charged per 2 CFR §200.414), and the direct cost base to which the rate will be applied.

Condition

Instance of Non-Compliance - The Housing Department is required to document indirect cost allocation plans for HUD's review and approval. We noted through our test work that payroll costs lacked supporting documentation to determine the reasonableness of the expenditure as direct costs. Additionally, percentages of salaries and benefits for four (4) administrative staff were charged to the grant each pay period, indirectly. Although the indirect cost allocation schedule was documented and submitted to HUD for their review and approval, the costs were determined to be unallowable based on 2 CFR §200.403 (d), as 4 individuals were not on the indirect cost allocation schedule.



SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Cause of the Condition

The City has not retained adequate documentation of timecard which support the time charged to the program under payroll costs.

Effect or Possible Effect

Not properly documenting all expenditures reimbursable by this grant can result in noncompliance with federal regulations regarding allowable costs/cost principles.

Questioned Costs

The indirect costs charged to the program for the year ended June 30, 2020 was \$386,725. We computed allowable payroll costs from a sample of 11 individuals by 4 pay periods and obtained the total salaries and benefits per employee with disallowed costs.

Context

As a result of our testwork, it was noted that this program lacked sufficient documentation to support the nature and amount of payroll costs applied.

Repeat Finding

This is a repeat finding. Refer to Finding 2019-004 in the Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 2019.

Recommendation

We recommend that the Housing Department adhere to the *2018 Community Development Block Grant Special Conditions* and submit an indirect cost allocation schedule upon each executed Grant Agreement. We also recommend that the Department review costs of salaries being charged to the grant.

Management Response and Corrective Action

The City acknowledges LSL's recommendation and will incorporate the recommendation in the next fiscal year.

Status of Prior Period Finding

This finding is considered resolved.

Finding 2020-004: Reporting

Noncompliance/Significant Deficiency

Federal Award Information

CFDA Number: 14.218

Program Title: Community Development Block Grant

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Federal Award Number: B-17-MC-06-0516; B-18-MC-06-0516, B-19-MC-06-0516

Federal Award Year: 2017; 2018, 2019

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

Criteria or Specific Requirement

Office of Management and Budget (OMB) Part 4 Department of Housing and Urban Development 14.218 Community Development Block Grants/Entitlement Grants III. Compliance Requirements L. Reporting 1. Financial Reporting d. *Integrated Disbursement and Information System (IDIS) (OMB No. 2506-0077)* – 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. Auditors are only expected to test information extracted from IDIS in the following system-generated reports:

- (1) C04PR03 – Activity Summary Report
- (2) C04PR26 – CDBG Financial Summary

Condition

Instance of Non-Compliance – While the CDBG Financial Summary Report (C04PR26) was submitted timely within the Consolidated Annual Performance and Evaluation Report, the report included materially inaccurate information on Line 01 Unexpended CDBG Funds at the end of the previous program year of \$0 which should have been \$417,288.45. This affects the other line items 08 Total Available (Sum, Lines 01-07) and 16 Unexpended Balance (Line 08 – Line 15).

Cause of the Condition

The Housing Department at the City has not contacted the U.S. Department of Housing and Urban Development for correction of Line 01 as it carryforwards from the prior year report in a timely manner.

Effect or Possible Effect

Failure to submit accurate reporting information has resulted in noncompliance.

Questioned Costs

No questioned costs were identified (\$0).

Context

The CDBG Financial Summary Report (C04PR26) is an annual report that is filed with the CAPERs report. The Line 01 of concern is a system generated amount from the prior year report which did not generate the correct material unexpended amount of \$417,288.45.

Repeat Finding

This is new finding for the fiscal year ended in June 30, 2020.

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Recommendation

We recommend that the City implement a system to ensure that all required reporting information is reviewed for accuracy and includes all pertinent information.

Management Response and Corrective Action

The City acknowledges LSL's recommendation and will incorporate the recommendation in the next fiscal year.

Status of Prior Period Finding

This finding is considered resolved.

Finding 2020-005: Loan Continuing Compliance Requirements

Noncompliance/Significant Deficiency

Federal Award Information

CFDA Number: 14.218

Program Title: Community Development Block Grant

Federal Award Number: B-17-MC-06-0516; B-18-MC-06-0516; B-19-MC-06-0516

Federal Award Year: 2017; 2018; 2019

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

CFDA Number: 14.239

Program Title: Home Investment Partnerships

Federal Award Number: M-15-MC-06-0541; M-16-MC-06-0541; M-17-MC-06-0541; M-18-MC-06-0541

Federal Award Year: 2015; 2016; 2017; 2018

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

Criteria or Specific Requirement

Per the loan agreements between the residents and the City, the homeowners are required to maintain the property as their primary residence or repayment is due on the loan. The City is required to review the outstanding loans and ensure residents are in compliance with the loan agreement. The City will need to verify through support, such as utility or insurance payment, that the residence is the primary address under the loan holder.

