



**CITY OF COMPTON**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2023**




CITY OF COMPTON  
TABLE OF CONTENTS  
JUNE 30, 2023


**Page**

|  |    |
|--|----|
| Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ..... | 1  |
| Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control over Compliance;<br>and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....                   | 3  |
| Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs .....   | 6  |
| Schedule of Expenditures of Federal Awards .....   | 7  |
| Notes to the Schedule of Expenditures of Federal Awards.....   | 8  |
| Schedule of Findings and Questioned Costs .....  | 9  |
| Summary Schedule of Prior Audit Findings.....  | 29 |



 3880 Lemon St., Ste. 300  
Riverside, CA 92501

 P.O. Box 1529  
Riverside, CA 92502-1529

 951-241-7800

 [www.eadiepaynellp.com](http://www.eadiepaynellp.com)

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

The Honorable City Council  
City of Compton  
Compton, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Compton as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Compton's basic financial statements, and have issued our report thereon dated May 12, 2025.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered City of Compton'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 City of Compton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Compton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of City of Compton's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-004, 2023-007 to 2023-012 and 2023-016 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-002, 2023-003, 2023-005, 2023-006 and 2023-013 to 2023-015 to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Compton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, 2023-004, 2023-017, and 2023-018.

### **City of Compton's Response to Findings**

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

### **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 City of Compton's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Compton's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eadie and Payne, LLP*

Riverside, California  
May 12, 2025



 3880 Lemon St., Ste. 300  
Riverside, CA 92501

 P.O. Box 1529  
Riverside, CA 92502-1529

 951-241-7800

 [www.eadiepaynellp.com](http://www.eadiepaynellp.com)

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

The Honorable City Council  
City of Compton  
Compton, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited City of Compton's 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 City of Compton's major federal programs for the year ended June 30, 2023. City of Compton'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, City of Compton 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Compton 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 City of Compton'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 City of Compton'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 City of Compton's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Compton'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 City of Compton'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 City of Compton'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 City of Compton'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 2023-001, 2023-002, and 2023-004. 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 City of Compton's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of Compton'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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 and 2023-004 to be a material weakness.

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 2023-002, 2023-003, 2023-005 and 2023-006 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 City of Compton's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of Compton'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 City of Compton as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Compton's basic financial statements. We issued our report thereon, dated May 12, 2025, 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.

*Eadie and Payne, LLP*

Riverside, California  
May 12, 2025

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

**CITY OF COMPTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

| Federal Grantor / Pass-through Grantor /<br>Program or Cluster Title                   | Federal<br>Catalog<br>Number | Program<br>Identification<br>Number | Total<br>Program<br>Expenditures | Total Amount<br>Provided to<br>Subrecipients | Total Federal<br>Awards Expended<br>for Loan or<br>Loan Guarantee<br>Programs |
|--|------------------------------|-------------------------------------|----------------------------------|--|---|
| <b>U.S. Department of Housing and Urban Development</b>                                |                              |                                     |                                  |  |   |
| <b>CDBG - Entitlement Grants Cluster</b>   |                              |                                     |                                  |  |   |
| <i>Direct Program:</i>   |                              |                                     |                                  |  |   |
| Community Development Block Grants/Entitlement Grants<br>COVID-19-CDBG - CV, Cares Act | 14.218                       | B-21-MC-06-0515<br>B-20-MW-06-0515  | \$ 221,528<br>508                | 117,600<br>-                                 | -<br>-  |
| <b>Total CDBG - Entitlement Grants Cluster</b>   |                              |                                     | <u>222,036</u>                   | <u>117,600</u>                               | <u>-</u>  |
| <i>Direct Program:</i>   |                              |                                     |                                  |  |   |
| HOME Investment Partnership Program  | 14.239                       | M-21-MC-06-0506                     | <u>67,067</u>                    | -  | -   |
| <i>Direct Program:</i>   |                              |                                     |                                  |  |   |
| Section 108 Loan Guarantees  | 14.248                       | B-94-MC-06-0515                     | <u>505,936</u>                   | -  | <u>505,936</u>  |
| <b>Housing Voucher Cluster</b>   |                              |                                     |                                  |  |   |
| <i>Direct Program:</i>   |                              |                                     |                                  |  |   |
| Section 8 Housing Choice Vouchers  | 14.871                       | CA-071                              | 7,521,706                        | -  | -   |
| Emergency Housing Vouchers   | 14.EHV                       | N/A                                 | 490,006                          | -  | -   |
| HCV CARES Act Funding<br>(both HAP and Administrative Fee)                             | 14.HCC                       | N/A                                 | <u>1,524,458</u>                 | -  | -   |
| <b>Total Housing Voucher Cluster</b>   |                              |                                     | <u>9,536,170</u>                 | <u>-</u>                                     | <u>-</u>  |
| <b>Total U.S. Department of Housing and Urban Development</b>                          |                              |                                     | <u>10,331,209</u>                | <u>117,600</u>                               | <u>505,936</u>  |
| <b>U.S. Department of Justice</b>  |                              |                                     |                                  |  |   |
| <i>Direct Program:</i>   |                              |                                     |                                  |  |   |
| Edward Byrne Memorial Justice Assistance<br>Grant Program                              | 16.738                       | 5PBJA-23-GG-03169-JAGX              | <u>73,252</u>                    | -  | -   |
| <b>Total U.S. Department of Justice</b>  |                              |                                     | <u>73,252</u>                    | <u>-</u>                                     | <u>-</u>  |
| <b>U.S. Department of the Treasury</b>   |                              |                                     |                                  |  |   |
| <b>American Rescue Plan</b>  |                              |                                     |                                  |  |   |
| <i>Passed through the State of California Department of Finance:</i>                   |                              |                                     |                                  |  |   |
| Coronavirus State and Local Fiscal Recovery Funds                                      | 21.027                       | N/A                                 | <u>675</u>                       | -  | -   |
| <b>Total U.S. Department of the Treasury</b>   |                              |                                     | <u>675</u>                       | <u>-</u>                                     | <u>-</u>  |
| <b>Total Expenditures of Federal Awards</b>  |                              |                                     | <u>\$10,405,136</u>              | <u>\$ 117,600</u>                            | <u>\$ 505,936</u>   |

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

**CITY OF COMPTON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 FOR THE YEAR ENDED JUNE 30, 2023

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of City of Compton (City) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

**2. BASIS OF ACCOUNTING**

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

**3. INDIRECT COST RATE**

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

**4. LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS**

The City participates in the Community Development Block Grants Section 108 Loan Guarantees program (CFDA No. 14.248) of the U.S. Department of Housing and Urban Development, which is subject to continuing compliance requirements for outstanding loans. The program's outstanding balance on loans with continuing compliance requirements as of June 30, 2023 are as follows:

| <b>CFDA<br/>Number</b> | <b>Program Name</b>  | <b>Outstanding<br/>Balance at<br/>June 30, 2023</b> |
|------------------------|----------------------|---|
| 14.248                 | Rosewood Family Loan | \$ 367,455  |
| 14.248                 | Fatburger Loan       | 138,481   |
|                        |                      | <u>\$ 505,936</u>                                   |

**CITY OF COMPTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 FOR THE YEAR ENDED JUNE 30, 2023

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: Unqualified

Internal control over financial reporting:

- Material weakness identified?   x   Yes        No
- Significant deficiency identified?   x   Yes        None reported

Noncompliance material to financial statements noted?   x   Yes        No

**Federal Awards**

Internal control over major federal programs:

- Material weakness identified?   x   Yes        No
- Significant deficiency identified?   x   Yes        None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   Yes        No

Identification of major federal programs:

| CFDA Number | Name of Federal Program or Cluster |
|-------------|------------------------------------|
| 14.871      | Section 8 Housing Choice Vouchers  |

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

Auditee qualified as low-risk auditee?        Yes   x   No

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

**CITY OF COMPTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 FOR THE YEAR ENDED JUNE 30, 2023

**INDEX**

**CURRENT YEAR**

**MAJOR FEDERAL AWARD PROGRAMS**

General

|                               |          |
|-------------------------------|----------|
| Filing of Single Audit Report | 2023-001 |
| Procurement Policy            | 2023-002 |
| Lack of Risk Assessment       | 2023-003 |

