



FINANCE AND AUDIT COMMITTEE MEETING

550 E. Sixth Street, Beaumont, CA

Monday, April 11, 2022 - 6:00 PM

Materials related to an item on this agenda submitted to the Finance and Audit Committee after distribution of the agenda packets are available for public inspection in the City Clerk's office at 550 E. 6th Street during normal business hours.

AGENDA

MEETING PARTICIPATION NOTICE

This meeting will be conducted utilizing teleconference communications and will be recorded for live streaming as well as open to public attendance subject to social distancing and applicable health orders. All City of Beaumont public meetings will be available via live streaming and made available on the City's official YouTube webpage. Please use the following link during the meeting for live stream access.

beaumontca.gov/livestream

Public comments will be accepted using the following options.

1. Written comments will be accepted via email and will be read aloud during the corresponding item of the meeting. Public comments shall not exceed three (3) minutes unless otherwise authorized by City Council. Comments can be submitted anytime prior to the meeting as well as during the meeting up until the end of the corresponding item. Please submit your comments to: nicolew@beaumontca.gov
2. Phone-in comments will be accepted by joining a conference line prior to the corresponding item of the meeting. Public comments shall not exceed three (3) minutes unless otherwise authorized by City Council. Please use the following phone number to join the call **(951) 922 - 4845**.
3. In person comments subject to the adherence of the applicable health orders and social distancing requirements.

In compliance with the American Disabilities Act, if you require special assistance to participate in this meeting, please contact the City Clerk's office using the above email or call **(951) 572 - 3196**. Notification 48 hours prior to a meeting will ensure the best reasonable accommodation arrangements.

REGULAR SESSION

6:00 PM

CALL TO ORDER

Committee Members: Council Member Rey Santos, Council Member David Fenn, Treasurer Baron Ginnetti, Chair Steve Cooley, Vice Chair David Vanderpool, Member Thomas LeMasters, Member Dennis Garcia, Member Christina Nuno, Alternate Member Dameon Butler, and Alternate Member - vacant

Action of any Requests for Excused Absence

Pledge of Allegiance

Adjustments to Agenda

Conflict of Interest Disclosure

PUBLIC COMMENT PERIOD (ITEMS NOT ON THE AGENDA):

Any one person may address the Committee on any matter not on this agenda. If you wish to speak, please fill out a "Public Comment Form" provided at the back table and give it to the Committee Chair or Secretary. There is a three (3) minute limit on public comments. There will be no sharing or passing of time to another person. State Law prohibits the Committee from discussing or taking actions brought up by your comments.

ACTION ITEMS / PUBLIC HEARINGS / REQUESTS

1. Approval of Minutes

Recommended Action:

Approve Minutes dated March 14, 2022.

2. FY2022 General Fund and Wastewater Budget to Actual through March 2022, and Third Quarter Investment Report and Certification

Recommended Action:

Receive and file presented reports.

3. FY2021 Single Audit Report

Recommended Action:

Receive and file the Single Audit Report for FY2021.

4. Financial Training Subcommittee Presentation

Recommended Action:

Review the presentation and recommend approval by the City Council or provide the subcommittee with modifications.

SUB-COMMITTEE UPDATES

- Internal Control Committee
- Financial Training Committee

- CFD Training and FAQ Committee
- Reserve Policy Committee
- CalPERS Liability Committee
- Long-Term Financial Sustainability
- Bond Accountability

FUTURE AGENDA ITEMS

MEETING REVIEW - TREASURER

FINANCE DIRECTOR'S COMMENTS

ADJOURNMENT

The next regular meeting of the Finance and Audit Committee Meeting is scheduled for Monday, May 9, 2022, at 6:00 p.m.

Beaumont City Hall – Online www.BeaumontCa.gov

FINANCE AND AUDIT COMMITTEE MEETING

550 E. Sixth Street, Beaumont, CA

Monday, March 14, 2022 - 6:00 PM

MINUTES

REGULAR SESSION

6:00 PM

CALL TO ORDER at 6:04 p.m.

