

City of Clovis

Clovis, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2021



City of Clovis
Single Audit Reports
For the Year Ended June 30, 2021

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**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**

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Clovis
Clovis, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Clovis, California (the "City") as of and for the year ended June 30, 2021, 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 November 15, 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.

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. 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 basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. 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*.

To the Honorable Mayor and Members of City Council
of the City of Clovis
Clovis, California
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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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

San Diego, California
November 15, 2021



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

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Clovis
Clovis, California

Report on Compliance for Each Major Program

We have audited the City of Clovis, 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, 2021. The City's major federal programs are identified in the summary of the auditor's 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings 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.

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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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies 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 material weakness.

The City's response to the internal control over compliance findings 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 Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, 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, and have issued our report thereon dated November 15, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the City's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

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.



San Diego, California

March 30, 2022, except for the Schedule of Expenditures of Federal Awards, which is dated November 15, 2021.

City of Clovis
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Program:</i>			
CDBG Entitlement Grants Cluster:			
Community Development Block Grant-Entitlement	14.218	B-14-MC-06-0062	\$ 50,090
Community Development Block Grant-Entitlement	14.218	B-15-MC-06-0062	4,346
Community Development Block Grant-Entitlement	14.218	B-17-MC-06-0062	2,346
Community Development Block Grant-Entitlement	14.218	B-18-MC-06-0062	88,305
Community Development Block Grant-Entitlement	14.218	B-19-MC-06-0062	23,677
COVID-19 - Community Development Block Grant-Entitlement	14.218	B-19-MW-06-0062	187,830
Community Development Block Grant-Entitlement	14.218	B-20-MC-06-0062	357,395
COVID-19 - Community Development Block Grant-Entitlement	14.218	B-20-MW-06-0062	1,043,748
CDBG Entitlement Grants Cluster			<u>1,757,737</u>
Total U.S. Department of Housing and Urban Development			<u>1,757,737</u>
U.S. Department of Justice			
<i>Direct Programs:</i>			
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	n/a	24,621
Total U.S. Department of Justice			<u>24,621</u>
U.S. Department of Transportation			
<i>Passed-Through California State Department of Transportation:</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	06-5208	3,077,661
Highway Planning and Construction Cluster			<u>3,077,661</u>
<i>Passed-Through California Office of Traffic Safety:</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	PT20028	8,437
State and Community Highway Safety	20.600	PT21020	9,181
State and Community Highway Safety Subtotal			<u>17,618</u>
Traffic Records Improvement Project	20.616	TR21008	42,261
Highway Safety Cluster Total			<u>59,879</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT20028	4,222
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21020	29,788
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Total			<u>34,010</u>
Total U.S. Department of Transportation			<u>3,171,550</u>
U.S. Department of Treasury			
<i>Direct Programs:</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	8,645,588
<i>Passed-Through County of Fresno:</i>			
COVID-19 - Coronavirus Relief Fund	21.019	n/a	612,223
<i>Passed-Through California State Controller's Office:</i>			
COVID-19 - Coronavirus Relief Fund	21.019	n/a	1,471,470
Coronavirus Relief Fund Total			<u>2,083,693</u>
Total U.S. Department of Treasury			<u>10,729,281</u>
U.S. Department of Homeland Security			
<i>Direct Programs:</i>			
Assistance to Firefighters	97.044	n/a	8,803
Staffing for Adequate Fire and Emergency Response	97.083	n/a	311,479
<i>Passed-Through County of Fresno:</i>			
State Homeland Security Program (SHSP)	97.067	97.067	30,900
Total U.S. Department of Homeland Security			<u>351,182</u>
Total Expenditures of Federal Awards			<u>\$ 16,034,371</u>

City of Clovis
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note 1 – Reporting Entity

The financial reporting entity consists of (a) the primary government, City of Clovis, California (the “City”), (b) organizations for which the primary government is financially accountable, including the Clovis Community Development Agency (dissolved on February 1, 2012 and established a Successor Agency, which is reported as a private-purpose trust fund in the City’s financial statements), Clovis Municipal Development Corporation, and Clovis Public Financing Authority, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within governmental fund types of the City. The City utilizes the modified accrual method of accounting for the governmental fund type. The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) has been prepared on the modified accrual basis of accounting and 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”). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the City’s basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California, County of Fresno, and/or City of Fresno is included in the Schedule.

The Schedule was presented only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

Note 3 – Indirect Cost Rate

The City did not elect to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

City of Clovis
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? 2021-001
- Significant deficiency(ies) identified? None Reported

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in Accordance with 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	Federal CFDA Number	Federal Expenditures
Major Programs:		
CDBG Entitlement Grants Cluster	14.218	\$ 1,757,737
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	8,645,588
COVID-19 - Coronavirus Relief Fund	21.019	2,083,693
Total Major Program Expenditures		\$ 12,487,018
Total Expenditures of Federal Awards		\$ 16,034,371
Percentage of Total Expenditures of Federal Awards		77.88%

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

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? Yes

City of Clovis
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Current Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2021.

