

*City of Ojai
Ojai, California*

Single Audit Report on Federal Awards

Year Ended June 30, 2021

CITY OF OJAI
Single Audit Report on Federal Awards
Year Ended June 30, 2021

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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**

Independent Auditor's Report

To the Honorable City Council
City of Ojai
Ojai, 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 Ojai, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 10, 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.

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.

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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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness. We did identify two deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 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's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City'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 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.

Rogers, Anderson, Malicky & Scott, LLP.

San Bernardino, California
September 29, 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 REQUIRED BY
THE UNIFORM GUIDANCE**

Independent Auditor's Report

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)

To the Honorable City Council
City of Ojai
Ojai, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Ojai's (the City) 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.

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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, 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 10, 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

September 29, 2022. (except for our report on the Schedule of Expenditures of Federal Awards, for which the date is January 10, 2022)

CITY OF OJAI
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor / Pass-through Grantor/Program Title	Assistance Listing Number	Program Identification Number	Federal Expenditures	Amounts provided to Subrecipients
<u>U.S. Department of Transportation</u>				
<i>Passed through the State of California Department of Transportation</i>				
Highway Planning and Construction Cluster:				
Bike and Pedestrian Improvement Program ¹	20.205	ATPCM 5251(026)	\$ 178,310	\$ -
Fox Canyon Pedestrian Bridge Program ¹	20.205	CML5251 (024)	400	-
Total CFDA 20.205 / Highway Planning and Construction Cluster			<u>178,710</u>	<u>-</u>
<i>Passed through the State of California Department of Transportation</i>				
COVID19 - Coronavirus Aid, Relief and Economic Security Act (CARES Act) Funding (FTA5311) Rural and Intercity Bus Program				
Funds	20.509	FTA0001988	390,498	-
Total CFDA 20.509			<u>390,498</u>	<u>-</u>
Total - U.S. Department of Transportation				<u>569,208</u> -
<u>U.S. Department of the Treasury</u>				
<i>Direct Program:</i>				
COVID19 - Coronavirus Relief Fund	21.019	20-1892-0-1-806	93,307	-
<i>Passed through the County of Ventura</i>				
COVID19 - Coronavirus Relief Fund	21.019	SLT0158	150,522	-
Total CFDA 21.019			<u>243,829</u>	<u>-</u>
Total - U.S. Department of the Treasury				<u>243,829</u> -
Total Expenditures of Federal Awards				<u>\$ 813,037</u> <u>\$ -</u>

¹Cluster

CITY OF OJAI

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal activity of the City of Ojai (the 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.

(b) Basis of Accounting

The expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles of in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown of the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(c) De Minimis Indirect Cost Rate

The City did not elect to use the 10% 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 OJAI**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(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Significant deficiency(ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	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 2 CFR 200.516(a)	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
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Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
20.509	COVID19 - Coronavirus Aid, Relief and Economic Security Act (CARES Act) Funding (FTA5311) Rural and Intercity Bus Program Funds

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

\$ 750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF OJAI

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2021

SECTION II. FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – Cash Disbursement Review

Significant Deficiency

Criteria

An important element of internal controls over financial reporting is for the entity to have procedures in place for the review of cash disbursements.

Condition

During our audit procedures, we noted that the review of the proof lists for each accounts payable run was not documented.

Recommendation

We recommend the City consistently implement the approval process for the proof lists and such approval is evidenced by signature of the individual reviewing and date of review.

Management Response

See attached Corrective Action Plan.

2021-002 – Internal Control over Federal Grant Reporting

Significant Deficiency

Criteria

An important element of internal controls over financial reporting is for the entity to have procedures in place for the accurate completion of the Schedule of Expenditures of Federal Awards (SEFA).

Condition

The SEFA has required multiple revisions as expenditures that did not have a corresponding grant agreement or were for the subsequent fiscal year were being included in the SEFA. The City did not have effective controls in place to ensure only expenditures with an agreement in place or expenditures for the correct fiscal year were included in the SEFA. Therefore, the City overstated the expenditures initially reported in the SEFA.

Recommendation

We recommend the City implement controls to ensure SEFA includes only expenditures for the fiscal year and that all expenses reported have a corresponding grant agreement.

CITY OF OJAI

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2021

SECTION II. FINANCIAL STATEMENT FINDINGS

2021-002 – Internal Control over Federal Grant Reporting (continued)

Significant Deficiency

Views of Responsible Officials

See attached Corrective Action Plan.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to report.

CITY OF OJAI

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2021

STATUS OF PRIOR YEAR FINDINGS:

SECTION II. FINANCIAL STATEMENT FINDINGS

No prior year findings.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No prior year findings.



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CORRECTION ACTION PLAN

In Response to Findings Relating to the Single Audit and the Schedule of Findings Year Ended June 30, 2021.

September 29, 2022

The city of Ojai respectfully submits the following corrective action plan for the year ended June 30, 2021:

Pam Greer, Finance Director
James Vega (Interim Public Works Director/City Manager)
401 S. VENTURA STREET
OJAI, CA 93023

Audit Period: July 1, 2020 – June 30, 2021

The findings from the September 29, 2022 schedule of findings are discussed below:

Finding 2021-001 – Cash Disbursement Review

Recommendation

We recommend the City consistently implement the approval process for the proof lists and such approval is evidenced by signature of the individual reviewing and date of the review.

Corrective Action Taken

“Invoice proof lists” are list of invoices before committing/posting those invoices to the general ledger were not consistently signed. We have implemented the signature of reviewer and date reviewed for the invoice proof list.

“Check proof list” are normally signed and dated. It is possible that we missed a couple during employee transition and/or the remote work process prevented physical signatures.

Proposed Completion Date

Already implemented October 2021.



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Finding 2021-002 – Internal Control over Federal Grant Reporting Significant Deficiency

Recommendation

We recommend the City implement controls to ensure SEFA includes only expenditures for the fiscal year and that all expenses reported have a corresponding grant agreement.

Corrective Action Taken

Departments applying for Grants will provide Finance with a detail copy to assist with tracking expenses and related timeline according to the grant agreement. Finance and Public Works will create a tracking code by grant immediately. The full effect will be realized in FY2022-23. The full effect will be realized in FY2022-23. This was implemented in October 2021, but vacancies in Public Works impeded on progress. Public Works analyst was vacant for at least two years now, therefore, tracking and reimbursements request has been delayed which added to the confusion by staff. Finance and other departments will work together closely to ensure correct reporting of grant expenses.

Proposed Completion Date

Already implemented October 2021.

For questions regarding this plan, please contact Pam Greer, Finance Director.

Sincerely,

A handwritten signature in black ink, appearing to read "James Vega". To the right of the signature, the text "Interim Public Works Director / City Manager" is printed in a standard font.