

**CITY OF HEMET**

**Single Audit Report on  
Federal Award Programs**

June 30, 2021

**CITY OF HEMET**  
**SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS**  
Year Ended June 30, 2021

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**Independent Auditor’s 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***

City Council  
City of Hemet  
Hemet, 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 Hemet (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 15, 2022.

**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 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 preceding 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 were not 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 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 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*.

### **City of Hemet's Responses to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Van Lant & Fankhaed, LLP*

February 15, 2022



**Independent Auditor's 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 Uniform Guidance**

City Council  
City of Hemet  
Hemet, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Hemet's 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 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.

***Auditor's 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.

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**Van Lant & Fankhanel, LLP**

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### ***Opinion on Each Major Federal Program***

In our opinion, the City of Hemet, 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 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

The City of Hemet, California'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.

### **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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-002, that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in schedule of findings and questioned costs and the *corrective action plan*. 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 responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the City of Hemet, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 15, 2022 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Van Lant + Fankhaed, LLP*

July 18, 2022

**CITY OF HEMET**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Program Identification Number	Program Expend- itures	Provided to Sub- Recipients
<b><u>U.S Department of Housing and Urban Development</u></b>				
<i>Direct Assistance:</i>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant	14.218	B-17-MC-06-0579	\$ 124,923	\$ -
Community Development Block Grant	14.218	B-19-MC-06-0579	1,732	-
Community Development Block Grant	14.218	B-20-MC-06-0579	508,722	119,015
COVID-19 - Community Development Block Grant	14.218	B-20-MW-06-0579	566,996	556,517
Neighborhood Stabilization Program	14.218	B-08-MN-06-0508	5,355	-
Total CDBG - Entitlement Grants Cluster			<u>1,207,728</u> *	<u>675,532</u>
Total Department of Housing and Urban Development			<u>1,207,728</u>	<u>675,532</u>
<b><u>U.S. Department of Justice</u></b>				
<i>Direct Assistance:</i>				
COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-1744	44,581	-
<i>Passed through the County of Riverside Sheriff's Department:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0856	17,522	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0624	35,331	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0319	28,160	-
Total Department of Justice			<u>125,594</u>	<u>-</u>
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed through the California Department of Transportation</i>				
<i>Office of Traffic Safety:</i>				
Highway Safety Cluster				
Selective Traffic Enforcement Program	20.600	PT20059	14,426	-
Selective Traffic Enforcement Program	20.600	PT21148	5,780	-
Total Highway Safety Cluster			<u>20,206</u>	<u>-</u>
<i>Passed through the California Department of Transportation</i>				
<i>Office of Traffic Safety:</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT20059	35,574	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21148	13,788	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>49,362</u>	<u>-</u>
<i>Passed through the California Department of Transportation</i>				
<i>Office of Traffic Safety:</i>				
National Priority Safety Programs	20.616	TR21047	4,162	-
Total National Priority Safety Programs			<u>4,162</u>	<u>-</u>
Total Department of Transportation			<u>73,730</u>	<u>-</u>

**CITY OF HEMET**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Program Identification Number	Program Expend- itures	Provided to Sub- Recipients
<b><u>U.S Department of Treasury</u></b>				
<i>Passed through the State of California Department of Finance:</i>				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	262,917	-
Total Department of Treasury			<u>262,917</u>	<u>-</u>
<b><u>U.S Department of Homeland Security</u></b>				
<i>Passed through the San Bernardino County Fire Protection District</i>				
<i>Office of Emergency Services:</i>				
Homeland Security Grant Program	97.067	2019-0035	101,071	-
Total Department of Homeland Security			<u>101,071</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,771,040</u>	<u>\$ 675,532</u>

\* = Major Program

**CITY OF HEMET**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2021

**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 Hemet, 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.

**2) Summary of Significant Accounting Policies**

Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Office of Traffic Safety, County of Riverside Emergency Management Department, and the County of Riverside Sheriff’s Department, 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.

**3) Major Programs**

The City had one major program for the year ended June 30, 2021, consisting of the Community Development Block Grant which had total disbursements of \$1,207,728. This amount calculates to 68.2% of the total disbursements from federal awards.

