

CITY OF SANTA FE SPRINGS, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS
YEAR ENDED JUNE 30, 2021



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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**CITY OF SANTA FE SPRINGS
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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 the City Council
City of Santa Fe Springs
Santa Fe Springs, 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 Santa Fe Springs, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Santa Fe Springs' basic financial statements, and have issued our report thereon dated January 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Santa Fe Springs' 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 Santa Fe Springs' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Santa Fe Springs' 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2021-001, that we consider to be a significant deficiency.

Honorable Mayor and
Members of the City Council
City of Santa Fe Springs

Compliance and Other Matters

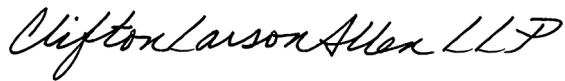
As part of obtaining reasonable assurance about whether City of Santa Fe Springs' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

City of Santa Fe Springs' Response to the Finding

City of Santa Fe Springs' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Santa Fe Springs' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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
January 27, 2022



**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 the City Council
City of Santa Fe Springs
Santa Fe Springs, California

Report on Compliance for Each Major Federal Program

We have audited the City of Santa Fe Springs' (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 program is 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 the City Council
City of Santa Fe Springs

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 program 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. 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.

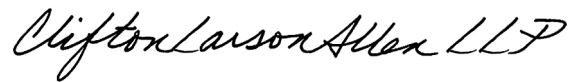
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 January 27, 2022, 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.

Honorable Mayor and
Members of the City Council
City of Santa Fe Springs

***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.

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

CliftonLarsonAllen LLP

Irvine, California
May 3, 2022

CITY OF SANTA FE SPRINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor / Pass-Through Grantor / Program / Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed- Through to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Passed-Through the County of Los Angeles:				
Community Development Block Grants - Entitlement Grants Cluster				
Community Development Block Grant/Entitlement Grant	14.218	602253-20	\$ 26,753	\$ -
COVID-19 - Community Development Block Grant/Entitlement Grant	14.218	CV1108-20	78,692	-
Total U.S. Department of Housing and Urban Development			105,445	-
<u>U.S. Department of Justice</u>				
Direct Assistance:				
Bulletproof Vest Partnership Program	16.607	N/A	1,087	-
Total U.S. Department of Justice			1,087	-
<u>U.S. Department of Transportation</u>				
Passed-Through the State of California:				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	037-69154-00	7,170	-
Total U.S. Department of Transportation			7,170	-
<u>U.S. Department of Treasury</u>				
Passed-Through the State of California:				
COVID-19 - Coronavirus Relief Funds	21.019	None	225,891	-
Total U.S. Department of Treasury			225,891	-
<u>The Institute of Museum and Library Services</u>				
Passed-Through the California State Library:				
Grants to States	45.310	40-8960	9,097	-
Grants to States	45.310	40-9156	9,680	-
Total The Institute of Museum and Library Services			18,777	-
<u>U.S. Department of Homeland Security</u>				
Passed-Through County of Los Angeles Office of Emergency Management:				
Homeland Security Grant Program	97.067	2018-0054	383,832	-
Homeland Security Grant Program	97.067	2019-0035	18,889	-
Subtotal Homeland Security Grant Program			402,721	-
Assistance to Firefighters	97.044	None	51,370	-
Total U.S. Department of Homeland Security			454,091	-
Total Expenditures of Federal Awards			\$ 812,461	\$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF SANTA FE SPRINGS
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 Santa Fe Springs (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 Assistance Listing 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 SANTA FE SPRINGS
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? x yes 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? yes x 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)

97.067

Name of Federal Program or Cluster

Homeland Security Grant Program

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

\$ 750,000

Auditee qualified as low-risk auditee?

 yes x no

**CITY OF SANTA FE SPRINGS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

2021-001 – Capital Lease

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: The City entered into a capital lease agreement with Bank of America in November 2020 to purchase a fire engine and fire equipment for \$3,306,000 in the General Fund. Per the Agreement, the bank deposited the funds into an escrow account to be drawn down as the City incurred eligible expenditures. The City did not record all the transactions related to this lease appropriately.

Criteria or specific requirement: The City should recognize the total proceeds received from the lease agreement as other financing sources and any expenditures related to the lease that have been incurred as of year-end. Any remaining unspent proceeds should be recorded as an asset.

Effect: Proceeds from the lease were understated by \$2,599,111, expenditures were understated by \$2,401,314, and the escrow account was understated by \$231,215.

Cause: The City did not prepare the required journal entries to record the lease proceeds deposited into the escrow account or the disbursements made from the escrow account for two invoices.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the City implement controls to properly record all lease transactions.

View of responsible officials and planned corrective actions: The City concurs with the auditors that the required journal entries were not made as part of the year-end closing process. While the new lease obligation was recognized, the activity in the lease escrow account was not recorded due to statements not being forwarded to accounting personnel. City staff have discussed the issue with appropriate personnel to ensure that future lease transaction statements are forwarded to accounting personnel for recording into the general ledger.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**CITY OF SANTA FE SPRINGS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

There were no findings reported in fiscal year 2019-2020.

