

City of National City

National City, California

Single Audit and Independent Auditor's Reports

For the Year Ended June 30, 2024



City of National City
Single Audit and Independent Auditor's Reports
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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 Mayor and Members of City Council
of the City of National City
National City, 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, each major fund, and the aggregate remaining fund information of the City of National City, California (the "City"), as of and for the year ended June 30, 2024, and the related notes to the basic financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated November 12, 2025.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002 to be a significant deficiency.

To the Honorable Mayor and Members of City Council
of the City of National City
National City, California
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Report on 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 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*.

The City’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City’s responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
November 12, 2025



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

Independent Auditor's Report

To the Honorable Mayor and Members of City Council
of the City of National City
National City, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of National City, California'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, 2024. The City's major federal programs are identified in the summary of the 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 types of 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, 2024.

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; 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 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 auditing standards generally accepted in the United States of America, *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 auditing standards generally accepted in the United States of America, *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.

To the Honorable Mayor and Members of City Council
of the City of National City
National City, California
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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 the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2024, and have issued our report thereon dated November 12, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
November 12, 2025

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City of National City
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Grant Award Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development:				
<i>Direct Programs:</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	B-23-MW-06-0560	\$ 703,149	\$ 40,000
CDBG - Entitlement Grants Cluster Subtotal			<u>703,149</u>	<u>40,000</u>
Home Investment Partnership Program:				
Home Investment Partnership Program	14.239	M-22-MC-06-0522	262,289	222,221
Home Investment Partnership Program	14.239	M-23-MC-06-0522	158,319	118,093
Home Investment Partnership Program	14.239	M-24-MC-06-0522	47,958	47,958
Home Investment Partnership Program Subtotal			<u>468,566</u>	<u>388,272</u>
Housing Voucher Cluster:				
Section 8 Housing Choice Voucher Program	14.871	CA116VO	17,246,062	-
Housing Choice Voucher Administrative Fees - CARES	14.EHV	CA116VO	605,195	-
Housing Voucher Cluster Subtotal			<u>17,851,257</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>19,022,972</u>	<u>428,272</u>
U.S. Department of Transportation:				
<i>Passed through the California Office of Traffic Safety:</i>				
Highway Safety Cluster:				
STEP OTS Grant	20.600	PT23053	47,521	-
Highway Safety Cluster Subtotal			<u>47,521</u>	<u>-</u>
STEP OTS Grant	20.608	PT23053	53,593	-
20.608 Subtotal			<u>53,593</u>	<u>-</u>
<i>Passed through the California Department of Transportation:</i>				
Highway Planning and Construction Cluster:				
Highway Planning & Construction	20.205	HSIPL-5066(041)	2,848	-
Highway Planning & Construction	20.205	HSIPL-5066(044)	5,884	-
Highway Planning & Construction	20.205	ATPL-5066(032)	1,469	-
Highway Planning & Construction	20.205	ATPL-5066(048)	6,830	-
Highway Planning & Construction	20.205	OLDCC RESILIENCY GRANT	320,926	-
Highway Planning and Construction Cluster Subtotal			<u>337,957</u>	<u>-</u>
Total U.S. Department of Transportation			<u>439,071</u>	<u>-</u>
U.S. Department of Treasury:				
<i>Direct Program:</i>				
Coronavirus State and Local Fiscal Recovery Fund (ARPA)	21.027	1505-0271	4,056,132	-
Total U.S. Department of Treasury			<u>4,056,132</u>	<u>-</u>
U.S. Department of Health and Human Services:				
<i>Direct Program:</i>				
CRI - Mass Prophylaxis Program	93.283	N/A	1,844	-
<i>Passed through the County of San Diego:</i>				
Aging Cluster:				
Special Programs for the Aging Title III, Part C	93.045	Program Income	180,432	-
Special Programs for the Aging Title III, Part C	93.045	561763	299,313	-
Special Programs for the Aging Title III, Part C	93.053	Incentive Pmt (NSIP-C1)	33,845	-
Special Programs for the Aging Title III, Part B	95.053	Incentive Pmt (NSIP-C2)	6,446	-
Special Programs for the Aging Title III, Part B	93.044	Program Income	3,804	-
Special Programs for the Aging Title III, Part B	93.044	561763	76,545	-
Aging Cluster Subtotal			<u>600,385</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>602,229</u>	<u>-</u>
Executive Office of the President:				
<i>Direct Programs:</i>				
High Intensity Drug Trafficking Areas Program	95.001	N/A	7,092	-
Total Executive Office of the President			<u>7,092</u>	<u>-</u>
U.S. Department of Homeland Security:				
<i>Direct Programs:</i>				
Assistance to Firefighters Grant	97.044	EMW-2021-FG-01015	724	-
SAFER Grant	97.083	EMW-2019-FF-01776	451,073	-
Total U.S. Department of Homeland Security			<u>451,797</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 24,579,293</u>	<u>\$ 428,272</u>