Section 8 Housing Choice Vouchers

|  |          |
|--|----------|
| Lack of Reporting                            | 2023-004 |
| Delayed Approval of Compensation Rates       | 2023-005 |
| Lack of Oversight Due to Management Turnover | 2023-006 |

**FINANCIAL STATEMENTS**

|   |          |
|---|----------|
| Delay and Errors in Bank Reconciliation                     | 2023-007 |
| Lack of Segregation of Duties Around Permit Revenue Process | 2023-008 |
| Insufficient Qualified Personnel                            | 2023-009 |
| Information Technology Controls                             | 2023-010 |
| City-wide Implementation of Policies and Procedures         | 2023-011 |
| Lack of Communication Regarding Contingent Liabilities      | 2023-012 |
| Delay in Recording Step Increases in Salaries               | 2023-013 |
| Uncollected Grants Receivable                               | 2023-014 |
| Record Retention  | 2023-015 |
| Internal Audits   | 2023-016 |
| Noncompliance with Bond Reporting Requirements              | 2023-017 |
| Noncompliance with Annual Investment Policy Requirement     | 2023-018 |

CITY OF COMPTON  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS**  
FOR THE YEAR ENDED JUNE 30, 2023

**2023-001 – Filing of Single Audit Report (MW, NC)**

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

**Condition:** The City did not complete the audit and submit the Single Audit Reporting Package (the City's audited financial statements and single audit reports) for the fiscal years ended June 30, 2012 through 2023 within the established deadline.

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

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

**Questioned Cost:** None

**Context:** The physical single audit reports for fiscal years 2015, 2016, and 2017, were submitted to the U.S. Department of Housing and Urban Development (Attn: Mr. Miguel Fontanez, Director of Housing Voucher Financial Management Division) at the Office of Public and Indian Housing, Washington, DC 20410-5000 on March 27, 2019. As of May 2025, the City had been able to complete and submit the Single Audits for fiscal years ended June 30, 2018 through 2022.

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

**Repeat of a Prior-Year Finding:** 2014-009, 2015-010, 2016-007, 2017-011, 2018-011, 2019-007, 2020-003, 2021-001, 2022-001.

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

*Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The City has hired outside CPA's with the goal of completing all audits through FY 2024 by July 2025.

**Planned Implementation Date:** July, 2025

**Responsible Person(s):** City Controller

## **2023-002 – Procurement Policy (SD, NC)**

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

Pursuant to the Office of Management and Budget (OMB) 2 CFR Part 200 Subpart D Procurement Standards: When conducting procurement transactions under a Federal award, a State or Indian Tribe must follow the same policies and procedures it uses for procurements with non-Federal funds. If such policies and procedures do not exist, States and Indian Tribes must follow the procurement standards in §§ 200.318 through 200.327. In addition to its own policies and procedures, a State or Indian Tribe must also comply with the following procurement standards: §§ 200.321, 200.322, 200.323, and 200.327. All other recipients and subrecipients, including subrecipients of a State or Indian Tribe, must follow the procurement standards in §§ 200.318 through 200.327.

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

In addition, the Procurement SOM was updated but it has not been approved by the City Manager.

**Cause:** Turnover in the City Manager position.

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

**Repeat of a Prior-Year Finding:** 2019-029, 2021-012, 2022-002

**Recommendation:** We recommend the City Manager's Office review the grants policy and purchasing policy received and filed by the City Council, and adopt and implement an official written policy for procurement and contracting that are in line with the requirements of the Uniform Guidance.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The updated Procurement SOM is being reviewed by the City Manager and it is anticipated to be implemented by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager and Procurement Officer

## **2023-003 – Lack of Risk Assessment (SD)**

**Criteria:** According to 2 CFR §200.303(a) of the Uniform Guidance, non-federal entities must establish and maintain effective internal control systems over compliance. This includes conducting periodic risk assessments to evaluate the potential for non-compliance and implementing controls to mitigate identified risks. A comprehensive risk assessment process is critical for identifying areas where the entity may be vulnerable to non-compliance with federal regulations and grant terms.

**Condition:** The City does not perform a formal risk assessment to identify, analyze, and manage potential risks associated with compliance with federal award requirements. As a result, the organization lacks a systematic process for evaluating the likelihood and impact of non-compliance with applicable laws, regulations, and provisions of the Uniform Guidance.

**Cause:** The City has not established a structured process for conducting risk assessments related to compliance. This may be due to a lack of formal policies, inadequate resources, or insufficient emphasis on the importance of risk management in compliance efforts.

**Effect or Potential Effect:** Failure to conduct risk assessments increases the likelihood that the entity will fail to identify and address significant compliance risks. This may result in non-compliance with federal requirements, leading to potential penalties, disallowed costs, and negative audit findings.

**Repeat of a Prior-Year Finding:** 2022-003

**Recommendation:** The City should develop and implement a formal risk assessment process as part of its internal control system over compliance. This process may include:

1. Regularly identifying and analyzing compliance risks related to federal awards.
2. Assessing the significance of those risks based on their likelihood and impact.
3. Implementing appropriate controls to mitigate identified risks.
4. Periodically reviewing and updating the risk assessment to ensure it reflects current conditions and risks.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The new grants policy will be reviewed and approved by the City Manager and implemented by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

## **2023-004 – Lack of Reporting (MW, NC)**

Federal Program Title: Section 8 Housing Choice Vouchers  
Federal Catalog Number: 14.871  
Federal Agency: U.S. Department of Housing and Urban Development  
Category of Finding: Reporting

**Criteria:** The Office of Management and Budget 2023 Compliance Supplement states that the following reports are required to be submitted to the U.S. Department of Housing and Urban Development (HUD).

*Financial Reports (OMB No. 2535-0107) – Financial Assessment Subsystem, FASS-PH.* The Uniform Financial Reporting Standards (24 CFR section 5.801) require PHAs to submit timely GAAP-based unaudited and audited financial information electronically to HUD. Unaudited submissions are due no later than 60 days after the agency's FYE and audited submissions are due nine months after the agency's FYE. The FASS-PH system is one of HUD's main monitoring and oversight systems for the HCVP.

**Condition:** The FASS- PH unaudited and audited submissions for FY 2021, 2022, 2023 and 2024 are delinquent.

**Cause:** Turnover of staff in the Housing Authority and delay in recruitment. Lack of internal control over the retention of program reports that form as the basis of the FASS-PH submissions.

**Effect or Potential Effect:** The City may be subject to a permanent reduction or offset of administrative fees in an amount to be determined by HUD and demotion of the PHA's SEMAP scoring one level.

**Questioned Cost:** None.

**Context:** The City obtained the notification from HUD dated on July 11, 2024. The City submitted the audited financial statements for FY 2021 and 2022 on June 25, 2024 and December 20, 2024, respectively.

**Statistical Sampling Validity:** Not applicable.

**Repeat of a Prior-Year Finding:** 2018-007, 2019-005, 2020-001, 2021-002

**Recommendation:** We recommend the City establish policies and procedures that will ensure the submission of unaudited and audited financial information to HUD on a timely basis.

**Status:** In Progress

### *Management Response and Corrective Action Plan*

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

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

**Planned Implementation Date:** September 2025

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

## **2023-005 – Delayed Approval of Compensation Rates (SD)**

Federal Program Title: Section 8 Housing Choice Vouchers  
Assistance Listing Number: 14.871  
Federal Agency: U.S. Department of Housing and Urban Development  
Category of Finding: Allowable Costs and Cost Principles

**Criteria:** Per 2 CFR §200.430 of the Uniform Guidance, compensation for personnel services, including any adjustments, must be based on documented and approved procedures in accordance with the organization's established policies. All changes to compensation must be approved and documented in a timely manner to ensure compliance with both federal and non-federal funding requirements. The City uses personnel action forms (PAF) to document changes to compensation. The PAF must be approved by authorized personnel in advance.

**Condition:** During the review of personnel costs, it was observed that changes in the compensation rates for employees charged to the federally funded project were not approved in a timely manner. Documentation showed delays in the authorization of salary adjustments, with compensation changes becoming effective before formal approval by the City.

**Cause:** The City's internal control processes for reviewing and approving compensation changes were not followed promptly. There was a lack of procedures ensuring that salary adjustments were approved prior to the effective date.

**Effect or Potential Effect:** Untimely approval of compensation changes increases the risk of inaccurate or unallowable personnel costs being charged to the federal award. This may result in questioned costs, non-compliance with federal regulations, and potential audit findings.