**4) Subrecipient Expenditures**

During the fiscal year ended June 30, 2021, the City made payments to subrecipients which consisted of the following:

**CITY OF HEMET**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2021

**4) Subrecipient Expenditures - Continued**

Salvation Army - Housing Stability Program	\$ 162,026
My City Youth Food Program	88,823
Family Services Association - Curbside Pickup	20,000
Exceed - Division of Valley Resource Center	54,472
Community Pantry	67,632
Care A Van Food Delivery	20,000
Valley Restart Shelter - CV	143,564
VIP Tots	4,445
Voices for Children	10,000
Care A Van Transit	25,000
Center Against Sexual Assault	10,461
Fair Housing Council	34,885
Valley Restart Shelter	19,224
Family Services Association	15,000
	<hr/>
Total Subrecipients	<u><u>\$ 675,532</u></u>

**5) Indirect Cost Rate**

The City has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance:

**CITY OF HEMET**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2021

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of Auditor’s Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	Yes
Noncompliance Material to Financial Statements Noted?	No

**Federal Awards**

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	Yes
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 Uniform Guidance?	Yes

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar Threshold used to Distinguish Between Type A And Type B Programs:	\$ <u>750,000</u>
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Auditee Qualified as Low-Risk Auditee?	No
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**CITY OF HEMET**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2021

**SECTION II – FINANCIAL STATEMENT FINDINGS**

***2021-001 Audit Adjustments***

Condition:

While performing audit procedures, we identified and proposed several material adjusting entries to the City’s accounting records. Furthermore, *Statements on Auditing Standards No. 115, “Communicating Internal Control Related Matters Identified in an Audit”* states that “indicators of material weaknesses in internal control include: identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate the misstatement would not have been detected by the entity’s internal control.”

Criteria:

The City’s management is responsible for establishing and maintaining effective internal controls over financial reporting to help ensure that appropriate goals and objectives are met. This responsibility includes the selection and application of accounting principles, ensuring that financial information is reliable and properly recorded, and evaluating and monitoring ongoing activities.

Cause of Condition:

Adjustments identified through the audit process.

Potential Effect of Condition:

Internal controls not established to identify material misstatements to the financial statements and ultimately could result in material misstatement to the financial statements.

Recommendation:

Therefore, in order to maintain the integrity of the accounting and financial reporting system, and to ensure timely reporting, we recommend that all balance sheet accounts and other selected accounts be analyzed on a monthly, quarterly or other periodic basis as appropriate. We suggest a schedule of accounting functions to be performed monthly, quarterly, etc., be prepared with the provision for signing off by date and initials when the procedure is complete.

Views of Responsible Officials:

The City concurs. Refer to separate Corrective Action Plan for management’s response.

**CITY OF HEMET**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2021

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

***2021-002 First-tier Subaward Reporting***

**Federal Program:** Community Development Block Grant

**CFDA No:** 14.218

**Federal Grantor:** US Department of Housing and Urban Development

**Award No.:** B-20-MC-06-0579

**Compliance Requirements:** Reporting

Criteria:

The Uniform Guidance states that, “Recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS)”.

Condition:

Based on our testing, we found that one first-tier subaward was not reported to FSRS.

Cause:

The City’s internal controls were not established to ensure all first-tier subawards were reported to FSRS as required by the Uniform Guidance.

Effect:

The City is not in compliance with the Federal Award Reporting requirement.

Questioned Costs:

None.

Recommendation:

We recommend that the City establish procedures to ensure the City is in compliance with all requirements of the major federal program.

Views of Responsible Officials:

The City concurs. Refer to separate Correction Action Plan for management’s response.

**CITY OF HEMET**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2021

**SECTION II – FINANCIAL STATEMENT FINDINGS**

*2020-001: Accounting Policies and Procedures*

Current Status: Corrective action has been taken.

*2020-002: Internal Service Funds*

Current Status: Corrective action has been taken.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no auditor's findings to be reported in accordance with the *Uniform Guidance*.