

ATTACHMENT A
SINGLE AUDIT OF FEDERALLY ASSISTED GRANT
PROGRAMS YEAR ENDED JUNE 30, 2023

**CITY OF VICTORVILLE
VICTORVILLE, CALIFORNIA**

**SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS**

YEAR ENDED JUNE 30, 2023

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

Honorable Mayor and Members of City Council
City of Victorville
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Victorville's basic financial statements, and have issued our report thereon dated June 10, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 through 2023-006, that we consider to be material weaknesses.

Honorable Mayor and Members of City Council
City of Victorville

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
June 10, 2024



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

Honorable Mayor and Members of City Council
City of Victorville
Victorville, California

Report on Compliance for Each Major Federal Program

We have audited the City of Victorville's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance 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.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated June 10, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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, except for the effect on the schedule of expenditures of federal awards of including \$6,355,729 and \$199,999 of fiscal year 2021-2022 federal expenditures for assistance listing numbers 21.027 and 14.231, respectively, in the fiscal year 2022-2023, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Irvine, California
June 24, 2024

CITY OF VICTORVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

Federal Grantor / Pass-Through Grantor / Program / Cluster Title / Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed- Through to Subrecipients
United States Department of Housing and Urban Development				
Direct Assistance:				
CDBG Entitlement Grants Cluster:				
Community Development Block Grants (CDBG)	14.218	n/a	\$ 1,267,266	\$ 189,824
COVID-19 CDBG	14.218	n/a	305,328	-
Total CDBG Entitlement Grants Cluster			1,572,594	189,824
Passed-through the County of San Bernardino:				
COVID-19 Emergency Solutions Grant Program	14.231	n/a	199,999 (1)	-
Passed-through the Town of Apple Valley:				
HOME Investment Partnerships Program	14.239	n/a	440,789	-
Total United States Department of Housing and Urban Development			2,213,382	189,824
United States Department of Justice				
Passed-through the County of San Bernardino:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0650	42,109	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0991	41,343	
Total United States Department of Justice			83,452	-
United States Department of Transportation				
Direct Assistance:				
Airport Improvement Program	20.106	n/a	447,583	-
Passed-through California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	DEMO5UBL- 5380(028)	8,870,752	-
Highway Planning and Construction	20.205	BHLS-5380(026)	5,013,629	-
Highway Planning and Construction	20.205	HSIPL-5380(038)	658,769	-
Total Highway Planning and Construction Cluster			14,543,150	-
Total United States Department of Transportation			14,990,733	-

CITY OF VICTORVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

Federal Grantor / Pass-Through Grantor / Program / Cluster Title / Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed- Through to Subrecipients
United States Department of Treasury				
Direct Assistance:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	11,900,143	-
Passed through the State of California Department of General Services:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	21-HK-16925	17,148,383	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	21-HK-16925	6,355,729 (1)	-
Total United States Department of Treasury			35,404,255	-
The Institute of Museum and Library Services				
Passed-through the State Libraria:				
Grants to States	45.310	40-9372	4,999	-
Total The Institute of Museum and Library Services			4,999	-
United States Department of Homeland Security				
Passed-through the County of San Bernardino:				
Assistance to Firefighters Grant	97.044	EMW-FG-15531	241,420	-
Total United States Department of Homeland Security			241,420	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 52,938,241	\$ 189,824

(1) These federal expenditures are for the fiscal year July 1, 2021 to June 30, 2022.

CITY OF VICTORVILLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Victorville (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies 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).

The exception to the above paragraph are expenditures from fiscal year July 1, 2021 to June 30, 2022 for ALN 21.027 and 14.231 in the amount of \$6,355,729 and \$199,199, respectively, that are included in the SEFA for July 1, 2022 to June 30, 2023. These expenditures were excluded from the prior year SEFA and have been included by the City in the current year SEFA.

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 statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019 and 21.027, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

The exception to the above paragraph are expenditures from fiscal year July 1, 2021 to June 30, 2022 for ALN 21.027 and 14.231 in the amount of \$6,355,729 and \$199,199, respectively, that are included in the SEFA for July 1, 2022 to June 30, 2023. These expenditures were excluded from the prior year SEFA and have been included by the City in the current year SEFA.

