

City of Gardena

Gardena, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2019



City of Gardena
Single Audit and Independent Auditors' Reports
For the Year Ended June 30, 2019

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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 the Members of City Council
of the City of Gardena
Gardena, 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 Gardena, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2019.

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") to determine the 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.

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 financial statements are free of 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 amounts. 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 the Members of City Council
of the City of Gardena
Gardena, 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 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.

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

Santa Ana, California
December 5, 2019

**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**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Gardena, 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, 2019. The City's major federal programs are identified in the summary of the 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; 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* (the "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, 2019.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not 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 the 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated December 5, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our 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 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 other 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 Expenditure 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 "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California

February 20, 2020, except for the Schedule of Expenditures of Federal Awards, which is as of December 5, 2019.

City of Gardena
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development				
<i>CDBG - Entitlement Grants Cluster</i>				
<i>Direct Programs:</i>				
Community Development Block Grants / Entitlement Grants	14.218	B-15-MC-06-0577	\$ 827	\$ -
Community Development Block Grants / Entitlement Grants	14.218	B-16-MC-06-0577	9,822	-
Community Development Block Grants / Entitlement Grants	14.218	B-17-MC-06-0577	30,223	-
Community Development Block Grants / Entitlement Grants	14.218	B-18-MC-06-0577	604,740	20,000
Total CDBG - Entitlement Grants Cluster			645,612	20,000
<i>Pass-through the State of California Department of Housing and Community Development:</i>				
HOME Investment Partnerships Program	14.239	11-HOME-7651	3,665	-
Total HOME Investment Partnerships Program			3,665	-
Total U.S. Department of Housing and Urban Development			649,277	20,000
U.S. Department of Justice				
<i>Direct Program:</i>				
Bulletproof Vest Partnership Program	16.607		6,598	-
Total U.S. Department of Justice			6,598	-
U.S. Department of Transportation				
<i>Federal Transit Cluster</i>				
<i>Direct Programs:</i>				
Federal Transit - Capital Investment Grants	20.500	CA-04-0129-00	134,794	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y607-00	123,523	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z260-00	750	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-95-X334-00	592	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2018-070-00	2,235,384	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2018-128-00	106,350	-
Total Federal Transit Cluster			2,601,393	-
<i>Highway Safety Cluster</i>				
<i>Pass-through the State of California Office of Traffic Safety:</i>				
State and Community Highway Safety	20.600	PT18050	4,969	-
State and Community Highway Safety	20.600	PT19042	21,766	-
Total Highway Safety Cluster			26,735	-
<i>Pass-through the State of California Office of Traffic Safety:</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18050	12,817	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19042	41,392	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			54,209	-
Total U.S. Department of Transportation			2,682,337	-

(Continued)

City of Gardena
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
<i>Aging Cluster</i>				
<i>Pass-through the County of Los Angeles:</i>				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	SSP141807	48,755	-
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	ENP162006	1,000	-
Total Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers			49,755	-
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	ENP162006	325,556	-
Nutrition Services Incentive Program	93.053	ENP162006	13,029	-
Total Aging Cluster			388,340	-
<i>CCDF Cluster</i>				
<i>Pass-through the State of California Department of Education:</i>				
Child Care and Development Block Grant	93.575	CCTR-8076	236,455	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-8076	514,378	-
Total CCDF Cluster			750,833	-
Total U.S. Department of Health and Human Services			1,139,173	-
Total Expenditures of Federal Awards			\$ 4,477,385	\$ 20,000

(Concluded)

City of Gardena
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board (“GASB”) Codification, consists of the primary government, which is the City of Gardena, California (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organization, establishing financial accountability:

- City of Gardena Public Improvement Corporation

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue funds and enterprise fund of the City. The City utilizes the modified accrual basis of accounting for the special revenue funds and the accrual basis of accounting for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of 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 Department of Housing and Community Development, the State of California Department of Transportation, the State of California Office of Traffic Safety, the State of California Department of Education, and the County of Los Angeles, are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

Indirect Cost Rate

The City did not elect to use the 10% de minimis cost rate.

Note 3 – Subrecipients

During the year ended June 30, 2019, the City provided federal funds to the following subrecipient:

CFDA Numbers	Program Name / Subrecipient Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants/Entitlement Grants:	
	The Fair Housing Foundation	\$ 20,000

City of Gardena
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Types 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 federal programs:

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

Type of auditors’ report issued on compliance for major federal programs: **Unmodified**

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

Identification of major federal programs:

CFDA Numbers	Major Program or Cluster	Federal Expenditures
	<i>Federal Transit Cluster:</i>	
20.500	Federal Transit - Capital Investment Grants	\$ 134,794
20.507	Federal Transit - Formula Grants	2,466,599
	Total Federal Transit Cluster	2,601,393
	<i>Aging Cluster:</i>	
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	49,755
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	325,556
93.053	Nutrition Services Incentive Program	13,029
	Total Aging Cluster	388,340
	Total Expenditures of All Major Federal Programs	\$ 2,989,733
	Total Expenditures of Federal Awards	\$ 4,477,385
	Percent of Total Expenditures of Federal Awards	66.77%

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

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

City of Gardena
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement

No current year findings were noted.

B. Prior Year Findings – Financial Statement

No prior year findings were noted.

City of Gardena
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

Section III – Federal Award Findings and Questioned Costs

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

No current year findings were noted.

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

2018-001 Matching, Level of Effort and Earmarking – Internal Control over Matching

Identification of the Federal Programs:

Catalog of Federal Domestic Assistance (“CFDA”) Number:	93.044, 93.045, and 93.053
CDFA Title:	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Center, Special Programs for the Aging – Title III, Part C – Nutrition Services, and Nutrition Services Incentive Program
Federal Agency:	Department of Health and Human Services
Pass-Through Entity:	County of Los Angeles
Federal Award Number and Award Year:	ENP162006 – FY16-17 and SSP141807 – FY14-15

Condition:

To follow up with prior audit finding, we tested similar current year transactions. Pursuant to the adopted policy dated March 7, 2018 to address our prior year finding 2017-002, all volunteer applications should be signed by a Senior Bureau staff member upon receipt and review. Applications should continue to be reviewed thoroughly, and an orientation/intake meeting with the volunteer shall follow before they are assigned a role. However, during our testing of volunteer applications, we noted that 7 out of 40 volunteer applications selected for testing were missing indication of reviewing by City staff.

Recommendation:

We recommend the City follow the formal policy created on March 7, 2018 for the reviewing process over volunteer applications to ensure the volunteers are qualified for the responsibilities that they are taking on.

Current Status:

Finding was resolved during the year ended June 30, 2019.