**Questioned Cost:** None.

**Context:** We selected four employees who worked on the program and in all cases, the PAF were authorized much later than the effective date of the compensation change.

**Statistical Sampling Validity:** More than 50% of employees who work on the program were selected.

**Repeat of a Prior-Year Finding:** 2022-005.

**Recommendation:** The City should reinforce internal controls to ensure that all compensation changes are reviewed and approved promptly. This should include:

- Establishing a timeline for the approval of compensation adjustments.
- Implementing procedures that prevent compensation changes from being applied until formal approval is obtained.
- Ensuring proper documentation of all approved salary changes is maintained.

### *Management Response and Corrective Action Plan*

**City's Response:** The City concurs with the recommendation and has implemented hiring for temporary work assignments in order to facilitate update.

**Corrective Action Plan:** The HR and payroll software will be updated by the City by December 2025.

**Planned Implementation Date:** December 2025

**Responsible Person(s):** City Manager

## **2023-006 – Lack of Oversight Due to Management Turnover (SD)**

Federal Program Title: Section 8 Housing Choice Vouchers  
Assistance Listing Number: 14.871  
Federal Agency: U.S. Department of Housing and Urban Development  
Category of Finding: Reporting/Special Tests and Provisions

**Criteria:** Under 2 CFR §200.303 of the Uniform Guidance, non-federal entities are required to establish and maintain effective internal control over compliance, including appropriate oversight of federal programs to ensure compliance with applicable laws, regulations, and the terms and conditions of the federal awards. Effective internal controls rely on strong management oversight to ensure that compliance responsibilities are met, even during periods of organizational change.

**Condition:** We noted that the entity experienced significant turnover in key management positions responsible for overseeing compliance with federal awards during FY 2023. As a result, there was insufficient oversight of federal programs and internal controls. Critical duties related to compliance monitoring, reporting, and financial management were not performed adequately during the transition period, and there was a lack of continuity in management practices.

**Cause:** The entity did not have adequate processes in place to ensure continuity of oversight and management responsibilities during periods of turnover. There were no succession plans or interim measures to ensure that compliance duties were properly transitioned and maintained.

**Effect or Potential Effect:** The lack of oversight during the management turnover period increases the risk of non-compliance with federal award requirements. It can lead to gaps in monitoring, failure to meet reporting deadlines, inaccurate financial management, and the potential for disallowed costs or other negative consequences.

**Questioned Cost:** None.

**Context:** The deficiency was found during our testing of reporting and special tests and provisions.

**Statistical Sampling Validity:** Not applicable. No sampling was performed.

**Repeat of a Prior-Year Finding:** 2022-007.

**Recommendation:** The entity should establish policies and procedures to ensure continuity of oversight and compliance monitoring during management transitions. This should include:

1. Developing a formal succession plan for key management positions responsible for overseeing federal programs.
2. Implementing interim oversight measures, such as assigning temporary leadership or redistributing compliance responsibilities during periods of transition.
3. Ensuring that new management receives timely training on compliance responsibilities and internal controls related to federal awards.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The recommendations are included in the new grants policy. The City Manager shall review and approve it for implementation by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

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

# CITY OF COMPTON

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

### **2023-007 – Delay and Errors in Bank Reconciliation (MW)**

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

**Condition:** The City's bank reconciliation process is still behind schedule even though the City Controller's Office has prioritized the completion of bank reconciliations. The bank reconciliation for most of the bank accounts for fiscal year 2023 was completed during fiscal year 2024. The payroll bank reconciliation was completed during fiscal year 2025. Additionally, a large number of journal entries had to be posted to correct the general ledger for errors found during the bank reconciliation process.

**Cause:** The weakness in internal control over bank reconciliation process is due to vacancies in key positions in the City Controller's Office. In addition, the City has a large number of bank accounts (more than 25) that makes it difficult for a limited number of qualified staff to reconcile on a monthly basis.

**Effect or Potential Effect:** Misstatements in the general ledger due to error or fraud.

**Repeat of a Prior-Year Finding:** 2019-009, 2021-013, 2022-008

**Recommendation:** The City should work to further improve its bank reconciliation process. This may entail hiring additional qualified personnel, more intensive staff training, consolidation of some bank accounts, or other means. In addition, a qualified person should also review the bank reconciliations in order to make sure that there are no material errors.

#### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** City is currently catching up on bank reconciliations. By June 2025, general checking bank reconciliations are expected to be no more than two months behind the statement date. The City is currently working on fully staffing the Controller's office with qualified staff so payroll bank reconciliations can also be caught up at the same level. Currently, the City is still using outside CPA and outside agency help for catching up on the rest of the bank reconciliations.

**Planned Implementation Date:** June 2025

**Responsible Person(s):** City Controller

**2023-008 – Lack of Segregation of Duties Around Permit Revenue Process (MW)**

**Criteria:** Proper segregation of duties is a key internal control to prevent errors or fraud by ensuring that no single individual has control over all aspects of a financial transaction.

**Condition:** During the audit, it was noted that the same individual is responsible for reviewing and approving permit applications for plumbing, building, mechanical, solar, and electrical work. Additionally, the individual also conducted the inspection to ensure that the work being performed in accordance with the approved permit. No review function was performed by other individual.

**Cause:** There is insufficient staffing to implement adequate segregation of duties in the license and permit revenue process.

**Effect or Potential Effect:** The lack of segregation of duties around the license and permit revenue process increases the risk of misstatements, fraud, or unauthorized transactions going undetected.

**Repeat of a Prior-Year Finding:** No

*Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** City intends to deploy internal audit resources to investigate and prevent irregularities.

**Planned Implementation Date:** December 2025

**Responsible Person(s):** City Controller

## **2023-009 – Insufficient Qualified Personnel (MW)**

**Criteria:** The City Controller’s Office is responsible for accounts payable, payroll, internal audit, purchasing, general accounting, and financial reporting. In order for the Controller’s Office to perform its functions, it has to have a sufficient number of qualified personnel. Employees should have adequate qualifications, competency, and experience to effectively carry out day-to-day responsibilities directly related with their job description in a qualitative and timely manner.

**Condition:** The City Controller’s Office filled some vacancies since FY 2021 and FY 2022 however it still has vacancies in positions that are vital in the City’s day-to-day accounting. Furthermore, the City Controller’s Office does not have enough personnel at the right levels who have the necessary qualifications to perform their responsibilities effectively and efficiently. The Controller’s Office has been utilizing temporary help and outside consultants.

**Cause:** The primary factors contributing to this condition include:

- **Budget Constraints:** Limited funding has restricted the ability to hire adequately qualified personnel and invest in staff training and development.
- **High Turnover Rates:** Difficulty in retaining qualified staff due to competitive job markets has led to vacancies filled by less experienced individuals.
- **Inadequate Recruitment Practices:** Current recruitment strategies may not prioritize the necessary qualifications and experience, leading to a mismatch between job requirements and personnel skills.

**Effect or Potential Effect:** The lack of qualified personnel in any organization leads to decreased productivity, poor morale, lack of engagement, increased subordination, inefficiencies, errors, and inability to meet deadlines, not to mention high turn-over, diminished quality of work, and poor performance. In the City Controller’s Office, it has resulted in multiple misstatements in financial reporting that are not being detected or corrected in a timely manner, delays in financial reporting, additional audit fees, and diminished ability to enforce internal controls. This also results in noncompliance with applicable regulations and negatively impact overall organizational performance and decision-making.

**Repeat of a Prior-Year Finding:** 2020-007, 2021-014, 2022-009

### **Recommendation:**

To address the inadequacy of qualified personnel, we recommend the following actions:

- **Conduct a Staffing Assessment:** Evaluate current staffing levels and qualifications to identify critical gaps and develop a strategic hiring plan.
- **Enhance Recruitment Strategies:** Revise recruitment practices to prioritize candidates with appropriate qualifications and experience, and actively seek to attract qualified talent.
- **Invest in Professional Development:** Allocate resources for ongoing training and professional development, encouraging staff to pursue relevant certifications and skills enhancement.
- **Develop a Succession Plan:** Establish a succession planning process to ensure that qualified personnel are in place to fill key roles in the event of turnover.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** Controller’s and City Manager’s office will work together with the Human Resources department on the recommendations above.