Present: Council Member David Fenn, Treasurer Baron Ginnetti, Chair Steve Cooley, Vice Chair David Vanderpool, Member Thomas LeMasters, Member Dennis Garcia, and Member Christina Nuno

Absent: Council Member Rey Santos, Alternate Member Dameon Butler

Action of any Requests for Excused Absence: **Council Member Santos**

Pledge of Allegiance

Adjustments to Agenda: **None**

Conflict of Interest Disclosure: **None**

PUBLIC COMMENT PERIOD (ITEMS NOT ON THE AGENDA):

No comments

ACTION ITEMS / PUBLIC HEARINGS / REQUESTS

1. Approval of Minutes

Motion by Member LeMasters

Second by Council Member Fenn

To approve Minutes dated February 14, 2022.

Abstain: Vanderpool

Approved by a 6-0 vote.

2. FY2022 General Fund and Wastewater Budget to Actual through February 2022

Motion by Vice Chair Vanderpool

Second by Member LeMasters

To receive and file report.

Approved by a unanimous vote.

3. Investment Policy Certification

**Motion by Council Member Fenn
Second by Treasurer Ginnetti**

To receive and file report.

Approved by a unanimous vote.

4. Nvoicepay – Accounts Payable Automation Service Presentation

**Motion by Treasurer Ginnetti
Second by Council Member Fenn**

To receive and file presentation.

Noes: Cooley

Approved by a 6-1 vote.

5. City of Beaumont Request for Proposal Procedure and Establishment of a Request for Proposal Review Sub-Committee

Consensus to establish an ad-hoc sub-committee for the review process of RFPs. The sub-committee will be coordinated through the Deputy City Clerk and the Chair as RFPs are in process.

6. Bond Accountability Sub-Committee Report

Brief discussion with no comments or changes.

SUB-COMMITTEE UPDATES

Internal Control Committee - Members Cooley and Ginnetti - ***No report.***

Financial Training Committee - Members Vanderpool, Cooley Ustation - ***No new updates, videos will be presented in April.***

CFD Training and FAQ Committee - Members Fenn, Vanderpool, Parton - ***No new updates. In process.***

Reserve Policy Committee - Member Nuno - ***Addition of Member LeMasters. No Report.***

CalPERS Liability Committee - Members Ginnetti, Cooley, Ustation - ***No report.***

Long-Term Financial Sustainability - Member Garcia - ***No report.***

Bond Accountability - Members Ustation, LeMasters - ***Policy has been presented and task is complete. Sub-Committee to remain as standing.***

FUTURE AGENDA ITEMS

**Review of Nvoicepay in 6 months time.
Single Audit Report**

MEETING REVIEW - TREASURER

FINANCE DIRECTOR'S COMMENTS

ADJOURNMENT at 7:15 p.m.

The next regular meeting of the Finance and Audit Committee Meeting is scheduled for Monday, April 11, 2022, at 6:00 p.m.



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Finance Director
DATE: April 11, 2022
SUBJECT: **FY2022 General Fund and Wastewater Budget to Actual through March 2022, and Third Quarter Investment Report and Certification**

Background and Analysis:

City staff presents monthly budget to actual analysis to the Finance and Audit Committee at each monthly meeting. Due to the timing of the end of the month and time constraints with posting the agenda, the FY2022 general fund and wastewater fund budget to actual reports and the Third quarter investment report and certification will be provided at the April 11 meeting.

Recommended Action:

Receive and file presented reports.



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Finance Director
DATE: April 11, 2022
SUBJECT: FY2021 Single Audit Report

Background and Analysis:

All public entities that expend more than \$750,000 in Federal funds are required to have a single audit. The single audit reviews the expenditure of the Federal funds and evaluates the internal controls of the public entity that are designed to ensure expenditures are handled appropriately and in compliance with both City policies and with internal control standards.

The audit, performed by the firm of Rogers, Anderson, Malady & Scott, LLP does not express an opinion on the effectiveness of the City's internal control. The report does provide the results of internal control testing and the findings from that process. These findings were highlighted for the Finance and Audit Committee on January 10, 2022, when the draft Report of Internal Control Over Financial Reporting for FY2021 was reviewed and received. All the internal control findings were presented during that meeting and are also included in this single audit report. There are no additional findings that were not addressed during the January 10, 2022, meeting.