City of National City
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Note 1 – Reporting Entity

The financial reporting entity consists of the primary government, the City of National City (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The National City Joint Powers Financing Authority
- The Parking Authority of the City of National City

Note 2 – Basis of Accounting

Expenditures reported on the Schedule of Expenditures of Federal Awards (the “Schedule”) are reported on the accrual basis of accounting. 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. Negative amounts shown on the Schedule (where applicable) represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, preparation of the City’s basic financial statements.

Note 3 – Schedule of Expenditures of Federal Awards

The accompanying Schedule includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2024. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State of California and the County of San Diego is included in the Schedule. 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 position, changes in net position, or cash flows of the City.

Note 4 – Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

Note 5 – Subrecipients

During the fiscal year ended June 30, 2024, the City passed \$428,272 of federal awards through to subrecipients.

City of National City
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? 2024-001
- Significant deficiency(ies) identified? 2024-002

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Federal Expenditures
14.871/14.EHV	Housing Voucher Cluster	\$ 17,851,257
21.027	Coronavirus State and Local Fiscal Recovery Fund (ARPA)	4,056,132
	Total Expenditures of All Major Federal Programs	\$ 21,907,389
	Total Expenditures of Federal Awards	\$ 24,579,293
	Percentage of Total Expenditures of Federal Awards	89.13%

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? No

City of National City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement Audit

Finding 2024-001 Accounting Close and Accuracy in Financial Reporting

Criteria:

Management is responsible for the accuracy of the financial statements, including disclosures. As part of satisfying that responsibility, staff should possess the skills and knowledge necessary to complete the year-end close and diligently employ that knowledge and skill to produce a fully closed trial balance in order to facilitate reliable and accurate financial information.

Condition:

The City did not complete year-end closing procedures before presenting the trial balance to auditors, resulting in journal entries being presented to correct or to reclassify balances in financial statements in order to conform with accounting principles generally accepted in the United States. Changing enterprise resource management systems during the fiscal year also was a contributing factor.

Necessary journal entries included the following:

1. adjust net pension liability and related deferred outflows and inflows;
2. record sale of land held for resale;
3. record net OPEB liability and related deferred outflows and inflows;
4. record principal payments on outstanding long-term debt;
5. amortize discount on bonds;
6. recognize ARPA Fund revenues and adjust unearned revenues;
7. correct construction-in-progress and other general capital asset balances;
8. correct interest receivable;
9. record transfer out for debt service for Pension Obligation Bonds;
10. adjust internal balances for amounts due to/from other funds;
11. record GASB 87 lease activity;
12. correct loan and interest payments received;
13. adjust accrued interest.

Cause:

The Finance Department did not fully complete year-end closing procedures necessary to provide the auditors with a final, auditable trial balance. Concurrently, the Department was in the process of transitioning to a new enterprise resource planning (ERP) system, which diverted resources and contributed to delays in finalizing the general ledger. As a result, the City was unable to produce accurate and timely financial information in accordance with required reporting timelines.

Context and Effect:

Delays in processing transactions timely and closing accounting periods can create accounting errors that could go undetected and may lead the financial statements to be materially misstated and create further delays in the release of audited financial statements. Significant audit journal entries and client journal entries were necessary in order to get financial statements that were materially fairly stated in accordance with U.S. GAAP.

Repeat Finding:

No.

