

City of Brawley
Brawley, California

Single Audit Report on Federal Awards

Year Ended June 30, 2022



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

CITY OF BRAWLEY

SINGLE AUDIT REPORT ON FEDERAL AWARDS YEAR ENDED JUNE 30, 2022

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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

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Brenda L. Odle, CPA, MST (Partner Emeritus)

Independent Auditor's Report

To the Honorable City Council
City of Brawley
Brawley, California

MANAGERS / STAFF

Seong-Hyea Lee, CPA, MBA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Laura Arvizu, CPA
Xinlu Zoe Zhang, CPA, MSA
John Maldonado, CPA, MSA
Julia Rodriguez Fuentes, CPA, MSA
Demi Hite, CPA
Jeffrey McKennan, CPA
Alan D. Garcia, CPA, MSA

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 Brawley (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 7, 2023.

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.

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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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a material weakness.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the Schedule of Findings and Questioned Costs. The City's 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
July 7, 2023



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

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Independent Auditor's Report

To the Honorable City Council
City of Brawley
Brawley, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Brawley's (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated July 7, 2023, 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California

July 28, 2023 (except for our report on the Schedule of Expenditures of Federal Awards, for which the date is July 7, 2023).

CITY OF BRAWLEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Program Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development				
<i>Passed through the State of California Housing and Community Development Department:</i>				
Community Development Block Grant/Entitlement Grants	14.228	18-CDBG-12905	\$ 25,888	\$ -
Community Development Block Grant/Entitlement Grants	14.228	20-CDBG-CV1-00121	123,393	-
Total AL 14.228			<u>149,281</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>149,281</u>	<u>-</u>
U.S. Department of Justice				
<i>Direct Assistance:</i>				
COPS Hiring Program	16.710	2020-UM-WX-0077	59,769	-
Equitable Sharing Program (Asset Forfeiture)	16.922	Unknown	1,485	-
Total U.S. Department of Justice			<u>61,254</u>	<u>-</u>
Executive Office of the President				
<i>Direct Assistance:</i>				
High Intensity Drug Trafficking Areas Program	95.001	HIDTA Best	36,555	-
High Intensity Drug Trafficking Areas Program	95.001	HIDTA DHE	26,266	-
Total AL 95.001			<u>62,821</u>	<u>-</u>
Total Executive Office of the President			<u>62,821</u>	<u>-</u>
U.S. Department of Transportation				
<i>Passed through the State of California Dept of Transportation:</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	CML-5167 (039)	635,834	-
Highway Planning and Construction	20.205	CML- 5167 (045)	47,216	-
Highway Planning and Construction	20.205	CML-5167 (044)	51,109	-
Highway Planning and Construction	20.205	STPL -5167(043)	5,554	-
Highway Planning and Construction	20.205	STPL 5167(042)	5,479	-
Total AL 20.205			<u>745,192</u>	<u>-</u>
Total U.S. Department of Transportation			<u>745,192</u>	<u>-</u>
U.S. Department of Homeland Security				
<i>Direct Assistance:</i>				
Homeland Security Grant Program	97.067	OPSG	216,225	-
Homeland Security Investigations (OCDETF)	97.067	SW-CAS-0799	27,605	-
Homeland Security Investigations	97.067	SLOT	62,153	-
Total AL 97.067			<u>305,983</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>305,983</u>	<u>-</u>
U.S. Department of the Treasury				
<i>Passed through the State of California Office of Emergency Services</i>				
American Rescue Plan Act	21.027	Unknown	596,211	-
Total U.S. Department of the Treasury			<u>596,211</u>	<u>-</u>
Total Federal Awards			<u>\$ 1,920,742</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BRAWLEY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2022

(1) *Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the City of Brawley (the City) under federal programs of the federal government for the year ended June 30, 2022. 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 City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

(2) *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program. The City did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF BRAWLEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2022

SECTION II: FINANCIAL STATEMENT FINDINGS

Finding 2022-001:
Material Weakness

During our audit of the City, we identified instances where bank reconciliations had not been prepared in a timely manner.

Recommendation:

We recommend that the City ensure that all bank reconciliations are prepared, reviewed and approved in a timely manner and documentation of when the preparation and review are completed should be maintained. Best practices consider timely to be within 60 days after month end.

Management Response:

We concur. The City is in the process of implementing measures to reduce the bank reconciliation processing time. Such actions include creating deposit log reports that are updated weekly and ensuring staff has appropriate access to records and systems.

Finding 2022-002:
Noncompliance

During our audit procedures over billing, we noted that one customer selected had been charged the wrong rate since 2019.

Recommendation:

We recommend that the City ensure that the last approved rates by City Council are applied to customer accounts and that a review of rates be performed and corrected as needed.

Management Response:

We concur. Based on this finding, the City performed a verification of all manual and system billing rates to ensure the correct rates are used. Additionally, the City recorded the adjustments to correct the customer balances. The City will continue to perform a monthly verification of such rates as bills are issued to ensure compliance and accuracy.

SECTION III. FEDERAL AWARD FINDINGS

No matters to report.

CITY OF BRAWLEY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022

CURRENT STATUS OF PRIOR YEAR FINDINGS:

No matters to report.