NOTE 3 INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|--|----------------------|--------------------------------|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weaknesses identified? | <u> x </u> yes | <u> </u> no |
| • Significant deficiencies identified? | <u> </u> yes | <u> x </u> none reported |
| 3. Noncompliance material to financial statements noted? | <u> </u> yes | <u> x </u> no |

Federal Awards

- | | | |
|---|---------------------|--------------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | <u> </u> yes | <u> x </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> x </u> none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <u> </u> yes | <u> x </u> no |

Identification of Major Federal Programs

Assistance Listing Numbers

14.218
14.239
21.027

Name of Federal Program or Cluster

Community Development Block Grants Cluster
HOME Investment Partnerships Program
COVID-19 Coronavirus State and Local Fiscal
Recovery Funds

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes x no

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-001

- Material Weakness in Internal Control over Financial Reporting – Capital Assets

Condition: During our review of capital assets, we noted that some detail schedules did not agree to the capital asset rollforward, which also did not agree to the general ledger balances. The discrepancies were material and required us to request the City to re-perform the capital asset year-end close process with an emphasis on a review and approval process over the employee performing the work.

In addition, during our review of capital assets, we noted an asset that was sold from the Southern California Logistics Airport Authority (SCLA) to the Water District that was capitalized at the price paid instead of the book value.

Also, the Victorville Water District enterprise fund expensed \$4.985 million of capital project expenses that should have been capitalized as construction in progress.

Criteria or Specific Requirement: An important part of the reporting function is maintaining accurate and current detail schedules for account balances. In addition, general ledger amounts should be updated to reflect the current year balances for accurate financial reports. Year-end close processes should include a review and approval aspect where material differences and errors are identified and corrected prior to providing such information for the audit.

Assets sold within the City funds must be capitalized at the asset's book value as recorded in the fund from which it is sold.

Expenses that meet the City's capitalization policy should be capitalized in the year incurred.

Effect: The adjustments made after the City re-performed the year-end close had the following impact:

Business-type activities had a decrease in construction in progress of \$105 thousand, increase in buildings and improvements of \$7 thousand, increase in accumulated depreciation of \$359 thousand, increase in depreciation expense of \$352 thousand, and increase in expenses of \$105 thousand.

Specifically, Victorville Water District had a decrease in construction in progress of \$105 thousand, increase in buildings and improvements of \$7 thousand, increase in accumulated depreciation of \$25 thousand, increase in depreciation expense of \$18 thousand, and increase in expenses of \$105 thousand.

Specifically, Southern California Logistics Airport Authority had an increase in accumulated depreciation and depreciation expense of \$857 thousand.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-001 (Continued)

The governmental activities had a decrease in construction in progress of \$8.6 million, increase in depreciation expense and accumulated depreciation of \$400 thousand, and increases in capital asset categories of buildings and improvements, computers and communications, furniture and equipment, infrastructure, and land of \$50 thousand, \$2.5 million, \$911 thousand, \$3.5 million, and \$70 thousand, respectively.

The Water District's capital assets were reduced, and expenses increased by \$692,124, which is the excess paid by the Water District to SCLA above the book value of the asset previously recorded in the SLCA.

The Water District's expenses were reduced and construction in progress capital asset category increased by \$4.985 million.

Cause: The City did not sufficiently follow the year-end closing procedures to identify the above errors.

The City was not aware that accounting standards require intra-entity sales to be capitalized at the book value recorded in the previous fund.

The City did not appropriately identify all capital expenses when performing year-end close for capital assets in the Water District

Repeat Finding: This particular finding was not noted in the immediately prior year; however, findings related to audit adjustments for capital assets were noted in the immediately prior year.

Recommendation: We recommend the City implement policies and procedures to review capital assets at year-end for appropriate classification and ensure the work is reviewed in detail and approved by management who did not perform the work.

In addition, we recommend the City implement policies and procedures to review intra-entity asset sales to ensure the amounts are capitalized at book value.