City of National City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit (Continued)

Finding 2024-001 Accounting Close and Accuracy in Financial Reporting (Continued)

Recommendation:

We recommend that the Finance Department complete all year-end closing procedures prior to the commencement of the audit to ensure a final, auditable trial balance is available at the start of fieldwork. In accordance with Government Finance Officers Association (GFOA) best practices, the City should implement a comprehensive year-end closing calendar that includes detailed tasks, assigned responsibilities, and internal deadlines to promote timely and accurate financial reporting.

Given the recent ERP system transition, we also recommend that the City evaluate staffing capacity and ensure key personnel receive adequate training to carry out closing procedures effectively. In addition, if future system changes or significant operational projects are anticipated, the City should develop contingency plans to avoid delays in financial reporting.

Management View and Corrective Action Plan:

The City finalized the implementation and converted to Tyler MUNIS ERP Financials phase I, in April 2024. Due to the conversion process of going live the last quarter of the fiscal year 2024, the year-end process was administered between two ERP Systems, the former accounting software EDEN, and newly implemented ERP Tyler MUNIS. Applied structure changes made between the old legacy accounting system (EDEN) and the new system (Tyler MUNIS ERP Financials) caused unanticipated delays and disruption in schedule preparation due to structure and conversion data validation. While the conversion was completed in April of 2024, a limited window for all staff and management to truly become familiar with the processing and managing the new system modules including extensive training, data conversion recognition, journal entry preparation review and approval, data and report generation, and year-end closing finalization causing significant challenges and time delays in preparing for the 2024 audit. In addition, staff needed to locate comparable data to fulfill the required testing requested by the auditors. The data that was tested during the implementation process which at conversion time seemed feasible during the training process in a test environment did not present itself as simple during the live data retrieval and preparation. During data gathering requests by the auditors, there were a substantial number of errors that could not be easily corrected which required the assistance of Tyler MUNIS ERP technical support. Support from Tyler MUNIS ERP was not straight forward, at times staff had to wait several days for guidance to test a proposed solution which caused delayed in furnishing deliverables to the auditors.

In addition to the unforeseen conversion problems of the Financials phase I, the City launched the implementation of Tyler MUNIS HRM/Payroll phase II. While going through the trainings in preparing the implementation of phase II, the City's Payroll and Human Resources process continued and currently continues in the legacy system EDEN. In effort for the live payroll to be reflected in Tyler MUNIS ERP Financials, a conversion journal is processed through a journal import from EDEN to Tyler MUNIS ERP. The process of preparing and converting payroll from legacy into Tyler MUNIS continues in the present time and will continue to occur as the city continues implementing phase II. This phase of the implementation was and currently stands in a delayed category due to the lack of proper and thorough training provided by a Tyler MUNIS implementation consultant during the initial process in 2024. The City was led to believe they were more than 50% complete in December 2024, which, was not a true statement. The then current implementation consultant left Tyler MUNIS abruptly in December 2024, leaving the City baffled and at a loss of words. Tyler MUNIS immediately looked for solutions to get our team set-up with a new implementation consultant in January 2025, to start the process from the beginning as if the City was being introduced to the phase II environment for the very first time.

City of National City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit (Continued)

Finding 2024-001 Accounting Close and Accuracy in Financial Reporting (Continued)

Management View and Corrective Action Plan (Continued):

In February 2024, during the implementation process of the Financial and HCM/Payroll software programs, Tyler MUNIS ERP, the Administrative Services Director who was the lead project manager of the Munis implementation project resign from the City. This unexpected loss caused a major shift in responsibility in many levels within the Finance and Human Resources departments and staff was not prepared for the immediate change. This caused a shift in tasks, assignments, and supervision of the project.

In summary, during fiscal year 2024, the City’s Finance department suffered significant challenges starting with the implementation of new accounting software; the numerous changes in the supporting staff from the Tyler Technology implementation team which lead to delays, lost productivity, and frustration on the City staff because of the misguidance by the Tylor Technology implementation team; the loss of the Executive Director who was the lead Project Manager of the new software implementation, and the challenges of going live with the new system during the last quarter of the fiscal year 2024, all lead to the delay in completing the June 30, 2024, audit in a timely manner.

Criteria:

Management is responsible for providing timely and accurate financial information. Since the City has expended over \$750,000 of expenditures of federal awards, Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance), states the City is required to submit the Data Collection Form and the reporting package to the Federal Audit Clearinghouse and the State Controller’s Office, which includes the Single Audit Report of the City, within the earlier of 30 days after receipt of auditor’s report, or nine months after the end of the audit period.

