

CITY OF ESCONDIDO, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS
YEAR ENDED JUNE 30, 2022



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**CITY OF ESCONDIDO
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2022**

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
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 AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	11
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	13



**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
City of Escondido
Escondido, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escondido (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated October 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01, that we consider to be a material weakness.

Honorable Mayor and Members of the City Council
City of Escondido

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Irvine, California
October 6, 2023



**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 AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Escondido'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 auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on the 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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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 the major federal program. Our audit does not provide a legal determination of the City's 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 omission, misrepresentations, or 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 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.

Honorable Mayor and Members of the City Council
City of Escondido

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon, dated October 6, 2023 which contained unmodified opinions on those 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.

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 awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Irvine, California
November 16, 2023

**CITY OF ESCONDIDO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program/Cluster Title/Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	N/A	\$ 1,239,916	\$ 80,945
COVID-19 - Community Development Block Grant	14.218	N/A	133,839	100,588
Subtotal Community Development Block Grants-Entitlement Grants Cluster			1,373,755	181,533
Emergency Solutions Grant Program				
Emergency Solutions Grant Program	14.231	N/A	139,859	130,092
COVID-19 - Emergency Solutions Grant Program	14.231	N/A	2,758,549	2,705,872
Subtotal Emergency Solutions Grant Program			2,898,408	2,835,964
HOME Investment Partnership				
HOME Investment Partnership	14.239	N/A	57,030	-
Total U.S. Department of Housing and Urban Development			4,329,193	3,017,497
U.S. Department of Interior				
Passed-Through the State Water Resource Control Board:				
Title XVI Water Reclamation and Reuse Program	15.504	R19AC00023	5,443,075	-
Total U.S. Department of Interior			5,443,075	-
U.S. Department of Justice				
Direct Assistance:				
Safe Streets Task Force	16.U01	N/A	14,450	-
Fugitive Task Force	16.U02	N/A	12,956	-
Electronic Crimes Task Force	16.U03	N/A	5,000	-
COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	N/A	47,896	-
Federal Asset Forfeiture	16.922	N/A	149,000	-
EBM Justice Assistance Grant	16.738	N/A	36,289	-
School Violence Prevention Program	16.710	N/A	15,154	-
Byrne Criminal Justice Innovation Program	16.817	N/A	269,379	-
Narcotic Task Force Cooperative Agreement	16.751	N/A	23,222	-
Passed-Through the California Governor's Office of Emergency Services:				
2021 Paul Coverdell Forensic Improvement Program	16.742	073-22804	51,682	-
Total U.S. Department of Justice			625,028	-
U.S. Department of Transportation				
Passed-Through the State of California Department of Transportation:				
Highway Planning and Construction	20.205	ATPLN1-5081(023)	3,121	-
Passed-Through the State of California Office of Traffic Safety:				
Highway Safety Cluster:				
OTS - 2021 DUI Enforcement and Awareness	20.600	PT21115	34,265	-
OTS - 2021 Bicycles and Pedestrian Safety	20.600	PS21030	1,583	-
OTS - 2022 Selective Traffic Enforcement Program	20.600	PT21168	95,945	-
OTS - 2022 Bicycles and Pedestrian Safety	20.600	PS22033	7,581	-
Subtotal Highway Safety Cluster			139,374	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF ESCONDIDO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program/Cluster Title/Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
Minimum Penalties for Repeat Offenders for Driving While Intoxicated:				
OTS - 2021 DUI Enforcement and Awareness	20.608	PT21115	\$ 79,194	\$ -
OTS - 2022 Selective Traffic Enforcement Program	20.608	PT22168	209,443	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>288,637</u>	<u>-</u>
Total U.S. Department of Transportation			431,132	-
U.S. Department of Treasury				
Direct Assistance:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	2,156,775	1,500,000
Passed-Through the CA State Water Resource Control Board:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds:	21.027			
California Arrearage Payment Program		CA3710006	523,710	-
California Wastewater Arrearage Payment Program		ID 229727	125,865	-
Subtotal Passed-Through CA State Water Resource Control Board			<u>649,575</u>	<u>-</u>
Total U.S. Department of Treasury			2,806,350	1,500,000
U.S. Institute of Museum and Library Services				
Direct Assistance:				
Library Services Technology	45.310	40-9134	8,896	-
Total U.S. Institute of Museum and Library Services			<u>8,896</u>	<u>-</u>
U.S. Department of Health and Human Services				
Passed-Through the County of San Diego Health and Human Services Agency:				
Title III-B Transportation	93.044	2001CAOASS-00	53,473	-
Title III-C1 and C2 Congregate Meals	93.045	2001CAOACM-00/ 2001CAOAHD-00	102,366	-
NSIP C1 and C2 Incentive Payments	93.053	2001CAOANS-00	13,081	-
Total U.S. Department of Health and Human Services			<u>168,920</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed-through the County of San Diego Office of Emergency Services:				
Homeland Security Grant Program	97.067	2019-0035	58,701	-
Homeland Security Grant Program	97.067	2020-0095	94,596	-
Subtotal			<u>153,297</u>	<u>-</u>
Passed-Through the City of San Diego Office of Homeland Security:				
Homeland Security Grant Program - UASI	97.067	2019-0035	219,250	-
Homeland Security Grant Program - UASI	97.067	2020-0095	135,755	-
Homeland Security Grant Program - UASI	97.067	2021-0081	4,300	-
Subtotal			<u>359,305</u>	<u>-</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF ESCONDIDO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program/Cluster Title/Project	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
Passed-Through the City of San Diego Sheriff's Department: Homeland Security Grant Program - CalEMA Stonegarden	97.067	2020-0095	\$ 6,917	\$ -
Total U.S. Department of Homeland Security			<u>519,519</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 14,332,113</u>	<u>\$ 4,517,497</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF ESCONDIDO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) include the federal award activities of the City of Escondido, California (the City), under programs of the federal government, as well as federal financial assistance passed through other government agencies for the year ended June 30, 2022. The information in the Schedule of Expenditures of Federal Awards (SEFA) 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 present only a selected portion of the operations of the City, they are not intended to, and do 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 BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in the 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. The information in the SEFA is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements. Pass-through entity identifying numbers are identified where available.

