

**CITY OF NORWALK, CALIFORNIA**  
**SINGLE AUDIT OF FEDERALLY ASSISTED**  
**GRANT PROGRAMS**

**JUNE 30, 2019**

**City of Norwalk**  
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**For the year ended June 30, 2019**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and  
Members of City Council  
City of Norwalk  
Norwalk, 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 Norwalk, California (the City), as of and for the year ended June 30, 2019, 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 December 2, 2019.

### **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.

*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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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*.

## **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.

*White Nelson Dick Evans LLP*

Irvine, California  
December 2, 2019

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

The Honorable Mayor and  
Members of City Council  
City of Norwalk  
Norwalk, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Norwalk, 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, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

## **Opinion on Each Major Federal Program**

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, 2019.

## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 2, 2019, 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.

**Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance  
(Continued)**

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

*White Nelson Dick Evans LLP*

Irvine, California  
December 2, 2019

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



CITY OF NORWALK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2019

<u>Federal Grantor / Pass - Through Grantor / Program / Cluster Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Program Identification Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
<u>United States Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-06-0524	\$ 1,008,365	\$ 113,094
Community Development Block Grants/Entitlement Grants	14.218	Program Income	637,321	-
Total Community Development Block Grants/Entitlement Grants			<u>1,645,686</u>	<u>113,094</u>
Home Investment Partnerships Program	14.239	M-18-MC06-0552	182,324	-
Home Investment Partnerships Program	14.239	Program Income	15,471	-
Total Home Investment Partnerships Program			<u>197,795</u>	<u>-</u>
Lower Income Housing Assistance Program				
Section 8 Housing Choice Vouchers	14.871	CA118VO	7,387,018	-
Total United States Department of Housing and Urban Development			<u>9,230,499</u>	<u>113,094</u>
<u>United States Department of Justice</u>				
Direct Assistance:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0250	8,566	-
Total United States Department of Justice			<u>8,566</u>	<u>-</u>
<u>United States Department of Transportation</u>				
Passed-through State of California Department of Transportation:				
Highway Planning and Construction	20.205	ATPL 5347(041)	164,881	-
Highway Planning and Construction	20.205	HSIP-5347(042)	124,163	-
Highway Planning and Construction	20.205	HSIP-5347(043)	57,544	-
Highway Planning and Construction	20.205	HSIP-5347(044)	72,465	-
Total Highway Planning and Construction			<u>419,053</u>	<u>-</u>
Direct Assistance:				
Federal Transit Formula Grants	20.507	CA-2017-111	93,256	-
Federal Transit Formula Grants	20.507	CA-2016-034	4,603	-
Federal Transit Formula Grants	20.507	CA-90-Z218	5,544	-
Federal Transit Formula Grants	20.507	CA-04-0141	376,855	-
Federal Transit Formula Grants	20.507	CA-2018-113	142,660	-
Total Federal Transit Formula Grants			<u>622,918</u>	<u>-</u>
Total United States Department of Transportation			<u>1,041,971</u>	<u>-</u>
<u>United States Department of Health and Human Services</u>				
Child Care Development Fund Cluster:				
Passed-through State of California Department of Education:				
Child Care and Development Block Grant	93.575	C2AP-8023	323,040	-
Child Care and Development Block Grant	93.575	C3AP-8022	597,285	-
Child Care and Development Block Grant	93.575	CAPP-8024	42,940	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-8024	117,665	-
	93.596	C3AP-8022	15,892	-
Total Child Care Development Fund Cluster			<u>1,096,822</u>	<u>-</u>
Passed-through County of Los Angeles:				
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	SSP-141814	74,823	-
Temporary Assistance for Needy Families	93.558	SICC17-001	1,020,638	-
Total United States Department of Health and Human Services			<u>2,192,283</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,473,319</u>	<u>\$ 113,094</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Norwalk (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. 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.

**3. INDIRECT COST RATE**

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**4. CONTINGENCIES**

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

**1. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

- Material weakness identified?                    \_\_\_ yes              x   no
- Significant deficiency identified?            \_\_\_ yes              x   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 deficiency identified?            \_\_\_ yes              x   none reported

Type of auditors' report issued on compliance for major programs:

- Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance?

\_\_\_ yes              x   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	United States Department of Housing and Urban Development, Direct Assistance, Section 8 Housing Choice Voucher
20.507	United States Department of Transportation, Direct Assistance, Federal Transit Formula Grant

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

\$       750,000      

Auditee qualified as low-risk auditee?

  x   yes            \_\_\_ no

**2. FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

**3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None.

**City of Norwalk**  
**Summary Schedule of Prior Audit Findings**  
**For the year ended June 30, 2019**

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There were no findings reported for fiscal year 2017-2018.