CITY OF CHULA VISTA

JUNE 30 2020

SINGLE AUDIT REPORT

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CITY OF CHULA VISTA, CALIFORNIA

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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*

To the Honorable Mayor and Members of the City Council
City of Chula Vista, 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 Chula Vista, California, (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 January 29, 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 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 the following deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency:

1) 2020-001: Cash and Investments Reconciliations

To the Honorable Mayor and Members of the City Council
City of Chula Vista, California

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 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

The City's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Lance, Soll & Lunghard, LLP

Brea, California
January 29, 2021

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

To the Honorable Mayor and Members of the City Council
Chula Vista, California

Report on Compliance for Each Major Federal Program

We have audited the City of Chula Vista, California (the City)'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, 2020. 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.

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, 2020.

To the Honorable Mayor and Members of the City Council
Chula Vista, California

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 have not been identified.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 29, 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.

To the Honorable Mayor and Members of the City Council
Chula Vista, California

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.

Lance, Soll & Lunghard, LLP

Brea, California
May 5, 2021 (Except for the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance which is dated January 29, 2021)

CITY OF CHULA VISTA, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
CDBG - Entitlement Grants Cluster *				
Department of Housing and Urban Development Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	$ 247,112	$ 1,526,026
Community Development Block Grants/Entitlement Grants - Loan Programs (Note 3)	14.218	N/A	-	1,870,207
Subtotal - CFDA 14.218			247,112	3,396,233
Total Department of Housing and Urban Development Direct Programs			247,112	3,396,233
Total CDBG - Entitlement Grants Cluster			**247,112**	**3,396,233**
Highway Planning and Construction Cluster				
Department of Transportation Pass-Through Programs from:				
State of California Department of Transportation				
Highway Planning and Construction	20.205	02-549-9144	-	1,732,057
Total Department of Transportation Pass-Through Programs			-	1,732,057
Total Highway Planning and Construction Cluster			**-**	**1,732,057**
Highway Safety Cluster				
Department of Transportation Pass-Through Programs from:				
State of California Office of Traffic Safety				
State and Community Highway Safety	20.600	96-505-3908	-	354,073
Total Department of Transportation Pass-Through Programs			-	354,073
Total Highway Safety Cluster			**-**	**354,073**
Other Programs				
Department of Housing and Urban Development Direct Programs:				
Home Investment Partnerships Program *	14.239	N/A	158,551	406,575
Home Investment Partnerships Program - Loan Programs (Note 3) *	14.239	N/A	-	12,853,284
Subtotal - CFDA 14.239			158,551	13,259,859
Emergency Solutions Grant Program	14.231	N/A	84,346	84,346
Total Department of Housing and Urban Development			242,897	13,344,205
Department of Justice Direct Programs:				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	-	166,711
Bulletproof Vest Partnership Program	16.607	N/A	-	41,455
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	92,404
Equitable Sharing Program	16.922	N/A	-	276,731
Department of Justice Pass-Through Programs from:				
California Governor's Office of Emergency Services				
Violence Against Women Formula Grants	16.588	94-743-6176	-	206,048
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	94-743-6176	-	48,469
City of San Diego				
Missing Children's Assistance	16.543	00-958-1208	-	74,317
Total Department of Justice			-	906,135
Department of Treasury Direct Programs:				
Coronavirus Relief Fund *	21.019	N/A	-	1,898,843
Total Department of Treasury			-	1,898,843
Executive Office of the President Direct Programs:				
High Intensity Drug Trafficking Areas Program *	95.001	N/A	-	2,649,900
Total Executive Office of the President			-	2,649,900

The accompanying notes are an integral part of this schedule.