**Planned Implementation Date:** December 2025

**Responsible Person(s):** City Manager and City Controller

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

## **2023-010 – Information Technology (IT) Controls (MW)**

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

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

**Repeat of a Prior-Year Finding:** 2018-040, 2019-034, 2021-010, 2022-011

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

### *Management Response and Corrective Action Plan*

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

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

**Planned Implementation Date:** December 2025

**Responsible Person(s):** City Manager and IT Director

## **2023-011 – City-wide Implementation of Policies and Procedures (MW)**

**Criteria:** Internal controls are important because they protect the City's assets, ensure compliance with laws and regulations, help maintain operational efficiency, and ensure accurate and timely financial reporting. Among the top ways to strengthen internal control is through the adoption of written policies and procedures. Written policies and procedures serve to provide notice to employees the City's expectations and practices, provide direction in the correct way of processing transactions, serve as reference material, and provide training tool for new employees. In addition, written policies and procedures also provide a source of continuity and basis for uniformity.

**Condition:** The City Council has received and filed written policies and procedures that the City Controller has prepared over the past three years. However, they do not become effective until they are adopted to be incorporated into the City's standard operating manual. That has not occurred yet.

**Cause:** Turn-over in the City Manager's Office has relegated the adoption and implementation of the written policies and procedures into the back-burner.

**Effect or Potential Effect:** Without clear, written and current procedures, an internal control structure is weaker because practices, controls, guidelines and processes may not be applied consistently, correctly and uniformly throughout the City.

**Repeat of a Prior-Year Finding:** 2020-006, 2021-015, 2022-012

**Recommendation:** We recommend the City Manager's Office review the written policies and procedures prepared by the City Controller and received and filed by the City Council. The City Manager should work towards adopting policies and procedures into the standard operating manual that would strengthen the City's internal control environment and also address the internal control deficiencies found during City audits. All City employees should receive training on the new and improved standard operating manual.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The new policies and procedures will be reviewed and approved by the City Manager for implementation by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

## **2023-012 – Lack of Communication Regarding Contingent Liabilities (MW)**

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

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

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

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

**Repeat of a Prior-Year Finding:** 2021-011, 2022-014

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

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The City Attorney will provide litigation reports to keep all parties abreast of pending litigation. The City will work with the City Attorney's office to improve communications with the risk management department.

**Planned Implementation Date:** September 2025

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

## **2023-013 – Delay in Recording Step Increases in Salaries (SD)**

**Criteria:** Timely and accurate recording of transactions, including wage and salary adjustments, is a key component of an effective internal control system. Delays in updating payroll records increase the risk of financial misstatements and unauthorized payments, as well as diminish the City's ability to maintain accurate financial reporting.

**Condition:** During the FY 2023 audit, we identified that wage and salary adjustments for the City employees were not recorded in the payroll system in a timely manner. Adjustments, including promotions, salary increases, and other compensation changes, experienced delays of up to several months before being updated in the payroll system. As a result, employees were underpaid during the period before the adjustments were properly reflected in the system.

**Cause:** The delayed recording of wage and salary adjustments was caused by an absence of clearly defined procedures for processing and approving payroll adjustments in a timely manner. Manual processes, rather than automated systems, were relied upon to update salary information, resulting in bottlenecks and human error.

**Effect or Potential Effect:** The failure to promptly record wage and salary adjustments in the payroll system leads to inaccurate employee compensation. Some employees could be overpaid or underpaid due to outdated salary data in the system, creating potential liabilities for the City in terms of overpayments or underpayments. It could result in increased risk of payroll errors. Delays in updating payroll data undermine the accuracy of financial records and increase the likelihood of financial misstatements. Delayed or inaccurate payments may negatively impact employee morale and the entity's reputation as a responsible employer.

**Repeat of a Prior-Year Finding:** 2021-003, 2022-015

**Recommendation:** We recommend to:

- **Establish Clear Procedures:** Implement formal procedures to ensure that wage and salary adjustments are approved and processed before they become effective. The adjustments should be communicated promptly from HR to the payroll department, with specific timelines for updating the payroll system.
- **Automate Payroll Updates:** Consider adopting automated payroll systems that can integrate directly with HR records, reducing the risk of delays and human error in updating salary information.
- **Reconcile HR and Payroll Data:** Regular reconciliation between human resources records and payroll data should be performed to ensure accuracy and to promptly identify any discrepancies.
- **Training and Capacity Building:** Provide training to HR and payroll personnel on the importance of timely processing of wage adjustments and proper use of the payroll system.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The HR and payroll policies will be updated to incorporate the above recommendations.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

## **2023-014 – Uncollected Grants Receivable (SD)**

**Criteria:** Grants are an incredible funding source. But most of the grants often come in the form of reimbursement-based awards that require the City to complete the work before the grantor will provide funds. In order to receive reimbursement, it is important to submit complete invoices that follow the formats required by the grantor.

**Condition:** At June 30, 2023, the City reported almost \$1.9 million in receivable from various grantors. Over \$1 million of these grants receivable have originated from FY 2021 or prior. Some of these grants receivable have not been collected as of December 2024.

**Cause:** Grants receivable are recorded at the end of the fiscal year because the City expects to receive reimbursements from the grantor, however reimbursement claims are not consistently provided to the grantors on a timely basis.

**Effect or Potential Effect:** The City experiences negative cash flow.

**Repeat of a Prior-Year Finding:** 2022-017

**Recommendation:** The City should claim reimbursements on a monthly basis. The City should also evaluate whether the grants receivable recorded on its books are still collectible.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The City will look to hire a Collections Officer that will be allocated within the City Controller's budget.

**Planned Implementation Date:** June 2025

**Responsible Person(s):** City Controller

## **2023-015 – Record Retention (SD)**

**Criteria:** As there are delays in updating payroll records compared to when the wage and salary adjustments occur, the City creates calculation sheets for each employee in order to assess how much retroactive pay each employee is owed. Calculation sheets should be kept as evidence of how the retroactive pay is computed.

**Condition:** During our audit, the City was unable to provide the employee calculation sheets and back-up of approved pay rates among different funds.

**Cause:** Lack of clearly specified system for retaining payroll and other accounting records or failure of those who removed records from the files to return them.

**Effect or Potential Effect:** The lack of adequate internal controls over record retention increases the risk of non-compliance with federal regulations, potentially leading to audit findings, financial penalties, or the inability to support costs charged to federal awards. Furthermore, this could impair the organization's ability to respond to future audit requests or investigations, increasing exposure to financial and reputational risk.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** To enhance compliance with federal regulations and improve the effectiveness of internal controls, we recommend the following actions regarding record retention:

- Establish a formal, written record retention policy. This policy should clearly define retention periods for different types of records (e.g., financial documents, payroll records, contracts, etc.) and specify procedures for the proper storage, access, and disposal of records.
- Assign responsibility for overseeing record retention to a specific individual or department. This person or team should be accountable for ensuring that all records are retained properly and that internal controls are followed across the City.
- Consider implementing an electronic document management system (DMS) to track and store records securely, reducing the risk of physical document loss or mishandling. A DMS can automate retention schedules, provide alerts for upcoming document disposal deadlines, and ensure records are accessible for audit purposes. If an electronic system is not feasible, ensure that physical records are properly categorized, stored in secure locations, and indexed for easy retrieval.
- Provide training to staff on the importance of record retention, the specific requirements under federal regulations, and how to implement the City's retention policy. Regular training will ensure that staff members understand their roles in maintaining records and the consequences of non-compliance.
- Develop a secure and systematic process for disposing of records once they have reached the end of their retention period. This process should ensure that records are destroyed or archived in a manner that protects sensitive information and complies with legal requirements.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The City has a payroll policy in the drafting phase, which states that files will start to be saved in a central location & logically labeled in case of absences and for succession planning. This policy is expected to be added into the standard operating manual around September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager and City Controller

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

## **2023-016 – Internal Audits (MW)**

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

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

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

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

**Repeat of a Prior-Year Finding:** 2020-006, 2021-015

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

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** A policy for the internal audit will be implemented into the standard operating manual in September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager and City Controller

## **2023-017 – Noncompliance with Bond Reporting Requirements (NC)**

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

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

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

**Condition:** The City and the Successor Agency were not in compliance with reporting provisions of the indentures for various bonds for the fiscal year ended June 30, 2023 because the City's audited financial statements were not issued within 180 to 270 days of the year-end. Additionally the City and the Successor Agency were not in compliance with continuing disclosure requirements under SEC Rule 15c2-12.

