

ATTACHMENT A
SINGLE AUDIT OF FEDERALLY ASSISTED GRANT
PROGRAMS YEAR ENDED JUNE 30, 2022

**CITY OF VICTORVILLE
VICTORVILLE, CALIFORNIA**

**SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS**

YEAR ENDED JUNE 30, 2022



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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, 2022, 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 April 11, 2023.

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 2022-001 through 2022-003 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
April 11, 2023



**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, 2022. 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, 2022.

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.

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 2022-004 through 2022-008. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-004 through 2022-008, to be significant deficiencies.

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

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

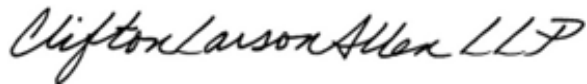
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated April 11, 2023, 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.

Honorable Mayor and Members of City Council
City of Victorville

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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

CliftonLarsonAllen LLP

Irvine, California
May 24, 2023

CITY OF VICTORVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

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	\$ 1,674,691	\$ 467,655
COVID-19 CDBG	14.218	n/a	446,317	-
Total CDBG Entitlement Grants Cluster			2,121,008	467,655
HOME Investment Partnerships Program	14.239	n/a	314,361	-
Total United States Department of Housing and Urban Development			2,435,369	467,655
United States Department of Justice				
Passed-through the County of San Bernardino:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0991	8,918	-
Total United States Department of Justice			8,918	-
United States Department of Transportation				
Direct Assistance:				
Airport Improvement Program	20.106	n/a	940,527	-
COVID-19 Airport Improvement Program	20.106	n/a	94,327	-
Total Airport Improvement Program			1,034,854	-
Passed-through California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	DEMO5UBL- 5380(028)	12,697,538	-
Highway Planning and Construction	20.205	BHLS-5380(026)	2,409,041	-
Highway Planning and Construction	20.205	ATPL-5380(032)	359,311	-
Total Highway Planning and Construction Cluster			15,465,890	-
Total United States Department of Transportation			16,500,744	-
United States Department of Treasury				
Passed-through the County of San Bernardino:				
COVID-19 Coronavirus Relief Fund	21.019	CARES21- PRJC-VIC	2,139	-
Direct Assistance:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	1,796,796	-
Total United States Department of Treasury			1,798,935	-
United States Department of Homeland Security				
Passed-through the County of San Bernardino:				
Emergency Management Performance Grants	97.042	n/a	21,449	-
Total United States Department of Homeland Security			21,449	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 20,765,415	\$ 467,655

CITY OF VICTORVILLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

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, 2022. 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 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.

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, 2022**

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> x </u> yes | <u> </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> x </u> yes | <u> </u> no |

Identification of Major Federal Programs

Assistance Listing Numbers

14.218
20.106
20.205
21.027

Name of Federal Program or Cluster

Community Development Block Grants Cluster
Airport Improvement Program
Highway Planning and Construction Cluster
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, 2022**

Section II – Financial Statement Findings

2022-001

- Material Weakness in Internal Control over Financial Reporting

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.

Criteria or Specific Requirement: The pension deferred outflows and inflows of resources and pension expense should be recorded in the general ledger at amounts that agree to the CalPERS provided amounts for the miscellaneous defined benefit pension plan and to the calculated amounts utilizing the CalPERS tool for the safety cost-sharing defined benefit pension plan. The amounts allocated to City funds should follow the City's historical policy for allocating such amounts, which is based on the current year CalPERS contributions by fund.

Effect: The pension deferred outflows and inflows of resources and pension expense were materially misstated, which resulted in an overall decrease to pension expense of approximately \$2.4 million, increase to deferred outflows of \$19.8 million and increase to deferred inflows of \$17.5 million.

Cause: The City made errors when generating the journal entry to record the pension deferred outflows and inflows of resources and pension expense.

Repeat Finding: This finding is a repeat of a finding in the immediately prior year.

Recommendation: We recommend the City implement policies and procedures to ensure the accurate recording of pension amounts in all funds.