Also, we recommend that the City implement policies and procedures to ensure the completeness of capital asset additions.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-001 (Continued)

Views of Responsible Officials and Planned Corrective Actions:

- (1) City personnel reconciling capital assets will be coordinating with departments at a minimum twice a year as well as reviewing budget to actual for projects and notices of completion in city council agenda items to catch all completed projects. Additionally, staff will question departments regarding all projects residing in the Construction in Progress coding with no activity for at least four months to ensure that project is still continuing forward or if it needs to move to “Idle Assets” to be completed in the future or expensed if project has been discontinued and/or did not result in an asset.
- (2) City personnel will be reviewing and updating as needed City Policy E-6: Fixed Asset Policy to ensure that proper capitalization and safeguarding of all assets are performed in a timely manner. The updated policy will help ensure the City is operating in a way that is consistent with current accounting principles. The policy will be reviewed annually and updated as needed. Additionally, City personnel will conduct trainings for staff that are responsible for tracking, approving, and acquiring assets at the department level.
- (3) City personnel reconciling capital assets will be attending additional trainings to help ensure they stay apprised of new requirements and / or are well equipped to handle non re-occurring transactions such as assets sold within City funds. Additional training on the City’s ERP system will also be performed to ensure staff is aware of the any new upgrades that can impact the methodology of how the system depreciates assets.

CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023

Section II – Financial Statement Findings

2023-002

- Material Weakness in Internal Control over Financial Reporting – Grants Receivable, Expenditures/Expenses and Unavailable Revenue

Condition: The City has various projects that are grant funded on a reimbursement basis, which means that the City incurs the cost and then requests for reimbursement from the funding source. During our audit, we reviewed these projects and had numerous inquiries when grant receivables did not equal the unreimbursed eligible expenditures. This led to numerous adjustments to correct the balances.

In addition, the City had a restatement to correct the funding source for capital expenditures that reverses a restatement the City recorded in the prior year. The original restatement provided by the City for fiscal year 2022-2023 required an audit adjustment to correct the restatement.

Criteria or Specific Requirement: Grant receivables should be equal to the eligible project expenditures less any amounts previously reimbursed by the grantor. For governmental funds, deferred inflows of resources, unavailable revenues, should be recorded instead of revenue when those amounts are received after the City's availability period, which is 60 days. In addition, in the cases when revenues must be returned if not utilized, cash received should be offset by unearned revenue.

Grant expenditures should be carefully matched to grant revenues to record amounts in the correct fund originally. Should corrections in subsequent years be required, the history of all journal entries for grant revenues and expenditures should be performed to determine where transactions have been recorded before recording restatements.

Effect: Approximate changes in the general ledger balances due to the adjustments are as follows: other aggregate governmental funds had a net increase in receivables of \$267 thousand, increase in revenue of \$340 thousand, and an decrease in deferred inflows of resources, unavailable revenues of \$73 thousand; other state and local grants major special revenue fund had a decrease in receivables of \$186 thousand, decrease in deferred inflows of resources, unavailable revenues, of \$372 thousand and an increase in revenues of \$186 thousand; other federal grants major special revenue had a decrease in both receivables and deferred inflows of resources, unavailable revenues of \$109 thousand.

The restatement to correct the funding source for capital expenditures was \$494 thousand that impacted the measure I special revenue fund (decrease) and the transportation tax special revenue fund (increase). This restatement is appropriately not disclosed in the notes to the financial statements in accordance with generally accepted accounting principles since both funds are included in the other aggregate governmental funds, which nets the restatement to zero for the financial statement presentation of other aggregate governmental funds.

Cause: The City did not perform an analysis on each project to verify the balances in these accounts prior to commencement of the audit procedures. Regarding the restatement, the City did not perform adequate research to identify the impact of all previously recorded journal entries since the funds were originally recorded in 2020.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-002 (Continued)

Repeat Finding: This finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2022-003.

Recommendation: We recommend that the City implement policies and procedures to review all project activity and verify the amounts recorded for grants receivable and deferred inflows of resources, unavailable revenues, are accurate prior to the commencement of the audit. In addition, we recommend that the City implement policies and procedures to ensure all grant revenues and expenditures are recorded in the appropriate fund that contains the funding source at the time the original receipt occurs. Should corrections be required in subsequent years, we recommend that the City perform an analysis that will show all activity of the grant before recording restatements.