**Cause:** Lack of audited financial statements.

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

**Repeat of a Prior-Year Finding:** 2018-036, 2019-024, 2021-017, 2022-018

**Recommendation:** We recommend the City develop a tactical plan to complete the audits for the City and become current by fiscal year 2025. For the long-term, we recommend the City develop, document, and implement policies and procedures to ensure the City's compliance with applicable laws, regulations, and contracts. Personnel assigned to monitor compliance should have the appropriate knowledge and experience with requirements.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The City has hired outside CPAs and temp agencies to assist with audit catchup, and expects to be caught up on all audits by July 2025. The City also hired a consultant to monitor compliance with bond requirements.

**Planned Implementation Date:** July 2025

**Responsible Person(s):** City Controller

## **2023-018 – Noncompliance with Annual Investment Policy Requirement (NC)**

**Criteria:** An investment policy establishes guidelines for investing funds, and can help with a variety of goals, including: managing risk, communicating investment priorities, demonstrating fiduciary care, controlling investment activity, managing liquidity, and improving decision making. The California Government Code Section 53646 requires that local agency treasurers and chief fiscal officers annually provide an investment policy statement to their legislative bodies and oversight committees. The policy must be reviewed and approved at a public meeting.

**Condition:** The City did not adopt an investment policy for fiscal year ended June 30, 2023.

**Cause:** The City Treasurer did not provide an investment policy statement to the City Council during the year.

**Effect or Potential Effect:** Non-compliance with the California Government Code.

**Repeat of a Prior-Year Finding:** 2022-019

**Recommendation:** We recommend that the City Treasurer provide an investment policy statement to the City Council annually.

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** An investment policy was approved by Council in March 2025.

**Planned Implementation Date:** March 2025

**Responsible Person(s):** City Treasurer

# CITY OF COMPTON

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FEDERAL AWARDS

### 2022-001 – Filing of Single Audit Report (MW, NC)

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

**Condition:** The City did not complete the audit and submit the Single Audit Reporting Package (the City's audited financial statements and single audit reports) for the fiscal years ended June 30, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, and 2022 within nine months after the end of audit period. The City did not complete the audit and submit the Single Audit Reporting Package for the fiscal years ended June 30, 2020 and 2021 within 15 months after the end of the audit period (the extended deadline).

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

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

**Questioned Cost:** None

**Context:** The physical single audit reports for fiscal years 2015, 2016, and 2017, were submitted to the U.S. Department of Housing and Urban Development (Attn: Mr. Miguel Fontanez, Director of Housing Voucher Financial Management Division) at the Office of Public and Indian Housing, Washington, DC 20410-5000 on March 27, 2019. During the past 12 months, the City had been able to complete and submit the Single Audits for fiscal years ended June 30, 2021 and 2022.

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

**Repeat of a Prior-Year Finding:** 2021-001, 2020-003, 2019-007, 2018-011, 2017-011, 2016-007, 2015-010, 2014-009

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

**Status:** Repeat Finding 2023-001

#### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The City has hired outside CPA's with the goal of completing all audits through FY 2024 by July 2025.

**Planned Implementation Date:** July 2025

**Responsible Person(s):** City Controller

## **2022-002 – Procurement Policy (SD, NC)**

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

Pursuant to the Office of Management and Budget (OMB) 2 CFR Part 200 Subpart D Procurement Standards: When conducting procurement transactions under a Federal award, a State or Indian Tribe must follow the same policies and procedures it uses for procurements with non-Federal funds. If such policies and procedures do not exist, States and Indian Tribes must follow the procurement standards in §§ 200.318 through 200.327. In addition to its own policies and procedures, a State or Indian Tribe must also comply with the following procurement standards: §§ 200.321, 200.322, 200.323, and 200.327. All other recipients and subrecipients, including subrecipients of a State or Indian Tribe, must follow the procurement standards in §§ 200.318 through 200.327.

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

In addition, the Procurement SOM was updated but it has not been approved by the City Manager.

**Cause:** Turnover in the City Manager position.

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

**Repeat of a Prior-Year Finding:** 2019-029, 2021-012

**Recommendation:** We recommend the City Manager's Office review the grants policy and purchasing policy received and filed by the City Council, and adopt and implement an official written policy for procurement and contracting that are in line with the requirements of the Uniform Guidance.

**Status:** Repeat Finding 2023-002

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The updated Procurement SOM is being reviewed by the City Manager and it is anticipated to be implemented by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager and Procurement Officer

## **2022-003 – Lack of Risk Assessment (SD)**

**Criteria:** According to **2 CFR §200.303(a)** of the Uniform Guidance, non-federal entities must establish and maintain effective internal control systems over compliance. This includes conducting periodic risk assessments to evaluate the potential for non-compliance and implementing controls to mitigate identified risks. A comprehensive risk assessment process is critical for identifying areas where the entity may be vulnerable to non-compliance with federal regulations and grant terms.

**Condition:** The City does not perform a formal risk assessment to identify, analyze, and manage potential risks associated with compliance with federal award requirements. As a result, the organization lacks a systematic process for evaluating the likelihood and impact of non-compliance with applicable laws, regulations, and provisions of the Uniform Guidance.

**Cause:** The City has not established a structured process for conducting risk assessments related to compliance. This may be due to a lack of formal policies, inadequate resources, or insufficient emphasis on the importance of risk management in compliance efforts.

**Effect or Potential Effect:** Failure to conduct risk assessments increases the likelihood that the entity will fail to identify and address significant compliance risks. This may result in non-compliance with federal requirements, leading to potential penalties, disallowed costs, and negative audit findings.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** The City should develop and implement a formal risk assessment process as part of its internal control system over compliance. This process may include:

1. Regularly identifying and analyzing compliance risks related to federal awards.
2. Assessing the significance of those risks based on their likelihood and impact.
3. Implementing appropriate controls to mitigate identified risks.
4. Periodically reviewing and updating the risk assessment to ensure it reflects current conditions and risks.

**Status:** Repeat Finding 2023-003

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The new grants policy will be reviewed and approved by the City Manager and implemented by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

## **2022-004 – Lack of Reporting (SD, NC)**

Federal Program Title: Coronavirus State and Local Fiscal Recovery Funds  
Federal Catalog Number: 21.027  
Federal Agency: U.S. Department of Treasury  
Category of Finding: Reporting

**Criteria:** Pursuant to the Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, Compliance Supplement April 2022 Part 4 21.027 Coronavirus State and Local Fiscal Recovery Funds (page 4-21.027-7), the annual reporting requirement for Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) is through the submission of the initial Interim Report, quarterly Project and Expenditure Report, and the Recovery Plan Performance Report. The interim report is a one time report that provides an initial overview of status and use of funding. The Project and Expenditure Report details the financial data, projects funded, expenditures and contracts over \$50,000.

**Condition:** During our audit, the City was unable to provide evidence that any project and expenditure report for the period between July 2021 through June 2022 was submitted. Also, there was no evidence the interim report was submitted. The Recovery Plan Performance report is not a required report for the City due to their population size falling under the 250,000 requirement.

**Cause:** Lack of appropriate control over reporting, mainly due to turn-over in City personnel.

**Effect or Potential Effect:** Noncompliance may result in termination of the grants, reduction in future payments or funding amounts, repayment of federal funds already received and spent, imposed fines and penalties, reputational damage, special status for oversight and reviews, need for corrective action plan, and/or suspension or debarment.

**Questioned Cost:** None.

**Context:** According to the Assistant City Manager, reports for FY 2022 were neither drafted nor submitted, however they were prepared in FY 2023.

**Statistical Sampling Validity:** Not applicable. No sampling was performed.

**Repeat of a Prior-Year Finding:** No.

**Recommendation:** The City should design and establish internal controls over reporting, which should include maintaining copies of reports submitted for audit.

**Status:** Repeat finding 2023-004

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The new grants policy will be reviewed and approved by the City Manager and implemented by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

## **2022-005 – Delayed Approval of Compensation Rates (SD)**

Federal Program Title: Section 8 Housing Choice Vouchers  
Assistance Listing Number: 14.871  
Federal Agency: U.S. Department of Housing and Urban Development  
Category of Finding: Allowable Costs and Cost Principles

**Criteria:** Per 2 CFR §200.430 of the Uniform Guidance, compensation for personnel services, including any adjustments, must be based on documented and approved procedures in accordance with the organization's established policies. All changes to compensation must be approved and documented in a timely manner to ensure compliance with both federal and non-federal funding requirements. The City uses personnel action forms (PAF) to document changes to compensation. The PAF must be approved by authorized personnel in advance.