Views of Responsible Officials and Planned Corrective Actions: With the additional staff added in FY21/22, there was insufficient training which took place and resulted in reconciliation errors in City amounts versus auditors' amounts. After meeting with the auditors to review the reconciliation steps and ending balances, it was determined a step was incorrectly omitted which caused the reconciliation to the incorrect table in the actuarial valuation and the City has since corrected the reconciliation processes. Implementation of a three-tier review process is now in place and additional staff will be properly trained in FY22/23 as part of our cross-training procedures.

As part of the FY 23-24 budgeting process, the City's Executive Management Team will be requesting the addition of an Internal Auditor position to the Table of Organization to help to identify potential audit issues on an ongoing basis, prior to the external auditing process.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022-002

- Material Weakness in Internal Control over Financial Reporting

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.

Criteria or Specific Requirement: When capital projects are complete and meet the City's capitalization policy, these projects should be moved to the appropriate asset category, such as infrastructure, and depreciated over the life of the asset. Projects that do not meet the City's capitalization policy should not be recorded as construction in progress and should be expensed as incurred. When projects are cancelled and the asset is no longer usable, the project should be expensed. In addition, all expenses/expenditures that meet the City's capitalization policy should be capitalized. When goods have not yet been received, the City should record a prepaid asset instead of a capital asset. Capital assets contributed from tenants should be recognized as capital contributions and a capital asset addition in the year the assets are contributed. Any corresponding liability due to tenants from donating these capital improvements should be recognized as the liability is incurred.

Effect: Audit adjustments had a net impact to decrease capital assets \$4.5 million, decreasing expenses/expenditures \$2.7 million and increase prepaid items \$4.2 million. The restatement increased capital assets \$8.2 million, recorded accumulated depreciation of \$201 thousand, and recognized a \$756 thousand liability for rental credits from tenant capital improvements made and contributed to the SCLAA.

Cause: The City did not sufficiently follow the year-end closing procedures to identify the above errors. In addition, the SCLAA did not review lease agreements for capital improvement and rental credit terms to consider the impact on the general ledger.

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 review leases for capital improvement and rental credit terms.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022-002 (Continued)

Views of Responsible Officials and Planned Corrective Actions:

- (1) City personnel reconciling capital assets will review with departments at 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) In performing reconciliation of the assets currently in the Construction in Progress (CIP) account as part of the review process, staff discovered an asset which had been completed in FY2020-21 but was still recorded as “CIP”. Staff immediately capitalized the item and brought this to the attention of the supervisor who contacted auditors to make them aware.
- (3) With the implementation of GASB87, staff did not have procedures already in place to capture portions of a lease which had rental credits for tenant improvements to be completed. Staff has now incorporated this as part of the review of all new leases so any future lease agreements with embedded rental credits or other tenant improvement lease payment reductions are recognized as capital improvements when appropriate. Additionally, staff will discuss new leases with departments to ensure that any non-lease revenue is properly recorded.

As part of the FY 23-24 budgeting process, the City’s Executive Management Team will be requesting the addition of an Internal Auditor position to the Table of Organization to help to identify potential audit issues on an ongoing basis, prior to the external auditing process.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022-003

- Material Weakness in Internal Control over Financial Reporting

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.

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 revenues and expenses should be recorded in the fund that received the benefit.

Effect: Approximate changes in the general ledger balances due to the adjustments are as follows: net decrease in receivables of \$13.4 million, net decrease in deferred inflows of resources, unavailable revenues, and unearned revenues of \$12.5 million, and a net decrease in revenues of \$803 thousand. In addition, the City had a restatement of \$591 thousand to record unearned revenue for amounts collected that must be returned to ratepayers if not utilized. This also resulted in an audit adjustment of \$635 thousand to record revenues and expenses in the District and remove these revenues and expenditures from the City's governmental special revenue fund.

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. The City recorded the cash received in the District's enterprise fund; however, all revenues and expenditures/expenses were recorded in a City governmental special revenue fund.

Repeat Finding: This finding is a repeat of a finding in the immediately prior year.

Recommendation: We recommend 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 the District implement policies and procedures to ensure all grant revenues and expenditures are recorded in the fund that received the benefit.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022-003 (Continued)

Views of Responsible Officials and Planned Corrective Actions: 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.

