



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*

To the Honorable Mayor and Members of the City Council  
City of Pomona, 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 Pomona, California, (the City) as of and for the year ended June 30, 2016, 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 25, 2017.

#### **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) to determine the 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 was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We consider the following deficiencies to be material weaknesses:

#### **Fund Balance Restatements**

Material fund balance restatements in the amount of \$748,279 were made to correct the general ledger for Sewer CIP project expenses recorded in the Capital Outlay Fund that were incorrectly capitalized in the Sewer Fund. We recommend that management review the coding of its expenditures before posting to the general ledger to ensure that expenditures are recorded in the proper fund.



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**Management's Response:**

This particular restatement is a result of an accounting coding error from FY 2013 and it was identified by Finance Staff during a review of the Sewer Fund's financial statements. This was a unique transaction where the City issued a bond for use in both the General Fund and the Sewer Fund and it required separate tracking for each fund. To date, the bond funds have been fully expended and therefore an instance of this happening again is very unlikely. However, Finance is also in the process of acquiring updated fixed asset software that will assist with the correct posting of fixed assets and provide additional checks and balances to ensure this does not happen in the future.

**Cash with Fiscal Agent Reconciliation**

During the course of our audit procedures, we noted that cash with fiscal agent was not properly reconciled to the general ledger on a monthly basis. As a result, a material discrepancy was noted during our audit and a journal entry was provided to reconcile cash with fiscal agent. We recommend that monthly reconciliations be performed to ensure that cash transactions are properly recorded.

**Management's Response:**

The City does have a regular practice of reconciling fiscal agent cash on a monthly basis. Due to software constraints, this is a two-step process where the statements are first tied out to the reconciliation and then to the General Ledger. The City recently experienced a large amount of turnover in the Finance Department thus this task changed hands multiple times. This was an isolated error and the Finance Department has continued to implement the checks and balances to ensure that an error such as this does not occur in the future. Additionally, Finance is in the process of acquiring Bank Reconciliation software that will streamline this process and increase accuracy.

**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 was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



CPAs AND ADVISORS

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**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.

*Lance, Soll & Lughard, LLP*

Brea, California  
January 25, 2017