Condition

While the City did not have any new loans within the fiscal year, the City has not performed continuing compliance checks on the loans reported on the SEFA.

Cause of the Condition

The Housing Department at the City has not documented the insurance documents it received for the loan continuing compliance requirements or perform follow up checks to ensure principal residence.

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Effect or Possible Effect

Failure to timely document continuing loan compliance checks has resulted in noncompliance.

Questioned Costs

No questioned costs were identified (\$0).

Context

The City of Downey does receive insurance notification of expiring insurance then the Housing Department would check for loan compliance.

Repeat Finding

This is a repeat finding. Refer to Finding 2019-006 in the Schedule of Findings and Questioned Costs for fiscal year ended June 30, 2019.

Recommendation

We recommend that the City implement controls to document the insurance that is received by the City and the name listed is the homeowner of the loan.

Management Response and Corrective Action

The City is currently reviewing any new rental assistance loans and is still working on a process to review outstanding loans. The City will implement the monitoring process in the following fiscal year.

Status of Prior Period Finding

This finding is not resolved. See finding 2021-002 in the Schedule of Findings and Questioned Costs.

Finding 2020-006: Subrecipient Monitoring

Noncompliance/Significant Deficiency

Federal Award Information

CFDA Number: 14.239

Program Title: Home Investment Partnerships

Federal Award Number: M-16-MC-06-0541, M-17-MC-060541

Federal Award Year: 2016, 2017

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

Criteria or Specific Requirement

According to *Title 2 CFR, Subpart D, Subrecipient Monitoring and Management, Section 200.331, Requirements for pass-through entities*, all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- Reviewing financial and performance reports required by the pass-through entity

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means
- Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by management's decision (per Section 200.521)

Condition

As part of our audit testing, we sampled participants through the subrecipient for eligibility requirements and special test requirements that received HOME program funds from the City. We noted that while the subrecipient does perform the necessary eligibility requirements and special tests, the City was not maintaining responsibility over monitoring the subrecipient for these requirements.

Cause of the Condition

The Housing Division has not performed inspections of participants from the subrecipient to ensure the subrecipient is conforming to federal grant requirements.

Effect or Possible Effect

The subrecipient is performing the eligibility and special test requirements over their participants without oversight from the City. There is an increase risk of ineligible participants receiving funding.

Questioned Costs

No questioned costs were identified (\$0).

Context

The Housing Division is overseeing the allowability of costs from the subrecipient through the required bi-weekly reports. The reports also list the performance of the program funds.

Repeat Finding

This is a repeat finding. Refer to Finding 2019-007 in the Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 2019.

Recommendation

We recommend that the City conduct an annual onsite inspection of documentation to ensure compliance with income verification and eligibility of participants, and to monitor subrecipient.

Management Response and Corrective Action

The City acknowledges LSL's recommendation and will incorporate the recommendation in the next fiscal year.

Status of Prior Period Finding

This finding is not resolved. See finding 2021-003 in the Schedule of Findings and Questioned Costs.

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2020-007 Reporting

Noncompliance/Significant Deficiency

Federal Award Information

CFDA Number: 14.239

Program Title: Home Investment Partnerships

Federal Award Number: M-16-MC-06-0541, M-17-MC-060541

Federal Award Year: 2016, 2017

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

Criteria or Specific Requirement

The grant award agreement stipulates that the grantee shall comply with the Federal Funding Accountability and Transparency Act (FFATA) in Appendix A to 2 CFR part 170. The City is required under the FFATA to report subawards greater than or equal to \$25,000 using the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) by the end of the month following the month in which the subaward was made.

Condition

Instance of Non-Compliance – As part of our audit testing, we obtained and inspected the subrecipient agreements filed for the program year and determined that the City did not prepare FFATA reports in a timely manner for the fiscal year ended June 30, 2020. The subrecipient awards in excess of \$25,000 were made in July 2019, but the FFATA reports were not filed.

Cause of the Condition

In prior years, the City was not aware that the FFATA reporting requirements were applicable, resulting from inadequate internal controls relating to identification of reporting requirement for the grant program. In fiscal year 2019-2020, the City did not file the report by the required reporting deadline.

Effect or Possible Effect

The City did not comply with the reporting requirements of the FFATA or the grant agreement.

Questioned Costs

No questioned costs were identified (\$0).

Context

The subrecipient agreements greater than \$25,000 were signed and implemented during the fiscal year 2019-2020, but the City did not file the necessary FFATA report.

Repeat Finding

This is a new finding for the fiscal year ended June 30, 2020.