Views of Responsible Officials and Planned Corrective Actions:

- (1) City personnel will be reviewing and updating as needed City Policy E-8: Grant Management Policy and Procedures and City Policy E-7: Infrastructure Policy to ensure that proper verification and recording of all activity is completed in the period it was incurred.
- (2) The City has procedures set up to review and ensure that each project and org is reconciled at the end of the year. Unfortunately, due to the large amount of grants, there were some that had activity posted to them after personnel had reconciled and these did not get reviewed again prior to audit. Staff is working on a schedule and posting access to ensure unauthorized or unreviewed entries are not allowed to back date into the prior fiscal year while staff works on reconciliation for audit.
- (3) City personnel will be conducting quarterly meetings with departments to ensure that proper grant management at the department level is in place. This will help City personnel identify and correct any issues with amounts recorded and provide any additional assistance to ensure that adequate controls are in place to improve the accountability of funds received.
- (4) City personnel will monitor the volume of grants received by the City and will seek a grant monitoring software solution if it is determined to be needed.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-003

- **Material Weakness in Internal Control over Financial Reporting – Cash**

Condition: The City provided a bank reconciliation as of June 30, 2023 that had an unidentified variance of \$27 thousand. In addition, the bank reconciliation contained reconciling items for May 2023 bank activity that were not posted to the general ledger until fiscal year 2023-2024 instead of recorded when the transactions occurred in fiscal year 2022-2023. The bank reconciliation also contained reconciling items for July 2023 bank activity that were recorded as cash activity in June 2023 instead of fiscal year 2023-2024.

Criteria or Specific Requirement: Bank reconciliations should not contain unidentified variances. Also, cash transactions should be recorded in the correct fiscal year. May 2023 cash activity should be recorded in fiscal year 2022-2023 and July 2023 cash activity should be recorded in fiscal year 2023-2024.

Effect: The unreconciled variance of \$27 thousand required an audit adjustment to increase cash by this amount in order to match the general ledger to the bank reconciliation. Audit adjustments were also required to decrease cash by \$193 thousand for May 2023 bank activity and increase cash by \$346 thousand to remove July 2023 bank activity.

Cause: The City did not complete the bank reconciliation process by identifying all reconciling items and ensuring transactions were recorded in the appropriate fiscal year.

Repeat Finding: This finding is not a repeat of a finding in the immediately prior year.

Recommendation: We recommend that the City implement policies and procedures to ensure that all reconciling items are identified and recorded in the appropriate fiscal year.

Views of Responsible Officials and Planned Corrective Actions:

- (1) City personnel will be establishing a Bank Reconciliation policy to ensure bank reconciliations are completed in a timely manner, have proper internal controls, and workflow approvals in place.
- (2) A standard operating procedure will be developed and updated as needed. Management will also implement cross-training to ensure that all items are recorded in a timely manner and help identify roll forward transactions. The policy and standard operating procedure will further help identify accounting and bank errors and further strengthen the City's ability in preventing and identifying potential for fraud.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-004

- **Material Weakness in Internal Control over Financial Reporting – Prepaid Water Connection Fees**

Condition: Due to our audit inquiry, the City identified homes or units that were connected to the City's water system during the fiscal year for which connection fees had been collected in advance. These amounts were not recognized as revenue and remained a liability on the water enterprise fund's statement of net position.

Criteria or Specific Requirement: The City collects connection fees in advance for large capital projects that will result in connections to the City's water lines. As the individual homes or units are connected to the City's system, the amounts collected should be recognized as revenue.

Effect: The liability was decreased, and revenues were increased by approximately \$0.2 million.

Cause: The City did not perform the analysis on the connections for the prepaid water connection fees account until after audit inquiry occurred.

Repeat Finding: This finding is not a repeat of a finding in the immediately prior year but is a repeat finding from the fiscal year 2020-2021 audit.

Recommendation: We recommend the City perform the analysis required on this account prior to the commencement of the audit.