Definition of Deficiency, Significant Deficiency or Material Weakness

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 combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A **significant deficiency** is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Findings

The audit did not identify any material weaknesses but did identify two significant deficiencies that were new findings and one repeat significant deficiency.

- Overhead Cost Allocation – identification of the lack of a formalized plan to capture overhead costs for grant administration – older finding from FY2018, FY2019 and FY2020.
- Billings – lack of segregation of duties related to the cash receipt billing process – new finding for FY2021, and
- Adherence to Investment Policy – not reporting quarterly reports to City Council – new finding for FY2021.

City staff has fully implemented corrective action on all findings noted by the auditors except for the overhead cost allocation finding. The City is currently in the process of a cost allocation and fee study and is scheduled to have results by July 2022.

The single audit report and detail of each of these internal control deficiencies is included as Attachment A.

Recommended Action:

Receive and file the Single Audit Report for FY2021.

Attachments:

- A. Single Audit Report for FY2021



City of Beaumont

Beaumont, California

Single Audit Report on Federal Awards

For the Year Ended June 30, 2021



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

City of Beaumont

**Single Audit Report on Federal Awards
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

PARTNERS

Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST
Brenda L. Odle, CPA, MST (Partner Emeritus)

Independent Auditor's Report

MANAGERS / STAFF

Gardenya Duran, CPA, CGMA
Brianna Schultz, CPA, CGMA
Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Thao Le, CPA, MBA
Julia Rodriguez Fuentes, CPA, MSA

To the Honorable City Council
City of Beaumont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 12, 2022.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



However, as described in the accompanying *Schedule of Findings*, we identified certain deficiencies in internal control that we consider to be significant deficiencies. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified deficiencies in internal control over financial reporting, described in the accompanying *Schedule of Findings* as items 2021-001, 2021-002, and 2021-003 that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Beaumont's Response to Findings

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

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
January 12, 2022



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

Independent Auditor's Report

PARTNERS

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To the Honorable City Council
City of Beaumont
Beaumont, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Beaumont's (the City's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program.



Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated January 12, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California

March 17, 2022 (except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is January 12, 2022)

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Assistance Listing Number	Program Identification Number	Federal Expenditures	Amount provided to subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through Riverside County Economic Development Agency</i>				
CDBG- Entitlement Grants Cluster:				
Community Development Block Grant	14.218	5.BEA-44-20	\$ 51,032	\$ -
Total ALN 14.218 and CDBG Entitlement Grants Cluster			<u>51,032</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>51,032</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
<i>Direct Assistance:</i>				
BJA FY20 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1796	35,016	-
Total ALN 16.034			<u>35,016</u>	<u>-</u>
Total U.S. Department of Justice			<u>35,016</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
<i>Passed through State of California Department of Transportation</i>				
Highway Planning and Construction Cluster:				
Potrero Interchange Project	20.205	DEM 10L-5209(008)	91,240	-
Total ALN 20.205 and Highway Planning and Construction Cluster			<u>91,240</u>	<u>-</u>
Total U.S. Department of Transportation			<u>91,240</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
<i>Passed through State of California Department of Treasury</i>				
Covid 19 - Coronavirus Aid, Relief and Economic Security (CARES) Act Funding	21.019	SLT-0043	635,569	-
Total ALN 21.019			<u>635,569</u>	<u>-</u>
Total U.S. Department of Treasury			<u>635,569</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Direct Assistance:</i>				
Covid 19 - Disaster Grants - Public Assistance COVID-19	97.036	4482-DR-CA	11,200	-
Total ALN 97.036			<u>11,200</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>11,200</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 824,057</u>	<u>\$ -</u>

See accompanying notes to the schedule of expenditures of federal awards.

City of Beaumont**Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards*Scope of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal activity of the City of Beaumont, California (City) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows, where applicable, of the City.

Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting, which is defined in Note 1 to the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures reported include any property or equipment acquisitions incurred under the federal programs.