Condition:

The City has experienced delays in the issuance of the 2024 Single Audit required under Uniform Guidance.

Cause:

Due to changes in accounting staff and significant unforeseen workload impacts the Finance Department had difficulty handling the day-to-day operations and performing year-end closing procedures and the required external reporting functions simultaneously in order to provide timely financial statements (including the Single Audit Report).

Repeat Finding:

Yes. See 2023-001.

Effect or Potential Effect:

Delays in processing year-end closing procedures caused the financial statements release to be delayed. In addition, the City is neither in compliance with Uniform Guidance nor is it meeting its current demands for external financial reporting.

City of National City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit (Continued)

Finding 2024-002 Delay in Financial Reporting (Continued)

Recommendation:

Finance Department should look at increasing the amount of experienced finance staff to help facilitate year-end closing processes and the preparation of its basic financial statements (including the Single Audit Report). Because the basic financial statements (including the Single Audit Report) are the responsibility of the City, it is in its own best interest to closely monitor the accounting process to ensure that financial position and operating results are accurately and timely reported. The following steps could be used to avoid future delays:

- Assign additional qualified accounting personnel to help process complex transactions;
- Identify critical due dates and develop a listing of assignment, including department coordinated items, based on available resources to meet those due dates;
- Hold periodic meetings to monitor the progress of assignments and responsibilities; and
- Conduct enhanced management review of financial statements and audit schedules prior to presenting them to the auditors.

Management’s View and Corrective Action Plan:

The City finalized the implementation and converted to Tyler MUNIS ERP Financials phase I, in April 2024. Due to the conversion process of going live the last quarter of the fiscal year 2024, the year-end process was administered between two ERP Systems, The former accounting software EDEN, and newly implemented ERP Tyler MUNIS. Applied structure changes made between the old legacy accounting system (EDEN) and the new system (Tyler MUNIS ERP Financials) caused unanticipated delay and disruption in schedule preparation due to structure and conversion data validation. While the conversion was completed in April of 2024, a limited window for all staff and management to truly become familiar with the processing and managing the new system modules including extensive training, data conversion recognition, journal entry preparation review and approval, data and report generation, and year-end closing finalization causing significant challenges and time delays in preparing for the 2024 audit. In addition, staff needed to locate comparable data to fulfill the required testing requested by the auditors. The data that was tested during the implementation process which at conversion time seemed feasible during the training process in a test environment did not present itself as simple during the live data retrieval and preparation. During data gathering requests by the auditors, there were a substantial number of errors that could not be easily corrected which required the assistance of Tyler MUNIS ERP technical support. Support from Tyler MUNIS ERP was not straight forward, at times staff had to wait several days for guidance to test a proposed solution which caused delayed in furnishing deliverables to the auditors.

City of National City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit (Continued)

Finding 2024-002 Delay in Financial Reporting (Continued)

Management’s View and Corrective Action Plan: (Continued)

In addition to the unforeseen conversion problems of the Financials phase I, the City launched the implementation of Tyler MUNIS HRM/Payroll phase II. While going through the trainings in preparing the implementation of phase II, the City's Payroll and Human Resources process continued and currently continues in the legacy system EDEN. In effort for the live payroll to be reflected in Tyler MUNIS ERP Financials, a conversion journal is processed through a journal import from EDEN to Tyler MUNIS ERP. The process of preparing and converting payroll from legacy into Tyler MUNIS continues in the present time and will continue to occur as the city continues implementing phase II. This phase of the implementation was and currently stands in a delayed category due to the lack of proper and thorough training provided by a Tyler MUNIS implementation consultant during the initial process in 2024. The City was led to believe they were more than 50% complete in December 2024, which, was not a true statement. The then current implementation consultant left Tyler MUNIS abruptly in December 2024, leaving the City baffled and at a loss of words. Tyler MUNIS immediately looked for solutions to get our team set-up with a new implementation consultant in January 2025, to start the process from the beginning as if the City was being introduced to the phase II environment for the very first time.