**Condition:** During the review of personnel costs, it was observed that changes in the compensation rates for employees charged to the federally funded project were not approved in a timely manner. Documentation showed delays in the authorization of salary adjustments, with compensation changes becoming effective before formal approval by the City.

**Cause:** The City's internal control processes for reviewing and approving compensation changes were not followed promptly. There was a lack of procedures ensuring that salary adjustments were approved prior to the effective date.

**Effect or Potential Effect:** Untimely approval of compensation changes increases the risk of inaccurate or unallowable personnel costs being charged to the federal award. This may result in questioned costs, non-compliance with federal regulations, and potential audit findings.

**Questioned Cost:** None.

**Context:** We selected five employees who worked on the program and in all cases, the PAF were authorized much later than the effective date of the compensation change.

**Statistical Sampling Validity:** More than 50% of employees who work on the program were selected.

**Repeat of a Prior-Year Finding:** No.

**Recommendation:** The City should reinforce internal controls to ensure that all compensation changes are reviewed and approved promptly. This should include:

- Establishing a timeline for the approval of compensation adjustments.
- Implementing procedures that prevent compensation changes from being applied until formal approval is obtained.
- Ensuring proper documentation of all approved salary changes is maintained.

**Status:** Repeat finding 2023-005

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The HR and payroll policies will be updated to incorporate the above recommendations.

**Planned Implementation Date:** December 2025

**Responsible Person(s):** City Manager

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

## **2022-006 – Missing Contracts/Agreements with HUD (SD)**

Federal Program Title: Section 8 Housing Choice Vouchers  
Assistance Listing Number: 14.871  
Federal Agency: U.S. Department of Housing and Urban Development  
Category of Finding: Special Tests and Provisions

**Criteria:** Pursuant to Office of Management and Budget (OMB) 2 CFR Part 200, Appendix XI, Compliance Supplement April 2022 Part 4 14.871, the Annual Contribution contract (ACC) establishes the amounts HUD will provide a housing authority for housing assistance payments (HAP) and administrative fees. In addition, CARES Act -HCV Program HAP Supplemental Funding and Administrative Fees were made available to the City in FY 2022. The amounts provided are identified in SF-424. The City should retain a copy of the ACC and the SF-424 for purposes of the audit.

**Condition:** The City was unable to provide a copy of the ACC and SF-424. It appears that the current personnel at the Local Housing Authority were not aware of the existence of the ACC and SF-424 for FY 2022.

**Cause:** The turnover of key personnel responsible for document retention and management, coupled with inadequate handover procedures, resulted in the failure to retain or properly transfer documents to new staff members.

**Effect or Potential Effect:** We were unable to perform some of the procedures to ensure that the reported expenditures were in line with the approved funding.

**Questioned Cost:** None.

**Context:** It appears that the current personnel at the Local Housing Authority were not aware of the existence of the ACC and SF-424 for FY 2022.

**Statistical Sampling Validity:** Not applicable. No sampling was performed.

**Repeat of a Prior-Year Finding:** No.

**Recommendation:** The City should establish a formalized procedure for documentation management that includes clear guidelines for document retention. Additionally, there should be a structured transition process when staff turnover occurs to ensure all key responsibilities and documents are properly handed over. This may include a centralized document repository and mandatory documentation of transitions between employees.

**Status:** In Progress

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The new grants policy will be reviewed and approved by the City Manager and implemented by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

## **2022-007 – Lack of Oversight Due to Management Turnover (SD)**

Federal Program Title: Section 8 Housing Choice Vouchers  
Assistance Listing Number: 14.871  
Federal Agency: U.S. Department of Housing and Urban Development  
Category of Finding: Reporting/Special Tests and Provisions

**Criteria:** Under **2 CFR §200.303** of the Uniform Guidance, non-federal entities are required to establish and maintain effective internal control over compliance, including appropriate oversight of federal programs to ensure compliance with applicable laws, regulations, and the terms and conditions of the federal awards. Effective internal controls rely on strong management oversight to ensure that compliance responsibilities are met, even during periods of organizational change.

**Condition:** During the audit, it was noted that the entity experienced significant turnover in key management positions responsible for overseeing compliance with federal awards. As a result, there was insufficient oversight of federal programs and internal controls. Critical duties related to compliance monitoring, reporting, and financial management were not performed adequately during the transition period, and there was a lack of continuity in management practices.

**Cause:** The entity did not have adequate processes in place to ensure continuity of oversight and management responsibilities during periods of turnover. There were no succession plans or interim measures to ensure that compliance duties were properly transitioned and maintained.

**Effect or Potential Effect:** The lack of oversight during the management turnover period increases the risk of non-compliance with federal award requirements. It can lead to gaps in monitoring, failure to meet reporting deadlines, inaccurate financial management, and the potential for disallowed costs or other negative consequences.

**Questioned Cost:** None.

**Context:** The deficiency was found during our testing of reporting and special tests and provisions.

**Statistical Sampling Validity:** Not applicable. No sampling was performed.

**Repeat of a Prior-Year Finding:** No.

**Recommendation:** The entity should establish policies and procedures to ensure continuity of oversight and compliance monitoring during management transitions. This should include:

1. Developing a formal succession plan for key management positions responsible for overseeing federal programs.
2. Implementing interim oversight measures, such as assigning temporary leadership or redistributing compliance responsibilities during periods of transition.
3. Ensuring that new management receives timely training on compliance responsibilities and internal controls related to federal awards.

**Status:** Repeat finding 2023-006

*Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The recommendations are included in the new grants policy. The City Manager shall review and approve it for implementation by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

**CITY OF COMPTON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FINANCIAL STATEMENTS**

**2022-008 – Delay and Errors in Bank Reconciliation (MW)**

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

**Condition:** The City's bank reconciliation process is still behind schedule even though the City Controller's Office has prioritized the completion of bank reconciliations. The bank reconciliation for most of the bank accounts for fiscal year 2022 was completed during fiscal year 2024. The payroll bank reconciliation was completed during fiscal year 2025. Additionally, a large number of journal entries (106) had to be posted to correct the general ledger for errors found during the bank reconciliation process. The net amount of these journal entries was approximately \$367,000.

**Cause:** The weakness in internal control over bank reconciliation process is due to vacancies in key positions in the City Controller's Office. In addition, the City has a large number of bank accounts (more than 25) that makes it difficult for a limited number of qualified staff to reconcile on a monthly basis.

**Effect or Potential Effect:** Misstatements in the general ledger due to error or fraud.

**Repeat of a Prior-Year Finding:** No.

**Recommendation:** The City should work to further improve its bank reconciliation process. This may entail hiring additional qualified personnel, more intensive staff training, consolidation of some bank accounts, or other means. In addition, a qualified person should also review the bank reconciliations in order to make sure that there are no material errors.

**Status:** Repeat finding 2023-007

*Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** City is currently catching up on bank reconciliations. By June 2025, general checking bank reconciliations are expected to be no more than two months behind the statement date. The City is currently working on fully staffing the Controller's office with qualified staff so payroll bank reconciliations can also be caught up at the same level. Currently, the City is still using outside CPA and outside agency help for catching up on the rest of the bank reconciliations.

**Planned Implementation Date:** June 2025

**Responsible Person(s):** City Controller

## **2022-009 – Insufficient Qualified Personnel (MW)**

**Criteria:** The City Controller’s Office is responsible for accounts payable, payroll, internal audit, purchasing, general accounting, and financial reporting. In order for the Office to perform its functions, it has to have a sufficient number of qualified personnel. Employees should have adequate qualifications, competency, and experience to effectively carry out day-to-day responsibilities directly related with their job description in a qualitative and timely manner.

**Condition:** The City Controller’s Office filled some vacancies since FY 2021 and FY 2022 however it still has vacancies in positions that are vital in the City’s day-to-day accounting. Furthermore, the City Controller’s Office does not have enough personnel at the right levels who have the necessary qualifications to perform their responsibilities effectively and efficiently.