Note 2: De Minimis Indirect Cost Rate

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

City of Beaumont

Schedule of Findings and Questioned Costs Year Ended June 30, 2021

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness identified?	_____	Yes	_____ X _____	No
Significant deficiencies identified?	_____ X _____	Yes	_____	None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____ X _____	No

Federal Awards

Internal control over major programs:

Material weakness identified?	_____	Yes	_____ X _____	No
Significant deficiencies identified?	_____	Yes	_____ X _____	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_____	Yes	_____ X _____	No
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Identification of major federal programs:

<u>ALN Number</u> 21.019	<u>Name of Federal Programs or Cluster</u> Coronavirus Aid, Relief and Economic Security (CARES) Act Funding
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Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	_____	Yes	_____ X _____	No
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City of Beaumont

Schedule of Findings and Questioned Costs Year Ended June 30, 2021

Section II: Financial Statement Findings

Finding 2021-001 – Overhead Cost Allocation

Condition:

The City allocates certain General Fund costs (administration, maintenance, etc.) to the Sewer Enterprise, Gas Tax, Transit Enterprise, and the Community Facilities District (CPD) Fund. The amounts are based on calculations included in schedules maintained by the Finance Department. Currently, the City is not allocating and recovering any of its indirect costs to federal (or state) grants. While the City completed a cost allocation study in April 2016 and has implemented the cost allocation of administrative costs to the various funds within the City, the City has not had a formal Cost Allocation Plan performed for charging of its costs to federally funded projects.

This finding was previously reported in 2020 as finding 2020-005, in 2019 as finding 2019-002 and in 2018 as finding 2018-007 – Overhead Cost Allocation.

Criteria:

Cost allocation plan methodologies should be thoroughly documented for transparency purposes, and updates to the plans should be done periodically in accordance with best practices.

Cause:

The City does have a formal cost allocation plan to allocate internal costs, and the plan developed internally is not sufficient to claim indirect costs against federal (and state) grant programs.

Effect:

The City could potentially be utilizing allocation methods which result in either less administrative costs or excessive administrative costs being allocated than would be allowable if detailed cost allocation studies were performed on a periodic basis, and in accordance with federal grant requirements. Costs that could be reimbursable from other than local sources may be able to be claimed if adequately supported. For federal awards, the City may elect to use the 10 percent of Modified Total Direct Cost (MTDC) de Minimis indirect rate to recover indirect costs as part of your federal grant budgets. If the City elects to use the 10 percent de Minimis rate, the Uniform Guidance requires that the City use Modified Total Direct Costs as the cost base. MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each sub award (regardless of the period of performance of the sub awards under the award).

Recommendation:

We recommend the City perform a full cost allocation study of administrative costs to ensure the detailed methodology for the allocation of administrative costs is reasonable and appropriate, based on the current circumstances, and that the methodology is clearly defined and documented. A plan should be prepared in accordance with the Uniform Guidance in the event the City wishes to allocate and claim the indirect costs against federal (and state) grant programs. Due to the complexity involved in developing a well-supported and reasonable indirect cost plan, the City should evaluate the cost of outsourcing this study as opposed to the use of internal staff time.

City of Beaumont

Schedule of Findings and Questioned Costs Year Ended June 30, 2021

Section II: Financial Statement Findings (continued)

Finding 2021-001 – Overhead Cost Allocation (continued)

Management's Response:

While the City completed a cost allocation study in April 2016 and has implemented the cost allocation of administrative cost to the various funds within the city, further work is necessary to fully comply with this recommendation. The City issued an RFP for a Full Cost Allocation Plan on September 28, 2021 and approved a contract with a consultant to provide the City with a Cost Allocation Plan for use beginning FY2023.

Finding 2021-002 – Billings - Segregation of Duties

Criteria:

During our audit, we noted the customer service counter representative collects payments for wastewater, records them into the billing system, and reconciles/approve them before posting into the general ledger.

Condition and Context:

During the audit, lack of segregation of duties was noted in the cash receipt billings process. The Customer Service Counter representative collects payments for wastewater, records them into the billing system, and reconciles/approves them before posting into the general ledger.

