

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

JUNE 30, 2020



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CITY OF IRVINE
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*

Honorable Mayor and
Members of the City Council
of the City of Irvine
Irvine, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Irvine, 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 October 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the Irvine Community Land Trust, the discretely presented component unit of the City, as described in our report on the City's financial statements. The financial statements of the Irvine Community Land Trust, the discretely presented component unit of the City, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Irvine Community Land Trust.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control over Financial Reporting (Continued)

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 Finding 2020-001, that we consider 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 matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is 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 the responses.

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.

White Nelson Dick Evans LLP

Irvine, California
October 30, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Irvine'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.

The City's basic financial statements include the operations of the Irvine Community Land Trust (the ICLT), a discretely-presented component unit. Our audit described below, did not include the operations of ICLT because ICLT engaged other auditors to perform their financial statement audit and ICLT did not report any expenditures of federal awards during the year ended June 30, 2020.

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 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 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 and Selected State Awards Required by the Uniform Guidance

The financial statements as of and for the year ended June 30, 2020, were audited by White Nelson Diehl Evans LLP, whose partners and professional staff joined CliftonLarsonAllen LLP as of November 1, 2020 and has subsequently ceased operations. White Nelson Diehl Evans LLP has audited the financial statements of the governmental activities, the discretely presented component unit, 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. White Nelson Diehl Evans LLP issued their report thereon dated October 30, 2020, which contained unmodified opinions on those financial statements. Their report includes a reference to other auditors who audited the financial statements of the Irvine Community Land Trust, the discretely presented component unit of the City. Their 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 and selected state 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 basic 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 and selected state 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 23, 2021

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

CITY OF IRVINE

SCHEDULE OF EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS

For the year ended June 30, 2020

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<u>United States Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	N/A	\$ 1,748,197	\$ 252,589
Emergency Solutions Grant Program	14.231	N/A	34,616	-
HOME Investment Partnerships Program	14.239	N/A	216,874	-
Total United States Department of Housing and Urban Development			1,999,687	252,589
<u>United States Department of Justice</u>				
Direct Assistance:				
COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034	N/A	35,094	-
Equitable Sharing Program	16.922	N/A	459,693	-
Total United States Department of Justice			494,787	-
<u>United States Department of Transportation</u>				
Passed through Orange County Transportation Authority:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	CML-5410(079)	143,051	-
Highway Planning and Construction	20.205	CML-5410(084)	180,805	-
Subtotal Highway Planning and Construction Cluster			323,856	-
Passed through California Department of Transportation:				
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	SA64AC 16-00351	148,800	-
Passed through California Office of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT19054	53,383	-
State and Community Highway Safety	20.600	PT20064	82,733	-
Subtotal Highway Safety Cluster			136,116	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19054	55,298	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT20064	101,087	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			156,385	-
Total United States Department of Transportation			765,157	-
<u>United States Department of Treasury</u>				
Passed through County of Orange:				
COVID-19 - Coronavirus Relief Fund	21.019	None	7,113,475	-
Total United States Department of Treasury			7,113,475	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF IRVINE

SCHEDULE OF EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS
(CONTINUED)

For the year ended June 30, 2020

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<u>US Department of Health and Human Services</u>				
Passed Through the County of Orange Area Agency on Aging: Aging Cluster:				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	AP-1011-22	\$ 74,523	\$ -
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	AP-1011-22	330,241	-
Nutrition Services Incentive Program	93.053	AP-1011-22	<u>65,709</u>	<u>-</u>
Total Aging Cluster/US Department of Health and Human Services			<u>470,473</u>	<u>-</u>
<u>United States Department of Homeland Security</u>				
Passed through California Governor's Office of Emergency Services: Hazard Mitigation Grant	97.039	FEMA-4301-DR-CA	<u>65,811</u>	<u>-</u>
Total United States Department of Homeland Security			<u>65,811</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 10,909,390</u>	<u>\$ 252,589</u>
<u>Selected State Awards:</u>				
California Department of Aging: Passed through the County of Orange Area Agency on Aging				
CSA Senior Services Title III C-1 Nutrition Services - Congregate CSA Senior Services Title III C-2 Nutrition Services - Homes Delivered Meals	N/A	AP-1011-22	\$ 39,175	\$ -
	N/A	AP-1011-22	\$ 64,586	\$ -

See accompanying notes to schedule of expenditures of federal awards.

CITY OF IRVINE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and Selected State Awards (the Schedule) includes the federal award activity of the City of Irvine (the City) under programs of the federal government and federal financial assistance passed through other government agencies, as well as, selected state financial assistance passed through other governmental agencies, for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of CFDA 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.

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

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? 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

CFDA Number(s)	Name of Federal Program or Cluster
21.019	COVID-19 - Coronavirus Relief Fund
93.044/93.045/93.053	Aging Cluster

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? _____ x yes _____ no

**CITY OF IRVINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020 – 001

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting: Accrued Liabilities

Condition: During our search for unrecorded liabilities, we identified two invoices for goods where the City had accrued a liability as of year-end even though the goods had not been shipped or received as of year-end.

Criteria or specific requirement: Purchased goods are required to be shipped or received prior to fiscal year end to meet the criteria for a liability to be accrued and an expenditure recorded.

Context: There were two instances out of a sample size of fifty-nine transactions where invoices totaling \$450,242 were improperly accrued and an expenditure recorded.

Effect: Expenditures and liabilities were overstated.

Cause: The City staff overlooked the receipt day as this was for an offsite location and the invoice was not reviewed in sufficient detail.

Repeat Finding: This is a first year finding.

Recommendation: We recommend that the City enhances the year-end closing procedures related to accrued liabilities to specifically identify transactions involving the receipt of goods at or near the fiscal year end to ensure that such transactions are accounted for in the proper period.

Views of responsible officials and planned corrective actions: The City is in the process of implementing a new invoice routing system which will include the receiver for the goods or services received. This new process will provide additional information required to ensure that goods or services received are recorded in the correct fiscal year.

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).

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