

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

JUNE 30, 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

CITY OF NORWALK
TABLE OF CONTENTS
JUNE 30, 2020

	<u>Page Number</u>
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 <i>Government Auditing Standards</i>	1 - 2
Independent Auditors' Report on Compliance for Each Major Federal Program, Report on Internal Control over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3 - 5
<u>Schedule of Expenditures of Federal Awards and</u> <u>Schedule of Findings and Questioned Costs</u>	
Schedule of Expenditures of Federal Awards	6 - 7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9 - 11
Summary Schedule of Prior Audit Findings	12



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, 2020, 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 10, 2020.

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.

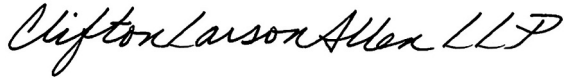
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 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*.

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.

CliftonLarsonAllen LLP

Irvine, California
December 10, 2020



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

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, 2020. 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 federal statutes, 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, 2020.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Report on Internal Control over Compliance (Continued)

The City's response to the internal control over compliance finding 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 compliance and, accordingly, we express no opinion on the response.

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 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 10, 2020, 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. 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.

CliftonLarsonAllen LLP

Irvine, California

March 18, 2021, except for the date of the schedule of expenditures of federal awards, as to which the date is August 17, 2021

CITY OF NORWALK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<u>United States Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grants - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 1,719,368	\$ 131,070
Community Development Block Grants/Entitlement Grants Program Income	14.218	N/A	173,523	-
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	N/A	5,062	-
Subtotal Community Development Block Grants - Entitlement Grants Cluster			<u>1,897,953</u>	<u>131,070</u>
Home Investment Partnerships Program	14.239	N/A	243,971	-
Home Investment Partnerships Program Income	14.239	N/A	109,670	-
Subtotal Home Investment Partnerships Program			<u>353,641</u>	<u>-</u>
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	N/A	8,185,966	-
Total United States Department of Housing and Urban Development			<u>10,437,560</u>	<u>131,070</u>
<u>United States Department of Justice</u>				
Direct Assistance:				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	N/A	94,787	-
Bulletproof Vest Partnership Program	16.607	N/A	3,553	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	48,685	-
Total United States Department of Justice			<u>147,025</u>	<u>-</u>
<u>United States Department of Transportation</u>				
Passed-through State of California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	HSIPL-5347(038)	2,849	-
Highway Planning and Construction	20.205	HSIPL-5347(039)	1,712	-
Highway Planning and Construction	20.205	HSIPL-5347(040)	2,419	-
Highway Planning and Construction	20.205	HSIP-5347(042)	40,039	-
Highway Planning and Construction	20.205	HSIP-5347(043)	14,709	-
Highway Planning and Construction	20.205	HSIP-5347(044)	38,736	-
Highway Planning and Construction	20.205	HSIP-5347(046)	101	-
Highway Planning and Construction	20.205	HSIP-5347(047)	101	-
Highway Planning and Construction	20.205	HSIP-5347(048)	144	-
Highway Planning and Construction	20.205	ATPL-5437(041)	435,641	-
Subtotal Highway Planning and Construction Cluster			<u>536,451</u>	<u>-</u>
Direct Assistance:				
Federal Transit Cluster:				
Federal Transit Capital Investment Grants	20.500	N/A	82,031	-
Federal Transit Formula Grants	20.507	N/A	2,232,254	-
COVID-19 - Federal Transit Formula Grants	20.507	N/A	1,903,609	-
Subtotal Federal Transit Formula Grants			<u>4,217,894</u>	<u>-</u>
Total United States Department of Transportation			<u>4,754,345</u>	<u>-</u>

(Continued)

CITY OF NORWALK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<u>United States Department of Health and Human Services</u>				
Passed-through County of Los Angeles:				
Aging Cluster:				
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	SSP-192006	46,078	-
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	ENP-192001	380	-
Special Programs for the Aging Title III, Part C_Nutrition Services	93.045	ENP-192001	496,705	-
Nutrition Services Incentive Program	93.053	ENP-192001	40,070	-
Subtotal Aging Cluster			<u>583,233</u>	<u>-</u>
Temporary Assistance for Needy Families	93.558	S1CC18-001	1,312,447	-
Passed-through State of California Department of Education:				
Child Care Development Fund Cluster:				
Child Care and Development Block Grant	93.575	CAPP-8024	3,087	-
Child Care and Development Block Grant	93.575	CAPP-9024	49,700	-
Child Care and Development Block Grant	93.575	C2AP-9023	369,459	-
Child Care and Development Block Grant	93.575	C3AP-9022	1,111,095	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-8024	8,461	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-9024	126,126	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	C3AP-9022	156,951	-
Subtotal Child Care Development Fund Cluster			<u>1,824,879</u>	<u>-</u>
Total United States Department of Health and Human Services			<u>3,720,559</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 19,059,489</u></u>	<u><u>\$ 131,070</u></u>

CITY OF NORWALK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 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, 2020. 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.