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Recommendation

We recommend that the City continue to implement procedures and controls to identify required reports and reporting deadlines and to verify that all reports required by the federal agencies are prepared, reviewed, approved, and filed with the agency in a timely manner.

Management Response and Corrective Action

The City acknowledges LSL's recommendation and will incorporate the recommendation in the next fiscal year.

Status of Prior Period Finding

This finding is not resolved. See finding 2021-004 in the Schedule of Findings and Questioned Costs.



City of Downey

CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS

Reference Number: 2021-001; Housing and Community Development (HCD) Annual Report Not Filed Timely

Responsible: Jessica Flores, Economic Development and Housing Manager

Evaluation of Finding:
Noncompliance

Condition:
Housing and Community Development (HCD) Annual Report was not filed by the April 1st deadline.

Criteria:
Section 65400 of the Government Code states if the Housing Successor is a City of County it will provide by April 1 of each year an Annual Progress Report to the legislative body, the Office of Planning and Research, and the Department of Housing and Community Development (HCD).

Cause of Condition:
The City of Downey did not submit the HCD report electronically by April 1, 2021, and therefore, the report was not completed as of April 1, 2021.

Effect or Potential Effect of Condition:
The City is out of compliance.

Recommendation:
We recommend that the City implement a process to ensure that the report is submitted timely each year.

Management's Response and Corrective Action:
We are in agreement with the Auditor's recommendation and will incorporate into next year's reporting procedures.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-002: Loan Continuing Compliance Requirements
Noncompliance/Significant Deficiency

Responsible: Jessica Flores, Economic Development and Housing Manager

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CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Federal Award Information

CFDA Number: 14.218

Program Title: Community Development Block Grant

Federal Award Number: B-17-MC-06-0516; B-18-MC-06-0516; B-19-MC-06-0516; B-20-MW-06-0516; B-20-MC-06-0516

Federal Award Year: 2017; 2018; 2019; 2020

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

CFDA Number: 14.239

Program Title: Home Investment Partnerships

Federal Award Number: M-15-MC-06-0541; M-16-MC-06-0541; M-17-MC-06-0541; M-18-MC-06-0541; M-20-MC-060541

Federal Award Year: 2015; 2016; 2017; 2018; 2020

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

Criteria or Specific Requirement

Per the loan agreements between the residents and the City, the homeowners are required to maintain the property as their primary residence or repayment is due on the loan. The City is required to review the outstanding loans and ensure residents are in compliance with the loan agreement. The City will need to verify through support, such as utility or insurance payment, that the residence is the primary address under the loan holder.

Condition

While the City did not have any new loans within the fiscal year, the City has not performed continuing compliance checks on the loans reported on the SEFA.

Cause of the Condition

The Housing Department at the City has not documented the insurance documents it received for the loan continuing compliance requirements or perform follow up checks to ensure principal residence.

Effect or Possible Effect

Failure to timely document continuing loan compliance checks has resulted in noncompliance.

Questioned Costs

No questioned costs were identified (\$0).

Context

The City of Downey does receive insurance notification of expiring insurance then the Housing Department would check for loan compliance.

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CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Repeat Finding

This is a repeat finding. Refer to Finding 2020-005 in the Schedule of Findings and Questioned Costs for fiscal year ended June 30, 2020.

Recommendation

We recommend that the City implement controls to document the insurance that is received by the City and the name listed is the homeowner of the loan.

Anticipated Completion Date: June 30, 2022

Management Response and Corrective Action

The City began a implementation of a monitoring process for existing first-time homebuyer outstanding loans, and is continues working on a process to review all loans. The City will complete implementation of a monitoring process in the following fiscal year.

Finding 2021-003: Subrecipient Monitoring

Noncompliance/Significant Deficiency

Responsible: Jessica Flores, Economic Development and Housing Manager

Federal Award Information

CFDA Number: 14.239

Program Title: Home Investment Partnerships

Federal Award Number: M-15-MC-06-0541; M-16-MC-06-0541; M-17-MC-06-0541; M-18-MC-06-0541; M-20-MC-060541

Federal Award Year: 2015; 2016; 2017; 2018; 2020

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

Criteria or Specific Requirement

According to *Title 2 CFR, Subpart D, Subrecipient Monitoring and Management, Section 200.331, Requirements for pass-through entities*, all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- Reviewing financial and performance reports required by the pass-through entity
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means
- Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by management's decision (per Section 200.521)

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CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Condition

As part of our audit testing, we sampled participants through the subrecipient for eligibility requirements and special test requirements that received HOME program funds from the City. We noted that while the subrecipient does perform the necessary eligibility requirements and special tests, the City was not maintaining responsibility over monitoring the subrecipient for these requirements.

Cause of the Condition

The Housing Division has not performed inspections of participants from the subrecipient to ensure the subrecipient is conforming to federal grant requirements.