CITY OF CHULA VISTA, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
Department of Homeland Security Direct Programs:				
FEMA 2020	97.U01	N/A	-	414,284
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	1,153,225
Department of Homeland Security Pass-Through Programs from:				
County of San Diego Office of Emergency Services				
Emergency Management Performance Grants	97.042	04-744-0925	-	63,879
Subtotal			-	1,631,388
Homeland Security Grant Program *	97.067	04-744-0925	-	175,337
County of San Diego				
Homeland Security Grant Program *	97.067	00-958-1208	-	2,679,735
City of San Diego Office of Homeland Security				
Homeland Security Grant Program *	97.067	17-221-6389	-	97,744
Subtotal - CFDA 97.067			-	2,952,816
Total Department of Homeland Security			-	4,584,204
Total Other Programs			**242,897**	**23,383,287**
Total Expenditures of Federal Awards			**$ 490,009**	**$ 28,865,650**

CORONAVIRUS EMERGENCY ACTS FUNDING RECONCILIATION

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
Department of Justice Direct Programs:				
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	$ -	$ 166,711
Department of Treasury Direct Programs:				
Coronavirus Relief Fund *	21.019	N/A	-	1,898,843
Total Coronavirus Emergency Acts Funding			**$ -**	**$ 2,065,554**

** Major Program*

[1] There were no federal awards expended in the form of noncash assistance and insurance in effect during the fiscal year.

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Chula Vista (the "City") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: Loan Programs

The federal housing loan programs listed subsequently are administered directly by the City, and balances and transactions relating to these programs are included in the City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented on the Schedule. The balance of loans outstanding at June 30, 2020 consist of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2020
14.218	CDBG Loans	$ 2,081,007
14.239	HOME Loans	15,147,238
	Total Loans Outstanding	$ 17,228,245

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

• Material weaknesses identified?	____yes	__X__no
• Significant deficiencies identified?	__X__yes	_____none reported
Noncompliance material to financial statements noted?	____yes	__X__no

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	____yes	__X__no
• Significant deficiencies identified?	____yes	__X__none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?	_____yes	__X__no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant (CDBG)
14.239	Home Investment Partnerships Program
21.019	Coronavirus Relief Fund
95.001	High Intensity Drug Trafficking Areas Program
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between type A and type B program	$750,000

Auditee qualified as low-risk auditee?	____yes	__X__no

SECTION II - FINANCIAL STATEMENT FINDINGS

2020-001: Cash and Investments Reconciliation

Significant Deficiency

Condition

During our audit process, we observed that the City's original primary bank reconciliation as of June 30, 2020, was not prepared in a timely manner.

Cause

This was determined to be due to the recent staffing turnover in the Finance Department.

Criteria

In a properly designed and implemented internal control system, bank reconciliations should be prepared and reviewed in a timely fashion.

Effect or Potential Effect of Condition

The bank reconciliations, when completed, were correctly reconciled and reviewed, and no audit adjustments were required. However, not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind.

Recommendation

The auditors recommend that all bank accounts be reconciled each month, with not more than three months expiring before a bank account is reconciled.

Management Response and Corrective Action

Management agrees to the importance of providing year-end bank reconciliations that are completed in all material respects in a timely manner. Management is committed to reviewing existing internal controls and procedures related to year-end close and bank reconciliations. Management will strengthen internal controls to ensure that bank reconciliations are completed and approved in a timely manner for year-end.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2019-001: Trial Balance, Account Reconciliations, Post-Closing Journal Entries
Material Weakness

Corrective action has been taken by the City, and this finding is fully corrected and resolved.

2019-002: Cash and Investments Reconciliation
Material Weakness

Corrective action has been taken by the City, and the finding is considered partially resolved for fiscal year ended June 30, 2020. This finding is directly related to current year finding 2020-001.

Management Response and Corrective Action
Management agrees to the importance of providing year-end bank reconciliations that are completed in all material respects in a timely manner. Management is committed to reviewing existing internal controls and procedures related to year-end close and bank reconciliations. Management will strengthen internal controls to ensure that bank reconciliations are completed and approved in a timely manner for year-end.

2019-003: Schedule of Expenditures of Federal Awards
Significant Deficiency

Corrective action has been taken by the City, and this finding is fully corrected and resolved.

Finding 2019-004 – Allowable Costs/Cost Principles
Noncompliance/Material Weakness

Corrective action has been taken by the City, and this finding is fully corrected and resolved.

Finding 2019-005 – Allowable Costs/Cost Principles
Noncompliance/Significant Deficiency

Corrective action has been taken by the City, and this finding is fully corrected and resolved.