



**City of Cudahy, California**  
**Single Audit Report**  
***Year Ended June 30, 2020***  
***With Independent Auditor's Report***

**City of Cudahy, California**  
**Single Audit Report**  
***Year Ended June 30, 2020***  
***with Independent Auditor's Report***

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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***

**The Honorable Mayor and the Members of the City Council**  
**City of Cudahy**  
Cudahy, 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, each major fund, and the aggregate remaining fund information of the City of Cudahy (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 7, 2021.

**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.

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 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*.

## **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 "Vasquez &amp; Company LLP".

**Glendale, California  
July 7, 2021**

**Independent Auditor's Report on Compliance for Each Major Federal Program; on  
Internal Control Over Compliance; and on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

**The Honorable Mayor and the Members of the City Council  
City of Cudahy  
Cudahy, California**

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

We have audited the City of Cudahy, 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 the City's major federal program for the year ended June 30, 2020. The City's major federal program is 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 the 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 the City's major federal program 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 the 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 its major federal program for the year ended June 30, 2020.

### **Other Matter**

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 Finding Nos. 2020-01 and 2020-02. Our opinion on each major federal program is not modified with respect to this matter.

The City's responses to the noncompliance 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 compliance and, accordingly, we express no opinion on the responses.

### **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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a material weakness. However, material weakness may exist that have not been identified.

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



## **Report on the 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 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 7, 2021, 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. 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.

*Vasquez & Company LLP*

**Glendale, California**

**July 15, 2021** (except for the Schedule of Expenditures of Federal Awards, as to which the date is July 7, 2021)

**City of Cudahy**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2020**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Passed through County of Los Angeles Community Development Block Grant Program				
Community Development Block Grants/Entitlement Grants	14.218	Not available	\$ -	\$ 560,158 *
<i>Total U.S. Department of Housing and Urban Development</i>			<u>-</u>	<u>560,158</u>
<b><u>U.S. Department of Transportation</u></b>				
Passed through California Department of Transportation				
Highway Safety Improvement Program (HSIP)	20.205	HSIPL-5369(009)	-	274,926 *
Active Transportation Program (ATP)	20.205	00462S	-	41,729
<i>Total U.S. Department of Transportation</i>			<u>-</u>	<u>316,655</u>
<b><u>U.S. Department of Treasury</u></b>				
Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments				
	21.019	Not applicable	-	137,105
			<u>-</u>	<u>137,105</u>
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 1,013,918</u>

\* Denotes major program

*See accompanying notes to Schedule of Expenditures of Federal Awards.*

**NOTE 1           BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of all federal financial assistance programs of the City of Cudahy, California (the City). For purposes of this schedule, financial awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized, if any, or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

The information in the 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 SEFA presents only a selected portion of the operations 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.

**NOTE 2           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying SEFA is presented using the modified-accrual basis of accounting which is described in Note 1 of the notes to the City's basic financial statements, except that the lending of certain federal award monies and acquisition of capital assets are reported as expenditures of federal funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3           RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Grant expenditure reports for the year ended June 30, 2020, which have been submitted to grantor agencies, will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

**NOTE 4           RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Amounts reported in the accompanying SEFA agree, in all material respects, to amounts reported within the City's Comprehensive Annual Financial Report.

**NOTE 5      LOANS RECEIVABLE**

Loans made with Community Development Block Grant (CDBG) funds in the amount of \$270,826, which includes interest of \$24,700, are outstanding as of June 30, 2020. During fiscal year 2019-20, there were no new loans made with CDBG funds.

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report 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 programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance with respect to major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	Yes (Finding Nos. 2020-01 and 02)

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grants/Entitlement Grants
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as a low-risk auditee?	No

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**Section II – Financial Statement Findings**

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There were no financial statement findings noted during the fiscal year ended June 30, 2020.

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**Section III – Federal Award Findings**

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**Finding No. 2020-01: Develop written policies and procedures for federal awards administration in accordance with the Uniform Guidance**

***Criteria:***

2 CFR 200.303 requires nonfederal entities to maintain effective internal controls over federal awards. The focus of these policies and procedures should be to ensure that those in the organization who carry out the objectives of the award understand:

- The federal statutes, regulations, and terms and conditions of the award
- How to evaluate and properly monitor compliance
- The steps to take if noncompliance is identified

Under 2 CFR 200.303, the Uniform Guidance also recommends these internal controls follow guidance in *Standards for Internal Control in the Federal Government* (the Green Book), issued by the Comptroller General of the United States, or the *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Uniform Guidance requires non-Federal entities specifically to develop written procedures related to the following areas:

1. Cash Management

2 CFR 200.302(b)(6) states that the financial management system of each non-Federal entity must provide for the written procedures to implement the requirements of 2 CFR 200.305 Payment.

2. Allowability of Costs

2 CFR 200.302(b)(7) states that the financial management system of each non-Federal entity must provide for the written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award.

3. Conflict of Interest

2 CFR 200.318(c)(1) states that the non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value.

The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

In addition, the entities should ensure that existing written procedures are in compliance with:

- a. **Equipment Management Requirements**  
2 CFR 200.313(b) states that “A state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures”.
- b. **General Procurement Standards**  
2 CFR 200.317 to 200.326 discusses that contracts must be established and managed in accordance with the procurement requirements in 2 CFR Part 200. Grantees must have written procurement policies and procedures that demonstrate a fair and reliable process, with standards of conduct addressing conflicts of interest, for obtaining grant-funded goods and services.

***Condition***

The City does not have written policies and procedures over the administration of federal awards.

***Cause***

Due to the City’s limited resources and size of operations, certain processes and procedures are not documented in writing.

***Effect***

The absence of well-established written policies and procedures can lead to noncompliance with the federal requirements.

***Questioned Costs***

Not Applicable

***Recommendation***

We recommend that the City develop policies and procedures on grant accounting and management in compliance with the Uniform Guidance. These policies and procedures must clearly describe the requirements of the Uniform Guidance. In addition, management should review its existing policies and procedures on procurement and equipment management to ensure it is consistent and in compliance with the requirements of the Uniform Guidance.

***Management Response and Planned Corrective Action***

The City concurs with the finding. During the next fiscal year, the City will develop written procedures relating to Cash Management, Allowability of Costs, and Conflict of Interest. Current City-Wide policies and procedures will be reviewed to ensure that Equipment Management Requirement procedures comply with Uniform Guidance as well as update current procurement procedures to comply with the Uniform Guidance.

**Finding No. 2020-02: Preparation of Schedule of Expenditures of Federal Awards**

***Criteria:***

Title 2: Grant and Agreements, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”), Subpart F Audit Requirements, specifically §200.510 (b) Schedule of expenditures of Federal Awards:

The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 - Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name.
- Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

***Condition***

While the City provided the total expenditures for each of the federal awards reported in the SEFA, certain information was not provided such as CFDA number and pass-through entity identifying number.

***Cause***

Procedures and controls were not properly implemented to comply with federal compliance requirements on the preparation of the SEFA.

***Effect***

An incomplete SEFA may allow for the omission of a major program that should be included in the audit testing. An incomplete SEFA may also result in an inefficient audit approach and incorrect program risk assessment process while increasing the risk of incorrect major program determination.

***Questioned Costs***

Not Applicable

***Recommendation***

We recommend that the City strengthen its policies and procedures over the preparation and review of the SEFA to ensure its accuracy and completeness.

***Management Response and Planned Corrective Action***

The City concurs with the finding. The City will augment its policies over federal programs to include the preparation of the SEFA.

There was no Single Audit for the fiscal year ended June 30, 2019.



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