**Cause:** The primary factors contributing to this condition include:

- **Budget Constraints:** Limited funding has restricted the ability to hire adequately qualified personnel and invest in staff training and development.
- **High Turnover Rates:** Difficulty in retaining qualified staff due to competitive job markets has led to vacancies filled by less experienced individuals.
- **Inadequate Recruitment Practices:** Current recruitment strategies may not prioritize the necessary qualifications and experience, leading to a mismatch between job requirements and personnel skills.

**Effect or Potential Effect:** The lack of qualified personnel in any organization leads to decreased productivity, poor morale, lack of engagement, increased subordination, inefficiencies, errors, and inability to meet deadlines, not to mention high turn-over, diminished quality of work, and poor performance. In the City Controller’s Office, it has resulted in multiple misstatements in financial reporting that are not being detected or corrected in a timely manner, delays in financial reporting, additional audit fees, and diminished ability to enforce internal controls. This also results in noncompliance with applicable regulations and negatively impact overall organizational performance and decision-making.

**Repeat of a Prior-Year Finding:** 2020-007 and 2021-014

### **Recommendation:**

To address the inadequacy of qualified personnel, we recommend the following actions:

- **Conduct a Staffing Assessment:** Evaluate current staffing levels and qualifications to identify critical gaps and develop a strategic hiring plan.
- **Enhance Recruitment Strategies:** Revise recruitment practices to prioritize candidates with appropriate qualifications and experience, and actively seek to attract qualified talent.
- **Invest in Professional Development:** Allocate resources for ongoing training and professional development, encouraging staff to pursue relevant certifications and skills enhancement.
- **Develop a Succession Plan:** Establish a succession planning process to ensure that qualified personnel are in place to fill key roles in the event of turnover.

**Status:** Repeat finding 2023-009

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** Controller’s and City Manager’s office will work together with the Human Resources department on the recommendations above.

**Planned Implementation Date:** December 2025

**Responsible Person(s):** City Manager and City Controller

## **2022-010 – Inaccurate Journal Entries (MW)**

**Criteria:** Financial transactions must be accurately recorded to ensure the reliability of financial reporting.

**Condition:** During the audit period, multiple journal entries were identified that contained inaccuracies, including incorrect amounts, misclassifications, and duplicate entries. A review of the journal entries for the fiscal year revealed entries posted in wrong periods and accounts, impacting the accuracy of financial reporting, and instances of duplicate entries, leading to inflated account balances.

**Cause:** The primary causes of these inaccuracies appear to be:

- **Lack of Training:** Accounting staff have not received adequate training on the proper procedures for recording journal entries.
- **Inadequate Review Process:** There is insufficient oversight or review of journal entries prior to posting, allowing errors to go uncorrected.
- **No Segregation of Duties:** The same personnel responsible for posting entries also reconcile accounts, increasing the risk of undetected errors.

**Effect:** The inaccuracies in journal entries can lead to misleading financial statements, which may result in noncompliance with financial reporting standards. This compromises the reliability of financial information, affecting decision-making processes and potentially leading to negative consequences for stakeholders.

**Repeat of a Prior-Year Finding:** No.

**Recommendation:** To strengthen internal controls and enhance the accuracy of financial reporting, the following actions should be taken:

- **Implement Training Programs:** Conduct regular training sessions for accounting staff on proper journal entry procedures and financial reporting standards.
- **Enhance Review Processes:** Establish a mandatory review process for all journal entries, ensuring a second party verifies entries before posting.
- **Regular Monitoring:** Conduct periodic audits of journal entries and reconcile accounts to identify and rectify errors promptly.

**Status:** In Progress

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** Upon completion of a compensation study, the City will be negotiating compensation to retain/hire sufficient qualified staff. The City Controller is also establishing expectations and accountability of department staff.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Controller

## **2022-011 – Information Technology (IT) Controls (MW)**

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

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

**Repeat of a Prior-Year Finding:** 2018-040, 2019-034, 2021-010

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

**Status:** Repeat finding 2023-010

### *Management Response and Corrective Action Plan*

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

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

**Planned Implementation Date:** December 2025

**Responsible Person(s):** City Manager, IT Director

## **2022-012 – City-wide Implementation of Policies and Procedures (MW)**

**Criteria:** Internal controls are important because they protect the City's assets, ensure compliance with laws and regulations, help maintain operational efficiency, and ensure accurate and timely financial reporting. Among the top ways to strengthen internal control is through the adoption of written policies and procedures. Written policies and procedures serve to provide notice to employees the City's expectations and practices, provide direction in the correct way of processing transactions, serve as reference material, and provide training tool for new employees. In addition, written policies and procedures also provide a source of continuity and basis for uniformity.

**Condition:** The City Council has received and filed written policies and procedures that the City Controller has prepared over the past three years. However, they do not become effective until they are adopted to be incorporated into the City's standard operating manual. That has not occurred yet.

**Cause:** Turn-over in the City Manager's Office has relegated the adoption and implementation of the written policies and procedures into the back-burner.

**Effect or Potential Effect:** Without clear, written and current procedures, an internal control structure is weaker because practices, controls, guidelines and processes may not be applied consistently, correctly and uniformly throughout the City.

**Repeat of a Prior-Year Finding:** Yes

**Recommendation:** We recommend the City Manager's Office should review the written policies and procedures prepared by the City Controller and received and filed by the City Council. The City Manager should work towards adopting policies and procedures into the standard operating manual that would strengthen the City's internal control environment and also address the internal control deficiencies found during City audits. All City employees should receive training on the new and improved standard operating manual.

**Status:** Repeat finding 2023-011

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The new policies and procedures will be reviewed and approved by the City Manager for implementation by September 2025.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

## **2022-013 – Negative Cash Balances/ Fund Balance Deficits (MW)**

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

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

**Condition:** As of June 30, 2022, the Rubbish Fund had over \$300,000 in negative cash in addition to almost \$1.9 million in accounts payable and due to other funds caused by a net loss of over \$1 million and reduced collection of receivables. The Rubbish Fund has a fund balance deficit as of June 30, 2022 of over \$2.3 million.

The City's Measure P fund covered the negative cash in the Rubbish Fund and City-Wide Street Light Fund.

**Cause:** The cause of the deficiency was key management turnover in the water department. Rubbish assessments and customer balances were supposed to be transferred to Los Angeles County to place in the tax roll for collections, but the water department staff didn't complete this by the county's due date. Approximately 50% of collections were not made in FY 2022.

**Effect or Potential Effect:** Operating cash deficiencies cannot be sustained in the long term. City programs and services involved with the fund may have to be curtailed if the City cannot fund these programs. The fund balance deficits could also have a significant effect on operations on a go-forward basis.

**Repeat of a Prior-Year Finding:** 2018-014, 2018-037, 2019-010, 2019-025, 2021-009

**Recommendation:** We recommend the City review cash balances on a regular basis. We also recommend that management review the negative fund balances and the affected operations to make provisions to eliminate the deficit balances going forward.

**Status:** In Progress

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The City is already implementing the recommendations. The General Fund has a positive cash and fund balance as of June 30, 2023.

**Planned Implementation Date:** December 31, 2025

**Responsible Person(s):** City Manager, City Controller

## **2022-014 – Lack of Communication Regarding Contingent Liabilities (MW)**

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

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

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

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

**Repeat of a Prior-Year Finding:** 2021-011

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

**Status:** Repeat finding 2023-012

### *Management Response and Corrective Action Plan*

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

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

**Planned Implementation Date:** September 2025

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

## **2022-015 – Delay in Recording Step Increases in Salaries (SD)**

**Criteria:** Timely and accurate recording of transactions, including wage and salary adjustments, is a key component of an effective internal control system. Delays in updating payroll records increase the risk of financial misstatements and unauthorized payments, as well as diminish the City's ability to maintain accurate financial reporting.

**Condition:** During the FY 2022 audit, we identified that wage and salary adjustments for the City employees were not recorded in the payroll system in a timely manner. Adjustments, including promotions, salary increases, and other compensation changes, experienced delays of up to several months before being updated in the payroll system. As a result, employees were underpaid during the period before the adjustments were properly reflected in the system.

**Cause:** The delayed recording of wage and salary adjustments was caused by an absence of clearly defined procedures for processing and approving payroll adjustments in a timely manner. Manual processes, rather than automated systems, were relied upon to update salary information, resulting in bottlenecks and human error.