Additionally, with the new American Rescue Plan Act (ARPA) revenue received in Fiscal Year 2021 and 2022, the city implemented a utility assistance plan to help those who fell behind on their residential water and sanitation payments as a result of COVID-19. Staff did not realize that this needed to be recorded in the appropriate enterprise accounts as revenue from other governments instead of treating it like a governmental grant for that program. Since all other ARPA programs to date are government related, this issue should not come up again. Staff has made note of this in the grant reconciliation procedures for any future grants as part of the audit review.

As part of the FY 23-24 budgeting process, the City's Executive Management Team will be requesting the addition of an Internal Auditor position to the Table of Organization to help to identify potential audit issues on an ongoing basis, prior to the external auditing process.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-004

Federal Agency: United States Department of Housing and Urban Development

Federal Program Name: CDBG Entitlement Grants Cluster: Community Development Block Grant (CDBG)

Assistance Listing Number: 14.218

Federal Award Identification Number and Year: B-21-MC-06-0593; B-20-MC-06-0593; B-19-MC-06-0593; B-18-MC-06-0593; B-17-MC-06-0593; B-16-MC-06-0593; Award Years 2021, 2020, 2019, 2018, 2017, and 2016

Award Period: Fiscal Year 2021-2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance (Allowable Costs)
- Other Matter (Allowable Costs)

Criteria or Specific Requirement: 2 CFR Part 200, section 200.303 of the Uniform states that a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

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.

Questioned Costs: None noted.

Context: All disbursements are reviewed in the same manner.

Cause: The City will correct any unallowed expenditures identified by grant personnel by moving such expenditures to an appropriate fund and revenue source. These procedures were deemed by the City to be adequate.

Effect: Without formal documentation of the review process, the review might not occur without management's knowledge. In addition, internal controls should have a preventative as well as detective aspect to ensure timely identification of any unallowable costs or activities.

Repeat Finding: This is not a repeat finding.

CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Section III – Findings and Questioned Costs – Major Federal Programs

2022-004 (Continued)

Recommendation: We recommend that the City either utilize the electronic authorization capabilities of the accounting system or manually initial or sign invoices to have approvals of all grants expenditures by the designated grant personnel prior to disbursing the funds.

Views of Responsible Officials: The City maintains internal controls to review all CDBG expenditures. These controls vary based upon expenditure type (e.g. administration, City Department subrecipients, and non-City subrecipients); however, all of these expenditure types are reviewed prior to disbursement. These controls are summarized as follows:

- Administration – Expenditures such as hours worked by City Staff, procurement of office supplies used to supplement the CDBG program, and other administrative costs are tracked through the City's accounting system. These measures currently include the review/approval by managers/supervisors of City staff hours worked and the projects/activities completed, and review/approval of Purchase Requisitions and Purchase Orders by City staff through the City's accounting system, all of which occur prior to disbursement. Purchase Requisitions and Purchase Orders also include a contract and an invoice or project description that lets appropriate City staff determine the eligibility of the proposed disbursement and the associated account being charged.
- City Department Subrecipients – Expenditures for City Department Subrecipients are not made until review has been completed and the associated Purchase Requisitions and Purchase Orders is approved by appropriate City staff. Purchase Requisitions and Purchase Orders also include an invoice or project description that lets appropriate City staff determine the eligibility of the proposed disbursement and the associated account being charged. Applicable projects are also tracked through the City's process to solicit bids/proposals, with the scope of work reviewed during all phases of the project to ensure grant eligibility.
- Non-City Subrecipients – Subrecipients from outside the organization are subject to a thorough reimbursement protocol that includes the following:
 - Checklist - Provided to all grantees outlining requirements for submitting reimbursement requests, with example/fillable exhibits to outline eligible expenditures. These exhibits require the submittal of supplemental evidence (e.g. receipts, cancelled check/bank statements, time sheets, description of services provided, client eligibility, etc.). Paper records of these items are maintained.
 - Reviews - All reimbursement requests are reviewed/verified by two separate City departmental grant staff, with signatures confirming the eligibility of the request. Paper records of these items are maintained.
 - Purchase Orders - Invoices are included in all submittals to the City's accounting system. All purchase orders are reviewed/approved by City staff via accounting system.