NOTE 3 INDIRECT COST RATE

With the exception of the following programs, the City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance:

Federal Assistance Listing Number	Award Number	Program Name
14.218	B-21-MC-06-0552	CDBG - Entitlement Grants Cluster
14.218	B-20-MC-06-0552	CDBG - Entitlement Grants Cluster
14.218	B-19-MC-06-0552	CDBG - Entitlement Grants Cluster
14.218	B-18-MC-06-0552	CDBG - Entitlement Grants Cluster
14.218	B-17-MC-06-0552	CDBG - Entitlement Grants Cluster
14.218	B-16-MC-06-0552	CDBG - Entitlement Grants Cluster
14.218	B-20-MW-06-0552	COVID -19- CDBG - Entitlement Grants Cluster

**CITY OF ESCONDIDO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

NOTE 4 CONTINGENCIES

Under the terms of federal 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 ESCONDIDO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

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? x yes no
 - Significant deficiency(ies) identified? yes x 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

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.231	Emergency Solutions Grant Program
21.027	COVID-19 Coronavirus State and Local Recovery Funds
97.067	Homeland Security

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 ESCONDIDO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The City has been recording certain contributions and deposits from developers and others that may not be refundable and are restricted for a specific purpose as deposit liabilities.

Criteria or specific requirement: Given the non-refundable nature of these certain deposits, they are more appropriately recorded as revenue upon receipt and then tracked for usage as to the restricted purpose through fund balance/net position.

Effect: Liabilities are being overstated and fund balance/net position are being understated in the affected funds. As a result, a prior period adjustment was made to remove \$7.7 million in deposits payable that should have been recognized as revenue in prior years and a reclassification was made to recharacterize \$0.37 million of non-refundable contributions and deposits received in the current year as revenue.

Cause: The City's policy related to restricted contributions and deposits from developers and others was to record them as a liability and recognize revenue as the amounts were used for their restricted purposes without regard as to the non-refundable nature of the amounts.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the City record nonrefundable contribution and deposit amounts received that are restricted to a specific purpose as revenue upon receipt and implement policies and procedures to allow tracking of the usage of these restricted amounts.

Views of responsible officials and planned corrective actions: The City agrees that certain funds historically recorded as deposits are more appropriately recorded as revenue upon receipt when they are non-refundable. Staff evaluated all deposit accounts held by the City and have established procedures to ensure that the funds collected are reported as revenue and restricted in the fund, when applicable. The procedures established include a monthly review and reconciliation of receipts posted to the deposit accounts and a review of the activity by the Revenue Manager and Director of Finance at the end of each fiscal year to ensure the accuracy of ending balances in both deposit accounts and restricted fund balance classifications.

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).

**CITY OF ESCONDIDO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

Financial Statement Findings

There were no financial statement audit findings in the prior year.

Federal Program Award Findings

There were no federal program award findings in the prior year.



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