

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

JUNE 30, 2020



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CITY OF MURRIETA
JUNE 30, 2020
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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 City Council
of the City of Murrieta
Murrieta, 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 Murrieta, California (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 and have issued our report thereon dated March 1, 2021.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 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 2020-02 to be a significant deficiency.

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 matter that are required to be reported under *Government Auditing Standards*.

Murrieta Single Audit's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
March 1, 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

The Honorable City Council
of the City of Murrieta
Murrieta, California

Report on Compliance for Each Major Federal Program

We have audited the City of Murrieta'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.

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 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.

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 the 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, 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 March 1, 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.

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

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

CliftonLarsonAllen LLP

Irvine, California
March 31, 2021

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

CITY OF MURRIETA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Disbursement to Subrecipient
<u>U.S. Department of Housing and Urban Development</u>				
Passed through County of Riverside				
Economic Development Agency:				
Community Development Block Grant -				
Entitlement Grants Cluster:				
Community Development Block Grant	14.218	3.MR.39-17	\$ 144,536	\$ -
<u>U.S. Department of Justice</u>				
Direct assistance:				
Bulletproof Vest Program	16.607	N/A	13,167	-
Special Data Collections and Statistical Studies	16.734	N/A	18,475	-
Equitable Sharing Funds	16.922	N/A	353,465	-
Total U.S. Department of Justice			385,107	-
<u>U.S. Department of Transportation</u>				
Passed through the California Office of Traffic and Safety:				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT19072	9,604	-
State and Community Highway Safety	20.600	PT20088	978	-
Subtotal Highway Safety Cluster			10,582	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19072	20,109	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT20088	28,484	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			48,593	-
Total U.S. Department of Transportation			59,175	-
<u>U.S. Department of Treasury</u>				
Equitable Sharing Funds	21.016	N/A	89,323	-
<u>U.S. Department of Homeland Security</u>				
Passed through the County of Riverside				
Emergency Management Department:				
Homeland Security Grant Program	97.067	2017-0083	13,087	-
Homeland Security Grant Program	97.067	2018-0054	196,640	-
Total U.S. Department of Homeland Security			209,727	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 887,868	\$ -

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

**CITY OF MURRIETA
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 Murrieta (the City) under programs of the federal government 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, 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.

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 MURRIETA
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 weaknesses identified? x yes no
 - Significant deficiencies 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 weaknesses identified? yes x no
 - Significant deficiencies 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

CFDA Number(s)

16.922
21.016

Name of Federal Program or Cluster

Equitable Sharing Funds
Equitable Sharing Funds

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

Section II – Financial Statement Findings

2020-001

- Material Weakness in Internal Control over Financial Reporting

Condition: We noted that the June 2020 bank reconciliation process was not completed and reviewed by October 2020, which is a lack of timeliness.

Criteria or specific requirement: An important element of internal control over cash is the completion of the bank reconciliations to allow City staff to identify any differences between the bank balances and general ledger balances and resolve such differences in a timely manner.

Context: Bank reconciliation for one out of twelve months was not completed timely.

Effect: Lack of timeliness of bank reconciliations to allow identifications of issues that require timely resolution.

Cause: Limited staffing resources, competing projects, and critical accounting vacancies compromise the bank reconciliation processes.

Repeat Finding: Repeat finding from prior year finding number 2019-001.

Recommendation: We recommend that all bank accounts be reconciled within 30 days after the end of the month and that all bank reconciliations be initialed and dated by the preparer to indicate that the reconciliation was prepared in a timely manner.

Views of responsible officials and planned corrective actions: Finance concur with above comment and recommendation. The City understands the importance of reconciling bank accounts timely. Unfortunately, limited staffing resources, competing projects, and critical accounting vacancies compromise the bank reconciliation processes. In an effort to address timeliness of the bank accounts, Finance will prioritize this task. The Finance Director and finance management team will routinely review the status of the bank reconciliation process.

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

Section II – Financial Statement Findings

2020-002

- Significant Deficiency in Internal Control over Financial Reporting

Condition: Bank reconciliations were not completed for the certain bank accounts

Criteria or specific requirement: An important element of internal controls over cash is the reconciliation process to identify differences between the bank and the general ledger and resolve differences timely.

Context: All bank reconciliations during the year.

Effect: When bank reconciliations are not complete, misappropriation of assets may not be detected.

Cause: Limited staffing resources, competing projects, and critical accounting vacancies compromise the bank reconciliation processes.

Repeat Finding: Repeat finding from prior year finding number 2019-002.

Recommendation: We recommend that all bank accounts be reconciled to the General Ledger within 30 days after the end of the month

Views of responsible officials and planned corrective actions: The City understands the importance of completion of bank reconciliations. One issue leading to the delay in reconciling the bank balance to the General Ledger is the retirement of long-term staff with institutional knowledge of the program. In an effort to address completion of the asset seizure cash account reconciliation, Finance will prioritize this task. The Finance Director and finance management team will routinely review the status of the bank reconciliation process.

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

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 MURRIETA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

FINDINGS-FINANCIAL STATEMENT AUDIT

2019-001

Condition: Bank reconciliations were not completed in a timely manner.

Status: See current finding 2020-001.

2019-002

Condition: Reconciliations for certain bank accounts were no completed.

Status: See current year finding 2020-002.

2019-003

Condition: The Other Grants special revenue funds had deficit fund balances at the end of the year that was not solely the result of the timing of revenue recognition.

Status: Corrective action was taken.

2019-004

Condition: There was an unusually large number of City prepared journal entries posted to the City's accounts after the start of the final audit fieldwork.

Status: Corrective action was taken.

FINDINGS-FEDERAL AWARD PROGRAMS AUDIT

2019-005

Condition: The City's purchasing policy is less restrictive than the Uniform Guidance in that the policy only requires quotes for expenditures in excess of \$5,000, which is higher than the \$3,500 limit required by the Uniform Guidance. No issues were noted as a result of testing only that the policies have not been updated for the Uniform Guidance. The City did not have the above written policies.

Status: Corrective action was taken.

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