

CITY OF NORWALK, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS
YEAR ENDED JUNE 30, 2021



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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**

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

We have audited, in accordance with 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, which includes the Norwalk Community Facilities Financing Authority (a blended component unit of the City), the Transit System Enterprise Fund, and the Air Quality Management District (AQMD) Special Revenue Fund, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Norwalk's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Norwalk'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 City of Norwalk's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Norwalk'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 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.

Honorable Mayor and
Members of City Council
of the City of Norwalk

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Norwalk'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 City of Norwalk's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Norwalk's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
December 15, 2021



**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**

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'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, 2021. 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.

Honorable Mayor and
Members of City Council
of the City of Norwalk

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 its major federal programs for the year ended June 30, 2021.

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, as described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

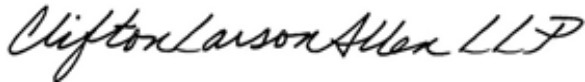
The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion 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.

Honorable Mayor and
Members of City Council
of the City of Norwalk

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 15, 2021, 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
May 16, 2022

CITY OF NORWALK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor / Pass-Through Grantor / Program / Cluster Title / Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Community Development Block Grants - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 736,682	\$ 64,301
Community Development Block Grants/Entitlement Grants Program Income	14.218	N/A	150,865	-
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	N/A	718,564	-
Subtotal Community Development Block Grants - Entitlement Grants Cluster			<u>1,606,111</u>	<u>64,301</u>
Home Investment Partnerships Program	14.239	N/A	122,632	-
Home Investment Partnerships Program Income	14.239	N/A	108,496	-
Subtotal Home Investment Partnerships Program			<u>231,128</u>	<u>-</u>
Housing Voucher Cluster:				
Direct Assistance:				
Section 8 Housing Choice Vouchers	14.871	N/A	7,817,887	-
COVID-19 - Section 8 Housing Choice Vouchers	14.871	N/A	763,323	-
Passed-through Other Housing Authorities:				
Section 8 Housing Choice Vouchers (Portable Vouchers)	14.871	CA118	22,959	-
Subtotal Housing Voucher Cluster			<u>8,604,169</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>10,441,408</u>	<u>64,301</u>
U.S. Department of Justice				
Direct Assistance:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 21,069	\$ -
Total U.S. Department of Justice			<u>21,069</u>	<u>-</u>
U.S. Department of Transportation				
Passed-through State of California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	HSIPL-5347(038)	605,470	-
Highway Planning and Construction	20.205	HSIPL-5347(039)	308,216	-
Highway Planning and Construction	20.205	HSIPL-5347(040)	467,964	-
Highway Planning and Construction	20.205	HSIP-5347(042)	41,983	-
Highway Planning and Construction	20.205	HSIP-5347(043)	72,787	-
Highway Planning and Construction	20.205	HSIP-5347(044)	81,665	-
Highway Planning and Construction	20.205	HSIP-5347(048)	178	-
Subtotal Highway Planning and Construction Cluster			<u>1,578,263</u>	<u>-</u>
Direct Assistance:				
Federal Transit Cluster:				
Federal Transit Formula Grants	20.507	N/A	4,008,722	-
COVID-19 - Federal Transit Formula Grants	20.507	N/A	1,903,609	-
			<u>5,912,331</u>	<u>-</u>
Total U.S. Department of Transportation			<u>7,490,594</u>	<u>-</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF NORWALK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Federal Grantor / Pass-Through Grantor / Program / Cluster Title / Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Treasury				
Passed-through State of California:				
COVID-19 - Coronavirus Relief Funds	21.019	None	1,305,303	-
Passed-through County of Los Angeles:				
COVID-19 - Coronavirus Relief Funds	21.019	ENP202108	493,884	-
Passed-through Child Care Alliance of Los Angeles:				
COVID-19 - Coronavirus Relief Funds	21.019	None	114,587	-
Subtotal COVID-19 - Coronavirus Relief Funds			<u>1,913,774</u>	<u>-</u>
Direct Assistance:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,334,908	-
Total U.S. Department of Treasury			<u>3,248,682</u>	<u>-</u>
U.S. Department of Health and Human Services				
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	12,452	-
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	ENP202108	1,768	-
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	ENP202108	373,260	-
Nutrition Services Incentive Program	93.053	ENP202108	44,542	-
Subtotal Aging Cluster			<u>432,022</u>	<u>-</u>
Temporary Assistance for Needy Families - Youth Program	93.558	S1CC18-001	1,928,693	-
Child Care Development Fund Cluster:				
Passed-through State of California Department of Education:				
Child Care and Development Block Grant	93.575	CAPP-0024	297,149	-
Child Care and Development Block Grant	93.575	C2AP-0022	403,464	-
Child Care and Development Block Grant	93.575	C3AP-0021	1,250,959	-
COVID-19 - Child Care and Development Block Grant	93.575	CRRSA	249,194	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-0024	104,016	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	C3AP-0021	117,009	-
Passed-through Foundation for California Community Colleges:				
COVID-19 - Child Care and Development Block Grant	93.575	None	100,275	-
Subtotal Child Care Development Fund Cluster			<u>2,522,066</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>4,882,781</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed-through State of California:				
Hazard Mitigation Grant	97.039	FIPF# 037-52526	36,617	-
Total U.S. Department of Homeland Security			<u>36,617</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 26,121,151</u>	<u>\$ 64,301</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF NORWALK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

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, 2021. 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 on 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 for all awards with the exception of Federal Assistance Listing Number 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, 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.

**CITY OF NORWALK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants – Entitlement Grants Cluster
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction Cluster
20.507	Federal Transit Cluster
21.019	Coronavirus Relief Funds
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 783,635

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

**CITY OF NORWALK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

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

2021-001 - Suspension and Debarment

Federal Agency: U.S. Department of Transportation

Federal Program Title: Highway Planning and Construction Cluster

Assistance Listing Number: 20.205

Pass-Through Agency: State of California Department of Transportation

Pass-Through Numbers: HSIPL-5347(038), (039), (040), (042), (043), (044), (048)

Award Period: July 1, 2020, to June 30, 2021

Type of Finding: Significant deficiency in internal control over compliance

Criteria or Specific Requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of procurement, suspension, and debarment. The City should have internal controls designed to ensure compliance with those provisions.

Condition: During our testing, we noted the City did not have adequate internal controls designed to ensure vendors were not suspended or debarred.

Questioned Costs: None.

Context: During our testing, it was noted that the City was not reviewing vendors prior to entering into a contract with a vendor to ensure the vendor was not on the suspended or debarred vendor list maintained by the General Services Administration.

Cause: The City was unaware the contractors were not being reviewed to ensure they were not suspended or debarred.

Effect: The auditor noted no instances of noncompliance with the provisions of procurement, suspension, and debarment; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the City implement procedures to verify that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded, and design controls to ensure the procedure is done for all covered transactions.

View of Responsible Officials: There is no disagreement with the audit finding.

**CITY OF NORWALK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

Financial Statement Findings

There were no financial statement findings in the prior year.

Federal Program Award Findings

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

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

Status: Corrected.

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