NOTE 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. 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.

NOTE 3 INDIRECT COST RATE

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

NOTE 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.

**CITY OF NORWALK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
20.500 and 20.507	Federal Transit Cluster
93.575 and 93.596	Child Care Development Fund Cluster
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes _____ no

CITY OF NORWALK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

Section III – Findings and Questioned Costs – Major Federal Programs

2020-001: Schedule of Expenditures of Federal Awards (SEFA) Preparation

Federal Agency: U.S. Department of Transportation and U.S. Department of Health and Human Services

Federal Program Title: Federal Transit Formula Grants; Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers; Special Programs for the Aging Title III, Part C Nutrition Services; Nutrition Services Incentive Program

CFDA Number: 20.507, 93.044, 93.045, 93.053

Award Period: July 1, 2019 to June 30, 2020

Type of Finding: Significant deficiency in internal control over compliance

Criteria or Specific Requirement: Title 2 U.S. *Code of Federal Regulations* Part 200, Section 510(b) *Schedule of Expenditures of Federal Awards*, states "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with Section 200.502."

Condition: The SEFA that was originally provided by the City for audit had the following misstatements:

1. Pass-through entity identifying number ENP-192001 from the County of Los Angeles was not reported on the SEFA, understating Federal expenditures by a total of \$537,155 in the following CFDA numbers:
 - a. CFDA #93.004 Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers by \$380
 - b. CFDA #93.045 Special Programs for the Aging Title III, Part C Nutrition Services by \$496,705
 - c. CFDA #93.053 Nutrition Services Incentive Program by \$40,070
2. Federal expenditures for CFDA #93.044 pass-through entity identifying number SSP-192006 were overstated by \$17,749.
3. Federal expenditures for CFDA #20.507 Federal Transit Formula Grants were understated by \$975,000.

Questioned Costs: None.

Context: Federal expenditures for the Aging Cluster increased from \$63,827 to \$583,233. Federal expenditures for the Federal Transit Cluster increased from \$3,242,894 to \$4,217,894.

CITY OF NORWALK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section III – Findings and Questioned Costs – Major Federal Programs

2020-001: Schedule of Expenditures of Federal Awards (SEFA) Preparation (Continued)

Cause: Pass-through entity identifying number ENP-192001 from the County of Los Angeles was a new grant and the City overlooked the fact that the funding is from Federal sources. The City also overlooked that pass-through entity identifying number SSP-192006 has a matching component that should be included in the determination of the federal expenditures. Lastly, the Federal Transit Formula Grants fund both capital and operational expenditures. The City properly captured the capital Federal expenditures but missed including the operational Federal expenditures.

Effect: The City provided the corrected SEFA and additional audit work needed to be performed in order to comply with Single Audit requirements. The Single Audit report was revised and reissued.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend the City implement effective internal controls to ensure that annual expenditures for all Federal grant programs are accurately included on the SEFA.

View of Responsible Officials and Planned Corrective Action: As of July 1, 2020, additional internal controls have been added by the City of Norwalk to ensure that all Federal Awards are listed on the SEFA. These controls include the following:

1. A Grant Program Summary will be completed for all grant funding, regardless of source, received by the City. This worksheet will include title, description, granting agency, federal grantor, CFDA #, City Council approval date, application date and reporting requirements.
2. Maintain a Master Grant Listing worksheet by fiscal year. All Grant Program Summaries will be reviewed and listed on the Master Grant Listing by the finance department. The Master listing will be used as part of the fiscal year-end annual audit.
3. New account numbers to track federal funds that are pass through state and local agencies from the federal government.
4. The finance department will conduct an internal audit to ensure that all federal funds are reported on the SEFA.

**CITY OF NORWALK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FINDINGS-FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS-FEDERAL AWARD PROGRAM AUDITS

There were no federal award program audit findings in the prior year.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See nexia.com/member-firm-disclaimer for details. **CliftonLarsonAllen LLP**