In addition to maintaining paper records, moving forward all Purchase Orders and submitted invoices for non-City subrecipients will include copies of the approved/signed exhibits further confirming staff review of such items. All other Purchase Orders will include invoices that include a signed or initialed acknowledgement by appropriate City staff to supplement reviews/approval performed via the City's accounting system.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-005

Federal Agency: United States Department of Housing and Urban Development

Federal Program Name: CDBG Entitlement Grants Cluster: Community Development Block Grant (CDBG)

Assistance Listing Number: 14.218

Federal Award Identification Number and Year: B-21-MC-06-0593; B-20-MC-06-0593; B-19-MC-06-0593; B-18-MC-06-0593; B-17-MC-06-0593; B-16-MC-06-0593; Award Years 2021, 2020, 2019, 2018, 2017, and 2016

Award Period: Fiscal Year 2021-2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance (Allowable Costs)
- Other Matter (Allowable Costs)

Criteria or Specific Requirement: Allowable Costs: Uniform Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart E, §200.430 allows for budget estimates for personal services to be used for interim accounting purposes provided, among other criteria, that “The nonfederal entity’s system of internal controls includes processes to review after-the-fact interim charges made to a federal awards based on budget estimates. All necessary adjustments must be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.”

Allowable Costs: Uniform Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart E, §200.430 requires payroll records to support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award; a federal award and nonfederal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

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.

Questioned Costs: The amount of known salaries and fringe benefits charged to the federal program that were based on budgeted percentages during the fiscal year 2021-2022 is \$24,358. The amount of overtime charged to the federal program that was not supported by timesheets was \$853. The likely amount of questioned costs for overtime charges cannot be determined since there are no records that accurately reflect the actual work performed.

CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Section III – Findings and Questioned Costs – Major Federal Programs

2022-005 (Continued)

Context: Payroll and fringe benefits were charged based on budgeted percentages in 2 of 12 samples tested. There was a total of 4 pay periods where two employees' wages and fringe benefits were charged to the program based on budgeted percentages. Overtime was charged without a supporting timesheet in 2 out of 12 samples tested.

Cause: The City received the comment in prior years and did not make changes for all employees for the fiscal year 2021-2022. Overtime charges that occurred without a timesheet was an error not identified or corrected through the internal control process.

Effect: The amount of personal services charged to the federal award may be over or understated.

Repeat Finding: Repeat of prior year finding number 2021-006.

Recommendation: We recommend that personnel track their actual time spent working on the program (including all other hours worked) so that an after-the-fact adjustments can be made such that the final amount charged to the federal award is accurate, allowable, and properly allocated. This recommendation was implemented by the City beginning October 2021. We recommend that the City implement policies and procedures to review all charges to federal awards, including overtime, to verify amounts are supported by timesheets that are approved by appropriate supervisors.

Views of Responsible Officials: Since early 2021, City staff funded by CDBG/HOME entitlement grants have utilized electronic timesheets to track time spent working on the various programs by adjusting their weekly time entries to reflect actual time spent on a specific eligible activity. In some cases, these activities are also tracked by a Journal Entry (JE) with a description of the eligible activities and an hourly breakdown provided to supplement the JE. These tracking methods ensure amounts charged to the federal awards are accurate, allowable, and properly allocated. Additionally, overtime hours inadvertently entered by Code Enforcement Staff has been addressed by Code Enforcement Supervisors who are communicating with their employees to ensure they are tracking time and completing electronic time sheets correctly. All coding changes performed by finance department personnel will be sent via email for approval by supervisors until the payroll division can implement new procedures through the electronic timesheet system that will route approvals to supervisors through the established workflow. Additionally, case management / GIS system adjustments at a parcel level will be developed to further improve data correlation between claimed staff hours and program specific locations. Beginning October 2021, as noted, continuing through the reporting period with implementation ongoing since that time, the subject finding has been corrected. The personnel services charged for two employees based on budget to the program has since been corrected beginning October 2021 as noted.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-006

Federal Program Name: CDBG Entitlement Grants Cluster: Community Development Block Grant (CDBG).