**Effect or Potential Effect:** The failure to promptly record wage and salary adjustments in the payroll system leads to inaccurate employee compensation. Some employees could be overpaid or underpaid due to outdated salary data in the system, creating potential liabilities for the City in terms of overpayments or underpayments. It could result in increased risk of payroll errors. Delays in updating payroll data undermine the accuracy of financial records and increase the likelihood of financial misstatements. Delayed or inaccurate payments may negatively impact employee morale and the entity's reputation as a responsible employer.

**Repeat of a Prior-Year Finding:** 2021-003

**Recommendation:** We recommend to:

- **Establish Clear Procedures:** Implement formal procedures to ensure that wage and salary adjustments are approved and processed before they become effective. The adjustments should be communicated promptly from HR to the payroll department, with specific timelines for updating the payroll system.
- **Automate Payroll Updates:** Consider adopting automated payroll systems that can integrate directly with HR records, reducing the risk of delays and human error in updating salary information.
- **Reconcile HR and Payroll Data:** Regular reconciliation between human resources records and payroll data should be performed to ensure accuracy and to promptly identify any discrepancies.
- **Training and Capacity Building:** Provide training to HR and payroll personnel on the importance of timely processing of wage adjustments and proper use of the payroll system.

**Status:** Repeat finding 2023-013

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The HR and payroll policies will be updated to incorporate the above recommendations.

**Planned Implementation Date:** September 2025

**Responsible Person(s):** City Manager

## **2022-016 – Incomplete Records for Utility Billings (SD)**

**Criteria:** Government agencies are required to retain a variety of records for purposes of internal and external audit and regulatory compliance.

**Condition:** During our audit, the City was unable to provide appropriate supporting documentation for a number of items that we selected for testing. Out of 40 items selected, three (8%) customer bills cannot be provided.

**Cause:** Potential causes may include poor record-keeping practices, deliberate attempts to conceal information (fraud), missing documents due to mismanagement, or simply a lack of understanding of what documentation is required.

**Effect or Potential Effect:** We planned on relying on the City's internal controls over utility billings to reduce our audit procedures but due to the errors, we had to increase our audit procedures over utility billings. Depending on the severity of the deficiency, auditors may not be able to obtain sufficient appropriate evidence potentially leading to qualified opinion.

**Repeat of a Prior-Year Finding:** No.

**Recommendation:** The City should establish a formalized procedure for documentation management that includes clear guidelines for record retention.

**Status:** Resolved

## **2022-017 – Uncollected Grants Receivable (SD)**

**Criteria:** Grants are an incredible funding source. But most of the grants often come in the form of reimbursement-based awards that require the City to complete the work before the grantor will provide funds. In order to receive reimbursement, it is important to submit complete invoices that follow the formats required by the grantor.

**Condition:** At June 30, 2022, the City reported almost \$1.5 million in receivable from various grantors. Over \$1 million of these grants receivable have originated from FY 2021 or prior. Some of these grants receivable have not been collected as of June 30, 2024.

**Cause:** Grants receivable are recorded at the end of the fiscal year because the City expects to receive reimbursements from the grantor, however reimbursement claims are not consistently provided to the grantors on a timely basis.

**Effect or Potential Effect:** The City experiences negative cash flow.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** The City should claim reimbursements on a monthly basis. The City should also evaluate whether the grants receivable recorded on its books are still collectible.

**Status:** Repeat finding 2023-014

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The City will look to hire a Collections Officer that will be allocated within the City Controller's budget.

**Planned Implementation Date:** June 2025

**Responsible Person(s):** City Controller

## **2022-018 – Noncompliance with Bond Reporting Requirements (NC)**

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

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

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

**Condition:** The City and the Successor Agency were not in compliance with reporting provisions of the indentures for various bonds for the fiscal year ended June 30, 2022 because the City's audited financial statements were not issued within 180 to 270 days of the year-end. Additionally the City and the Successor Agency were not in compliance with continuing disclosure requirements under SEC Rule 15c2-12.

**Cause:** Lack of audited financial statements.

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

**Repeat of a Prior-Year Finding:** 2018-036, 2019-024, 2021-017

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

**Status:** Repeat finding 2023-017

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** The City has hired outside CPAs and temp agencies to assist with audit catchup, and expects to be caught up on all audits through FY 2024 by July 2025. The City also hired a consultant to monitor compliance with bond requirements.

**Planned Implementation Date:** July 2025

**Responsible Person(s):** City Controller

## **2022-019 – Noncompliance with Annual Investment Policy Requirement (NC)**

**Criteria:** An investment policy establishes guidelines for investing funds, and can help with a variety of goals, including: managing risk, communicating investment priorities, demonstrating fiduciary care, controlling investment activity, managing liquidity, and improving decision making. The California Government Code Section 53646 requires that local agency treasurers and chief fiscal officers annually provide an investment policy statement to their legislative bodies and oversight committees. The policy must be reviewed and approved at a public meeting.

**Condition:** The City did not adopt an investment policy for fiscal year ended June 30, 2022.

**Cause:** The City Treasurer did not provide an investment policy statement to the City Council during the year.

**Effect or Potential Effect:** Non-compliance with the California Government Code.

**Repeat of a Prior-Year Finding:** No

**Recommendation:** We recommend that the City Treasurer provide an investment policy statement to the City Council annually.

**Status:** Repeat finding 2023-018

### *Management Response and Corrective Action Plan*

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

**Corrective Action Plan:** An investment policy was approved by Council in March 2025

**Planned Implementation Date:** March 2025

**Responsible Person(s):** City Treasurer

**CITY OF COMPTON  
SCHEDULE OF PRIOR YEAR FINDINGS – FEDERAL AWARDS**

| <b>Finding No.</b> | <b>Federal Program Name</b>       | <b>Assistance Listing No.</b> | <b>Compliance Requirement(s)</b>       | <b>Status of Corrective Action</b>                   | <b>Repeat Finding No.</b> |
|--------------------|-----------------------------------|-------------------------------|--|--|---------------------------|
| 2021-001           | N/A; General finding              | N/A                           | Filing of Single Audit Report (MW, NC) | In progress; FY 2018 to FY 2022 have been submitted. | 2023-001                  |
| 2021-002           | Section 8 Housing Choice Vouchers | 14.871                        | Missing Reports (MW, NC)               | In progress; FY 2018 to FY 2022 have been submitted. | 2023-004                  |
| 2020-003           | N/A; General finding              | N/A                           | Filing of Single Audit Report (MW, NC) | In progress; FY 2018 to FY 2021 have been submitted. | 2023-001                  |

*Findings for FYE 2019 and prior have been omitted in this report.*

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

| Finding No. | Level | Title   | Status of Corrective Action   | Repeat Finding No. |
|-------------|-------|---|---|--------------------|
| 2021-009    | MW    | Allocation of Cash to City Funds/Negative Cash Balances/Fund Balance Deficits | Resolved for FY 2023.   |                    |
| 2021-010    | MW    | Information Technology (IT) Controls  | In progress.  | 2023-010           |
| 2021-011    | MW    | Contingent Liabilities  | In progress.  | 2023-012           |
| 2021-012    | SD    | Procurement Policy  | In progress. The purchasing policy was submitted to the City Council for receive and file. It is awaiting approval by the City Manager to be included in the Standard Operating Manual of the City. | 2023-002           |
| 2021-013    | MW    | Bank Reconciliations  | In progress. By February 2025, Controller expects to be fully caught up with assistance from outside CPA's and temporary work hires.  | 2023-007           |
| 2021-014    | MW    | Staffing  | In progress. Staffing is still ongoing.   | 2023-009           |
| 2021-015    | MW    | Internal Audits   | In progress. The internal audit policy was received and filed by the City Council. The internal audit division is still being staffed.  | 2023-016           |
| 2021-016    | SD    | Turnover and Lack of Consistent Leadership                                    | In progress. The City has filled some of the executive positions at the City. A consultant will be engaged to provide succession planning services.   | 2023-006           |
| 2021-017    | NC    | Bond Compliance   | Resolved for FY 2023.   |                    |
| 2020-006    | MW    | Internal Audits   | In progress. The internal audit policy was received and filed by the City Council. The internal audit division is still being staffed.  | 2023-016           |
| 2020-007    | MW    | Staffing  | In progress. Staffing is still ongoing.   | 2023-009           |

*Findings for FYE 2019 and prior have been omitted in this report.*

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