Views of Responsible Officials and Planned Corrective Actions:

- (1) Due to personnel turnover at the department level, current staff were unfamiliar with the process required to reconcile prepaid water connection fees. The department's management and staff had to familiarize themselves with how these prepaids are established, how they're tracked, and subsequently how to reconcile them. As such, a standard operating procedure will be established by the department to document the various prepaid connection fees paid by developers, how to track them in the existing software solution, and institute a re-occurring reconciliation throughout the fiscal year.
- (2) Reconciling will be completed at a minimum on a semi-annual basis or more regularly if needed.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-005

- **Material Weakness in Internal Control over Financial Reporting – Land Held for Resale**

Condition: During our review of land held for resale, we noted that the general ledger did not agree to the City's detail schedule, which provided an analysis of lower of cost or market.

Criteria or Specific Requirement: Land held for resale is required to be recorded at the lower of cost or market value.

Effect: An audit adjustment was required to reduce land held for resale and increase expenditures by approximately \$454 thousand.

Cause: The City performed the analysis over land held for resale but did not ensure that the general ledger reflected the required value.

Repeat Finding: This finding is not a repeat of a finding in the immediately prior year.

Recommendation: We recommend that the City develop policies and procedures to ensure that land held for resale is recorded at the lower of cost or market value.

Views of Responsible Officials and Planned Corrective Actions:

- (1) As stated in item 2023-001, City personnel will be reviewing and updating as needed City Policy E-6: Fixed Asset Policy to ensure that proper capitalization and safeguarding of all assets are performed in a timely manner. The updated policy will help ensure the City is operating in a way that is consistent with current accounting principles, including the recordation of land held for resale. The policy will be reviewed annually and updated as needed.
- (2) City personnel recording land held for resale will be attending additional trainings to help ensure they stay apprised of new requirements and / or are well equipped to handle non re-occurring transactions.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-006

- **Material Weakness in Internal Control over Financial Reporting – Preparation of the Schedule of Expenditures of Federal Awards (SEFA)**

Condition: During our testing of the Schedule of Expenditures of Federal Awards (SEFA), we noted that the following federal expenditures should have been included in the fiscal year 2021-2022 SEFA, but were excluded: \$6,355,730 under Assistance Listing Number 21.027, Coronavirus State and Local Fiscal Recovery Funds, and \$199,999 under 14.231, Emergency Solutions Grant Program. These amounts were instead included in the fiscal year 2022-2023 SEFA even though the federal expenditures were incurred in fiscal year 2021-2022.

Criteria or Specific Requirement: The SEFA should include all federal expenditures in the appropriate fiscal year, which is the year in which the expenditures were incurred.

Effect: The SEFA was materially misstated for fiscal year 2021-2022 by excluding these amounts and the SEFA is materially misstated for fiscal year 2022-2023 by including these amounts in the incorrect fiscal year.

Cause: The City did not verify that grants provided by non-federal entities did not originate from federal funding when preparing the fiscal year 2021-2022 SEFA.

Repeat Finding: This finding is not a repeat of a finding in the immediately prior year.

Recommendation: We recommend that the City implement policies and procedures to investigate the source of funding for all grants to identify federal expenditures. In addition, to ensure the ease of identification of federal funding in the general ledger, we recommend that the City include the federal program assistance listing number and name in the general ledger account name to ensure the ease of identification of federal funds and the completeness of the SEFA.

Views of Responsible Officials and Planned Corrective Actions:

- (1) As this relates to item 2023-002; City personnel will be reviewing and updating as needed City Policy E-8: Grant Management Policy and Procedures and City Policy E-7: Infrastructure Policy to ensure that proper verification and recording of all activity is completed in the period it was incurred.
- (2) The City has procedures set up to review and ensure that each project and org is reconciled at the end of the year. Unfortunately, due to the large amount of grants, there were some that had activity posted to them after personnel had reconciled and these did not get reviewed again prior to audit. Staff is working on a schedule and posting access to ensure unauthorized or unreviewed entries are not allowed to back date into the prior fiscal year while staff works on reconciliation for audit.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

2023-006 (Continued)

- (3) City personnel will be conducting quarterly meetings with departments to ensure that proper grant management at the department level is in place. This will help City personnel identify and correct any issues with amounts recorded and provide any additional assistance to ensure that adequate controls are in place to improve the accountability of funds received.
- (4) City personnel will monitor the volume of grants received by the City and will seek a grant monitoring software solution if it is determined to be needed.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



**CITY OF VICTORVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

United States Department of Housing and Urban Development
United States Department of Treasury

The City of Victorville respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2023.