Effect:

Lack of segregation of duties related to the cash receipt billing process could result in erroneous, fictitious and or fraudulent cash receipts.

Recommendation:

We recommend that the Finance Department segregate the responsibilities for the collection of cash receipts, the recording of cash receipts into the billing system and the reconciliation of cash receipts to the general ledger.

Management Response to Finding:

Beginning in May 2021, the process for billing was changed to add in a layer of approval. The new process has the customer service counter running billing and the supervisor approves the billing through Info Send for the bills to be completed and mailed. Whoever is running the billing no longer approves the final documents. Finance completes all postings to the general ledger.

City of Beaumont

Schedule of Findings and Questioned Costs Year Ended June 30, 2021

Section II: Financial Statement Findings (continued)

Finding 2021-003 – Adherence to Investment Policy

Criteria:

Per the City's investment policy, the City treasurer is required to report quarterly reports to City Council with specific details as documented per the City's investment policy.

Condition and Context:

During the audit, we noted that the City Treasurer was not reporting quarterly reports to City Council for the entire fiscal year 2021.

Effect:

The purpose of the adoption of an established investment policy is to set forth the overall investment philosophy of the City as decided by its governing board. The policy should be guiding rule and it should be followed without exception.

Recommendation:

We recommend that the Finance Department take steps to inform its City Treasurer of these discrepancies and that the investment policy is to be followed as it is stated. A copy of the investment policy should be provided to the City Treasurer with written correspondence of these matters. An investment policy is a very effective means of protecting the assets of the City, and we suggest that a procedure be implemented to be certain that it is carried out.

Management Response to Finding:

The City approved a contract for investment advisor services on February 16, 2021, and the City Council approved an amended investment policy on May 18, 2021. On August 9, 2021, City staff presented to the Finance and Audit Committee the FY2020-2021 4th Quarter Pooled Cash Investment Report which was then received and filed by the City Council on August 17, 2021. City staff has since included all Trustee accounts within the quarterly reports to encompass all investments held by the City.

Section III: Federal Awards Findings and Questioned Costs

No current year findings and questioned cost noted.

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021**

Status of Prior Year Findings:

Financial Statement Findings

Finding 2020-004 – Segregation of Duties for Business Licenses Process

Status:

Corrected

Finding 2020-005 – Overhead Cost Allocation

Status:

Finding has not been corrected. Reported as Finding 2021-001 for the current year.

Federal Awards Findings and Questioned Costs

No prior year findings.



In relation to the City of Beaumont’s annual financial statement audit and the single audit for the year ended June 30, 2021, the City hereby submits a summary schedule of prior audit findings and a status of corrective actions as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 511 *Audit Findings follow-up*.

Summary Schedule of Prior Audit Findings

Reference Number: **Finding 2021-001 Overhead Cost Allocation**

The City does not have a formal cost allocation plan to allocate internal costs, and the plan developed internally is not sufficient to claim indirect costs against federal (and state) grant programs.

Year in which Finding Initially occurred: Fiscal Year 2018, 2019, 2020 and 2021

Status of Corrective Action: No action has been completed to date. A cost allocation study is planned for the Fall of 2021 to move forward with corrective action on this finding.

Reference Number: **Finding 2021-002 Billings – Segregation of Duties**

The Customer Service counter representative lacks segregation of duties related to the cash receipt billing process.

Year in which Finding Initially Occurred: Fiscal Year 2021

Status of Corrective Action: Beginning in May 2021, the process for billing was changed to add in a layer of approval. The new process has the customer service counter running billing and the supervisor approves the billing through Info Send for the bills to be completed and mailed. Whoever is running the billing no longer approves the final documents. Finance completes all postings to the general ledger.

**Reference Number:****Finding 2021-003 – Adherence to Investment Policy**

The City Treasurer was not reporting quarterly reports to the City Council for the entire fiscal year 2021.