Effect or Possible Effect

The subrecipient is performing the eligibility and special test requirements over their participants without oversight from the City. There is an increased risk of ineligible participants receiving funding.

Questioned Costs

No questioned costs were identified (\$0).

Context

The Housing Division is overseeing the allowability of costs from the subrecipient through the required bi-weekly reports. The reports also list the performance of the program funds.

Repeat Finding

This is a repeat finding. Refer to Finding 2020-006 in the Schedule of Findings and Questioned Costs for the fiscal year ended June 30, 2020.

Recommendation

We recommend that the City conduct an annual onsite inspection of documentation to ensure compliance with income verification and eligibility of participants, and to monitor subrecipient.

Anticipated Completion Date: June 30, 2022

Management Response and Corrective Action

The City will establish Subrecipient monitoring program in Fiscal Year 2021-22.

Finding 2021-004: Reporting

Noncompliance/Significant Deficiency

Responsible: Jessica Flores, Economic Development and Housing Manager



CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Federal Award Information

CFDA Number: 14.239

Program Title: Home Investment Partnerships

Federal Award Number: M-16-MC-06-0541, M-17-MC-060541

Federal Award Year: 2016, 2017

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

Criteria or Specific Requirement

The grant award agreement stipulates that the grantee shall comply with the Federal Funding Accountability and Transparency Act (FFATA) in Appendix A to 2 CFR part 170. The City is required under the FFATA to report subawards greater than or equal to \$25,000 using the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) by the end of the month following the month in which the subaward was made.

Condition

Instance of Non-Compliance – As part of our audit testing, we obtained and inspected the subrecipient agreements filed for the program year and determined that the City did not prepare FFATA reports in a timely manner for the fiscal year ended June 30, 2021. The subrecipient awards in excess of \$25,000 were made in July 2020, but the FFATA reports were not filed.

Cause of the Condition

In prior years, the City was not aware that the FFATA reporting requirements were applicable, resulting from inadequate internal controls relating to identification of reporting requirement for the grant program. In fiscal year 2020-2021, the City did not file the report by the required reporting deadline.

Effect or Possible Effect

The City did not comply with the reporting requirements of the FFATA or the grant agreement.

Questioned Costs

No questioned costs were identified (\$0).

Context

The subrecipient agreements greater than \$25,000 were signed and implemented during the fiscal year 2020-21, but the City did not file the necessary FFATA report.

Repeat Finding

This is a repeat finding. Refer to Finding 2020-007 in the Schedule of Findings and Questioned Costs for fiscal year ended June 30, 2020.

Recommendation

We recommend that the City continue to implement procedures and controls to identify required reports and reporting deadlines and to verify that all reports required by the federal agencies are prepared, reviewed, approved, and filed with the agency in a timely manner.

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City of Downey

CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Anticipated Completion Date: June 30, 2022

Management Response and Corrective Action

The City acknowledges LSL's recommendation and will incorporate the recommendation in the next fiscal year.

Finding 2021-005: Reporting Requirements
Noncompliance/Significant Deficiency

Responsible: Anil Gandhi, Finance Director

Federal Award Information

CFDA Number: 59.075

Program Title: Shuttered Venue Operators Grant Program

Federal Award Number: SBAHQ21SV003394

Federal Award Year: 2020;2021

Name of Federal Agency: U.S. Small Business Administration

Criteria or Specific Requirement

Recipients will be required to submit a final report which outlines how all of award funds were expended, by allowable cost activity and is part of the closeout requirements and the expense report action item.

Condition

Instance of Non-Compliance – As part of our audit testing, we requested the report as the grant has been fully spent and the closing needs to be done after the reporting period. A task within the reporting website will be initiated and this needed to be initiated after budget period of 7/12/2021. The City has not yet submitted the report as of our fiscal year fieldwork date.

Cause of the Condition

This is a new grant for the City and they were not aware of the reporting requirements. As a result, there was inadequate internal controls relating to identification of reporting requirements for the grant program. In fiscal year 2020-2021, the City did not file the report by the required reporting deadline.

Effect or Possible Effect

The City did not comply with the reporting requirements of the granting agency.

Questioned Costs

No questioned costs were identified (\$0).

Context

As a result of our testwork, it was noted that this program reporting requirements were not submitted.

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City of Downey

CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Repeat Finding

This is a new finding for the fiscal year ended June 30, 2021.

Recommendation

We recommend that the City continue to implement procedures and controls to identify required reports and reporting deadlines and to verify that all reports required by the federal agencies are prepared, reviewed, approved, and filed with the agency in a timely manner.

Anticipated Completion Date: June 30, 2022

Management Response and Corrective Action

The City acknowledges LSL's recommendation and will incorporate the recommendation in the next fiscal year.

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