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The finding numbers are numbered consistently with the numbers assigned in the prior year.

FINANCIAL STATEMENT FINDINGS

2022-001

Condition: Amounts recorded in the general ledger for the pension deferred outflows and inflows of resources and pension expense and amounts allocated to governmental activities, business-type activities, and enterprise funds for these amounts did not agree individually or in total to the City's calculated pension amounts.

Status: Corrected.

2022-002

Condition: During our review of capital assets, we noted (1) construction in progress projects that were complete or had been cancelled and required reclassification to other capital asset categories or expensing; (2) recording missing capital asset additions; (3) removal of a project included in construction in progress for which the goods had not yet been received that required reclassification to prepaid expenditures. In addition, the City had restatements to beginning equity to record capital asset additions to prior years. The capital asset restatements also resulted in a restatement to recognize the SCLAA's liability due to tenants for rental credits owed from tenant capital improvements made and contributed to SCLAA.

Status: See repeat of comment in current year finding 2023-001.

CITY OF VICTORVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2023

2022-003

Condition: The City has various projects that are grant funded on a reimbursement basis, which means that the City incurs the cost and then requests for reimbursement from the funding source. During our audit, we reviewed these projects and had numerous inquiries when grant receivables did not equal the unreimbursed eligible expenditures. This led to numerous adjustments to correct the balances.

In addition, the Victorville Water District (District) received federal funds under the American Rescue Plan Act (ARPA) that were utilized for payment of past due utility bills resulting from the pandemic. The City recorded these amounts in a governmental fund instead of the District's enterprise fund that received the benefit..

Status: See repeat of comment in current year finding 2023-002.

MAJOR FEDERAL PROGRAM FINDINGS

2022-004

Condition: The City has specific CDBG grant personnel that are responsible for reviewing all grant expenditures to ensure they are allowable. However, the designated grant personnel are reviewing the expenditures after the disbursement has been made instead of prior to authorizing the disbursement and charging to the grant. In addition, there is no formal documentation retained to illustrate that all disbursements were reviewed. Internal controls over federal awards should include authorization by appropriate grant personnel prior to such disbursements occurring.

Status: Corrective action has been taken.

2022-005

Condition: From July 2021 through September 2021, personal services charged were recorded for two employees based on budget to the program and an after-the-fact determination of personal services charged to the program was not conducted and adjustments, if necessary, were not recorded. In addition, The City corrected this matter beginning October 2021 and this finding did not apply from October 2021 through June 2022. In addition, in some cases, overtime charges occurred that were not supported by timesheets.

Status: Corrective action has been taken.

2022-006

Condition: After the findings the City received in the prior year audit, the City revised the internal controls over payroll to require a supervisor's review and approval of hours charged to federal awards on the electronic timesheets, which is in line with the requirements of the Uniform Guidance. In 2 out of 12 payroll transactions tested, there was no supervisor approval of hours charged to the federal award, which was a lack of internal controls.

Status: Corrective action has been taken.

CITY OF VICTORVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2023

2022-007

Condition: The City is a prime recipient and provided subawards totaling \$135,000 to three recipients, each over the \$30,000 reporting threshold. Three out of the three FFATA reports were filed for these recipients, but all were filed after the end of the month following the month in which the sub-grant was awarded.

Status: Corrective action has been taken.

2022-008

Condition: The City was not able to provide supporting documentation that the verification of suspension or debarment was performed prior to entering into the contract.

Status: Corrective action has been taken.

If the United States Department of Housing and Urban Development or United States Department of Treasury has questions regarding the schedule, please call Cristian Dominguez, Finance Analyst, at 760-955-5083.

Signature: 
Name and Title: Carmen Can, Finance Director/City Treasurer