Assistance Listing Number: 14.218.

Federal Award Identification Number and Year: B-21-MC-06-0593; B-20-MC-06-0593; B-19-MC-06-0593; B-18-MC-06-0593; B-17-MC-06-0593; B-16-MC-06-0593; Award Years 2021, 2020, 2019, 2018, 2017, and 2016

Award Period: Fiscal Year 2021-2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance (Allowable Costs)
- Other Matter (Allowable Costs)

Criteria or Specific Requirement: Allowable Costs: Uniform Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart E, §200.430 requires payroll charges to be supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

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.

Questioned Costs: None since hours worked were documented (except as noted in finding 2022-005), but the support for the supervisor approval was not able to be inspected and verified.

Context: The payroll charges without supervisor approval totals \$5,188 and occurred in 2 out of 12 transactions tested.

Cause: Upon receiving the prior year finding, the City was not able to implement the payroll internal control changes for all transactions in the next fiscal year since part of the year had passed before the audit procedures could be performed.

Effect: The payroll records are not in compliance with the requirements of the Uniform Guidance.

Repeat Finding: Repeat of prior year finding number 2021-007.

Recommendation: We recommend that the City ensure all timesheets require approval of hours charged to federal awards by a supervisor so that the City is in compliance with the Uniform Guidance payroll documentation requirements.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-006 (Continued)

Views of Responsible Officials: Since early 2021, City Staff funded by CDBG/HOME entitlement grants have utilized electronic timesheets to track time spent working on the various programs by adjusting their weekly time entries to reflect actual time spent on a specific eligible activity. In some cases, these activities are also tracked by a Journal Entry (JE) with a description of the eligible activities and an hourly breakdown provided to supplement the JE. These tracking methods ensure amounts charged to the federal awards are accurate, allowable, and properly allocated. Additionally, both of the methods above require supervisor approval and all City staff approving electronic time sheets related to CDBG/HOME grants have been instructed to ensure time entries are correct and eligible, with technical assistance provided by the City's CDBG/HOME grant administration staff as needed. All coding changes performed by finance department personnel will be sent via email for approval by supervisors until the payroll division can implement new procedures through the electronic time sheet system that will route approvals to supervisors through the established electronic workflow. Timesheet approval reviewers have since been updated to ensure proper supervisory personnel approves all timesheets in the event primary reviewers are absent or unable to approve.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-007

Federal Program Name: CDBG Entitlement Grants Cluster: Community Development Block Grant (CDBG)

Assistance Listing Number: 14.218

Federal Award Identification Number and Year: B-21-MC-06-0593; B-20-MC-06-0593; B-19-MC-06-0593; B-18-MC-06-0593; B-17-MC-06-0593; B-16-MC-06-0593; Award Years 2021, 2020, 2019, 2018, 2017, and 2016

Award Period: Fiscal Year 2021-2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance (Reporting)
- Other Matter (Reporting)

Criteria or Specific Requirement: Reporting: Prime recipients awarded a federal grant greater than or equal to \$30,000 are subject to FFATA sub-award reporting requirements as outlined in the Office of Management and Budgets guidance issued August 13, 2020. The prime recipient is required to file a FFATA subaward report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000.

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.

Questioned Costs: None noted.

Context: 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.

Cause: The City was not aware of the FFATA reporting requirements.

Effect: The City is not in compliance with the FFATA reporting requirements.

Repeat Finding: Repeat of prior year finding number 2021-008.

Recommendation: We recommend the City implement policies and procedures to ensure that FFATA reporting occurs for all subawards of \$30,000 or more for all federal awards and that the reporting be performed timely.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-007 (Continued)