In February 2024, during the implementation process of the Financial and HCM/Payroll software programs, Tyler MUNIS ERP, the Administrative Services Director who was the lead project manager of the Munis implementation project resign from the City. This unexpected loss caused a major shift in responsibility in many levels within the Finance and Human Resources departments and staff was not prepared for the immediate change. This caused a shift in tasks, assignments, and supervision of the project.

In summary, during fiscal year 2024, the City’s Finance department suffered significant challenges starting with the implementation of new accounting software; the numerous changes in the supporting staff from the Tyler Technology implementation team which lead to delays, lost productivity, and frustration on the City staff because of the misguidance by the Tylor Technology implementation team; the loss of the Executive Director who was the lead Project Manager of the new software implementation, and the challenges of going live with the new system during the last quarter of the fiscal year 2024, all lead to the delay in completing the June 30, 2024, audit in a timely manner.

City of National City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024

Section II – Financial Statement Findings (Continued)

B. Prior Year Findings – Financial Statement Audit

Finding 2023-001 Delay in Financial Reporting

Criteria:

Management is responsible for providing timely and accurate financial information. Since the City has expended over \$750,000 of expenditures of federal awards, Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance), states the City is required to submit the Data Collection Form and the reporting package to the Federal Audit Clearinghouse and the State Controller's Office, which includes the Single Audit Report of the City, within the earlier of 30 days after receipt of auditor's report, or nine months after the end of the audit period.

Condition:

The City has experienced delays in the issuance of the 2023 Single Audit required under Uniform Guidance.

Cause:

Due to changes in accounting staff and significant unforeseen workload impacts the Finance Department had difficulty handling the day-to-day operations and performing year-end closing procedures and the required external reporting functions simultaneously in order to provide timely financial statements (including the Single Audit Report).

Effect or Potential Effect:

Delays in processing year-end closing procedures caused the financial statements release to be delayed. In addition, the City is neither in compliance with Uniform Guidance nor is it meeting its current demands for external financial reporting.

Recommendation:

Finance Department should look at increasing the amount of experienced finance staff to help facilitate year-end closing processes and the preparation of its basic financial statements (including the Single Audit Report). Because the basic financial statements (including the Single Audit Report) are the responsibility of the City, it is in its own best interest to closely monitor the accounting process to ensure that financial position and operating results are accurately and timely reported. The following steps could be used to avoid future delays:

- Assign additional qualified accounting personnel to help process complex transactions;
- Identify critical due dates and develop a listing of assignment, including department coordinated items, based on available resources to meet those due dates;
- Hold periodic meetings to monitor the progress of assignments and responsibilities; and
- Conduct enhanced management review of financial statements and audit schedules prior to presenting them to the auditors.

City of National City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024

Section II – Financial Statement Findings (Continued)

B. Prior Year Findings – Financial Statement Audit (Continued)

Finding 2023-001 Delay in Financial Reporting (Continued)

Management’s View and Corrective Action Plan:

The City of National City’s Finance Department underwent a major turnover in long time experienced Accounting Staff during Fiscal Years 2021, 2022 & 2023. This unexpected timeline of staffing loss between the three years required new hire recruitment process and hiring periods. During the transition, the remaining Finance Staff withstood the impact of the major staffing loss and were left to keep audit schedules moving as best possible. Outside of the Finance Department, Finance relies heavily on other city departments for source information who also endured staffing turn-around causing a setback in source retrieval to complete varying tasks and schedules.

During Fiscal Year 2023 the city hired two staff accountants to fill the vacancies. Since then, Finance has been training the new incumbents and has been making progress with assigned tasks, schedules, and expectations.

To ensure Finance related tasks are well controlled and monitored, a fiscal year calendar matrix has been created and used as a source for the group to meet target dates.

The matrix identifies specific responsibilities and tasks, staff assignments, timeline of completion, and target dates to meet. The matrix is being utilized to facilitate stability of all financial related activity and prepared schedules. This serves as a source as the Finance Staff prepares required deliverables for the year-end-closing activities and the interim and final year- end audits. To ensure frequent communication and follow up, the Finance Accounting team meets on a weekly basis as a form of monitoring tasks to ensure accounting reviews, administration of appropriate entries, and schedule completion are orderly and completed in a timely fashion to meet stated audit target dates and timelines.

Status:

Not implemented. See Finding 2024-002.

City of National City
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024

Section III – Federal Award Findings

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2024.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2023.

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