Year in which Finding
Initially occurred:

Fiscal Year 2021

Status of Corrective
Action:

The City approved a contract for investment advisor services on February 16, 2021, and the City Council approved an amended investment policy on May 18, 2021. On August 9, 2021, City staff presented to the Finance and Audit Committee the FY2020-2021 4th Quarter Pooled Cash Investment Report which was then received and filed by the City Council on August 17, 2021. City staff has since included all Trustee accounts within the quarterly reports to encompass all investments held by the City.



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Finance Director
DATE: April 11, 2022
SUBJECT: Financial Training Subcommittee Presentation

Background and Analysis:

The Financial Training Subcommittee presented to the Finance and Audit Committee a PowerPoint that had been created as a financial training program for the general public. The Finance and Audit Committee requested to enhance that PowerPoint with audio. The subcommittee has completed this task and posted the presentation on YouTube. The link has been provided below for review. The PowerPoint slides have been attached as Attachment A.

<https://youtu.be/dbxDGHYOOdM>

Recommended Action:

Review the presentation and recommend approval by the City Council or provide the subcommittee with modifications.

Attachments:

A. Financial Training Presentation

Introduction to Local Government Finance

City of Beaumont



Why does the City of Beaumont collect taxes and fees?

- **To provide high quality public services, such as...**
- High quality police and fire services.
- Beautiful parks.
- Clean water.
- High quality roads.
- And much much more!

Who pays these taxes and fees?

- **Residents and visitors**
 - This is done through the payments of permit and utility fees, property taxes, sales taxes, and vehicle license fees.
- **Businesses**
 - This is done through business licenses and permits.
- **Other**
 - The City receives grants from various sources for operations and capital improvements.

Where does the money go?

- **The City uses separate funds to account for its operations and the various funding sources that support operations. The City has THREE operating funds.**
- 1. The General Fund-** This is the primary operating fund for the City. It funds core services including public safety, parks and recreation, streets maintenance, administration and finance, permitting and code enforcement.
 - 2. The Waste Water Fund-** These funds fund the operation of a wastewater system for residents and businesses of Beaumont.
 - 3. The Transit Fund-** These funds help provide transit operations to Beaumont's residents to enhance local and regional mobility.

Special Revenue Funds

- In addition to the three operating funds listed above, there are also special funds.
- The largest portion of special revenue funds are CFD funds.
- What is a CFD fund?
- CFD funds establish a Mello-Roos Community Facilities District (a “CFD”) which allows for financing of public improvements and services.

Capital Project Funds

- Finally, there are capital project funds.
- These funds are used to receive and track funds received from a variety of sources that are used to directly support the city's infrastructure and capital improvement projects.

How is the City held accountable?

- **Audits**
- Outside Firm (Not City Staff)
- Certified Public Accountants (CPA)
- Follow Professional Standards

What do audits do?

- Occur Every Year
- Examine Financial Records
- Review Agreements and Contracts
- Test Internal Controls and Processes
- Interview Leadership & Staff

What are the possible opinions the city can get from the audit?

- Unqualified: Clean – City of Beaumont has this opinion
- Qualified: Some Problems
- Adverse: Significant Problems
- Disclaimer: No Opinion, Big Problems

What is provided in the Financial Statements?

- Management Discussion and Analysis – provides financial highlights and overview of the financial statements.
- Government-wide Financial Statements – provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.
- Fund-Specific Financial Statements – report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives.
- Required Supplemental Information – includes schedules required to be presented showing information related to the City's pension plan, and a budgetary comparison schedule for the General Fund and the City's major special revenue funds.
- Supplementary Information – includes the combining statements and schedules of the non-major governmental funds, internal service funds, and agency funds.

What are notes to the Financial Statements?

- Most valuable section to the general public.
- Additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

What is an audit finding?

- A finding identifies an area where the City needs to improve.
- This report tracks progress toward fixing prior year findings and identifies any new ones.

Where can I find the City's most recent audits?

- [Audits and Reports | Beaumont, CA - Official Website \(beaumontca.gov\)](https://www.beaumontca.gov/audits-reports)

Who do I contact if I have further questions?

- You may call the City of Beaumont finance department at 951-572-3236.
- We look forward to hearing from you!