B. Prior Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2020.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

Finding 2021-001 Special Tests and Provisions – Internal Control and Compliance over Rehabilitation

Information on the Federal Program:

Federal Catalog Number:	14.218
Federal Program Name:	CDBG - Entitlement Grants Cluster
Federal Agency:	Department of Housing and Urban Development
Pass-Through Entity:	N/A
Federal Award Number and Award Year:	B-14-MC-06-0062 – FY 14-15; B-15-MC-06-0062 – FY 15-16 B-16-MC-06-0062 – FY 16-17; B-17-MC-06-0062 – FY 17-18 B-18-MC-06-0062 – FY 18-19; B-19-MC-06-0062 – FY 19-20 B-19-MW-06-0062 – FY 19-20; B-20-MC-06-0062 – FY 20-21 B-20-MW-06-0062 – FY 20-21

Criteria:

Per the 2021 OMB Compliance Supplement, Part 4 - CDBG - Entitlement Grants Cluster, Special Tests and Provisions – Rehabilitation, “When CDBG funds are used for rehabilitation, the grantee must ensure that the work is properly completed (24 CFR section 570.506).”

2 CFR section 570.506 Records to be maintained, states “Each recipient shall establish and maintain sufficient records to enable the Secretary to determine whether the recipient has met the requirements of this part. At a minimum, the following records are needed:

(h) Financial records, in accordance with the applicable requirements listed in § 570.502, including source documentation for entities not subject to 2 CFR part 200. Grantees shall maintain evidence to support how the CDBG funds provided to such entities are expended. Such documentation must include, to the extent applicable, invoices, schedules containing comparisons of budgeted amounts and actual expenditures, construction progress schedules signed by appropriate parties (e.g., general contractor and/or a project architect), and/or other documentation appropriate to the nature of the activity. Grantee records pertaining to obligations, expenditures, and drawdowns must be able to relate financial transactions to either a specific origin year grant or to program income received during a specific program year.

Condition:

During our audit of the CDBG - Entitlement Grants Cluster, we noted six out of six rehabilitation samples selected for testing were missing required information needed to determine if the rehabilitation work is properly completed. Six out of the six samples were missing the rehabilitation contract used to determine that the deficiencies noted in the pre-rehabilitation inspection were included in the work to be completed. Five out of the six samples were missing the final inspection documenting that the grantee inspected the rehabilitation work upon completion to assure that it is carried out in accordance with contract specifications.

City of Clovis
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

Finding 2021-001 Special Tests and Provisions – Internal Control and Compliance over Rehabilitation (Continued)

Cause:

The City did not keep adequate files with one or more of the documents missing that are being requested; i.e. pre-rehabilitation inspection or scope of work write ups noting deficiencies to be corrected, rehabilitation contracts that incorporated the deficiencies to be corrected, and final inspection reports.

Effect or Potential Effect:

Without proper documentation, the auditor was unable to determine if the rehabilitation work was properly completed.

Questioned Costs:

None.

Context:

We selected six out of 36 rehabilitation projects for the CDBG - Entitlement Grants Cluster for testing.

Identification as a Repeat Finding, if Applicable:

Not applicable.

Recommendation:

We recommend the City enhance the internal control procedures to ensure the required Rehabilitation records are maintained to determine if the rehabilitation work was properly completed.

View of Responsible Officials:

The City concurs with the auditor's finding. The City's Finance Department has implemented procedures to maintain proper record keeping for the program. There is a new Housing Program Manager at the City and the files and record keeping are currently administered in strict adherence to CDBG and HUD program regulations and follows the general sequence below:

1. City manages an interest list and accepts rehabilitation applications when funding is available, on a first-come-first-served basis.
2. City staff reviews application for eligibility and forwards accepted applications to construction inspector (in this case it was Habitat for Humanity) for inspection and work write up.
3. Dependent on the inspection, construction inspector may recommend applicant for funding, or identify applicants that are not qualified due to scope of work being ineligible.
4. City staff, construction inspector, and homeowner review, approve and sign Scope of Work for file.
5. City works with applicant to obtain bids.
6. Applicant advises City which contractor they are selecting.
7. City drafts Rehabilitation Contract between City and Applicant, forwards to Applicant for signatures, signs and submits to construction inspector and to file.
8. Construction inspector and applicant oversee construction work.

City of Clovis
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

Finding 2021-001 Special Tests and Provisions – Internal Control and Compliance over Rehabilitation (Continued)

View of Responsible Officials (Continued):

9. After completion, construction inspector and applicant have a final inspection of finished work, and both sign off on Certification of Final Inspection and Statement of Satisfaction (for file). Or a punch list is prepared if additional work is needed.
10. City administers all invoicing and payments.
11. File is closed, construction inspector provides closed file, including pictures and correspondence, to City for records retention.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on major federal award programs for the year ended June 30, 2020.