Views of Responsible Officials: In May 2022, it was brought to the City's CDBG/HOME grant staff's attention that subawards over the amount of \$30,000 must be reported under the Federal Funding Accountability and Transparency Act (FFATA). Staff contacted the City's Department of Housing and Urban Development (HUD) representative to confirm Community Development Block Grant subawards must be entered into the Subaward Reporting System. The HUD representative confirmed this requirement. The City's CDBG/HOME grant staff began regular reporting in the system quarterly starting with the first quarter of the 2022 2023 fiscal year and has retroactively reported for fiscal year 2021-2022. In order for subawards to be entered into the system, the sub-awardee must possess a Unique Entity ID and other pertinent data that is collected with the initial grant application, which had not previously been collected in full but was collected at the subrecipient application stage beginning with the 2022-2023 fiscal year. Moving forward, City staff will confirm FFATA reporting completion in conjunction with the forwarding of official CDBG award contracts to the City Manager for final signatures, which will ensure timely filing in accordance with FFATA requirements.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-008

Federal Program Name: COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Federal Award Identification Number and Year: None

Award Period: Fiscal Year 2021-2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance (Suspension and Debarment)
- Other Matter (Suspension and Debarment)

Criteria or Specific Requirement: Suspension and Debarment: 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires compliance with the provisions of suspension and debarment. The City should have internal controls designed to ensure compliance with those provisions.

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.

Questioned Costs: None noted.

Context: There were only two vendors during fiscal year 2021-2022 that were a covered transaction for this program. While the City did not perform the suspension and debarment verification for these vendors tested, the vendors were not on the suspended and debarred listing.

Cause: The City did not maintain supporting documentation that the verification of suspension or debarment was performed prior to entering into the contract. The vendors are routinely used for IT procurement and the City has ongoing contracts. The City was under the impression that a separate verification of this vendor was not necessary.

Effect: No vendors were noted that were suspended or debarred; however, there was no documentation retained to verify that the City followed their internal controls to ensure the vendor was not suspended or debarred prior to entering into the transactions.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the City implement procedures to ensure that verification documentation for suspension and debarment is maintained to support the City's internal control over compliance.

**CITY OF VICTORVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022-008 (Continued)

Views of Responsible Officials: Finance purchasing staff will hold annual training which will include requirements for all purchases, based on funding, to go through this division to ensure that all required verifications and paperwork are adhered to by city personnel. Purchasing staff will also distribute a Purchasing Checklist to each department confirming the requirement to process grant funded projects/procurements through the Purchasing Division which is set up to verify suspension and disbarment status of potential awarded suppliers/contractors.



**CITY OF VICTORVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

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, 2022.

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

2021-001

Condition: Amounts recorded in the general ledger for the net pension liability and corresponding deferred outflows and inflows of resources 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: See repeat of comment in current year finding 2022-001.

2021-002

Condition: The sanitary enterprise fund had a project in construction in progress that was expensed. Due to audit inquiry, this amount was re-capitalized and depreciation expense was recorded.

Status: See repeat of comment in current year finding 2022-002.

2021-003

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.

Status: See repeat of comment in current year finding 2022-003.

CITY OF VICTORVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2022

2021-004

Condition: The City has loans due from the SCLAA enterprise fund to the Successor Agency to the Victorville Redevelopment Agency (Successor Agency) totaling approximately \$11 million that were due to be repaid on June 30, 2014. Due to revenue shortfalls, the loans were not repaid as scheduled and there were no amendments to the underlying promissory notes to extend the period of repayment. There are no current repayment terms or plans.

Status: Corrective action has been taken.

2021-005

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.

Status: Corrected.

2021-006

Condition: From July 2020 through March 2021, personal services charged were recorded 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 April 2021 and this finding did not apply from April through June 2021. In addition, in some cases, overtime charges occurred that were not supported by timesheets.

Status: Partially corrected. See repeat finding 2022-005.

2021-007

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 17 payroll transactions tested, there was no supervisor approval of hours charged to the federal award, which was a lack of internal controls.

Status: Partially corrected. See repeat finding 2022-006.

2021-008

Condition: The City is a prime recipient and provided subawards totaling \$192,538 to five recipients, each over the \$30,000 reporting threshold. No FFATA reports were filed for these five recipients.

Status: Partially Corrected. See repeat finding 2022-007.

**CITY OF VICTORVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

If the United States Department of Housing and Urban Development or United States Department of Treasury has questions regarding the schedule, please call Kim Scott, Finance Manager, at 760-955-5081.

Signature:  _____

Name and Title: John Mendiola, Finance Director/City Treasurer



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