

**CITY OF CARLSBAD  
CARLSBAD, CALIFORNIA**

**SINGLE AUDIT REPORT ON EXPENDITURES  
OF FEDERAL AWARDS**

**Year Ended June 30, 2021**

**CITY OF CARLSBAD**  
**SINGLE AUDIT REPORT ON EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2021**

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

**Independent Auditor's Report**

City Council  
City of Carlsbad  
Carlsbad, 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 Carlsbad, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City of Carlsbad's basic financial statements, and have issued our report thereon dated November 30, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Carlsbad'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 of Carlsbad's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Carlsbad'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 have not been 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 deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2021-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Carlsbad'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**

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 of Carlsbad'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 of Carlsbad's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DavisFarrLLP

Irvine, California  
November 30, 2021

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

**Independent Auditor's Report**

City Council  
City of Carlsbad  
Carlsbad, California

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

We have audited the City of Carlsbad'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 of Carlsbad's major federal programs for the year ended June 30, 2021. The City of Carlsbad'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 of Carlsbad'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 requirement 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 of Carlsbad'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 City of Carlsbad's compliance.

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

In our opinion, the City of Carlsbad 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.

### **Report on Internal Control Over Compliance**

Management of the City of Carlsbad 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 of Carlsbad'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 of Carlsbad'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. 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.

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 Uniform Guidance**

We have audited the financial statements of the City of Carlsbad as of and for the year ended June 30, 2021, and have issued our report thereon dated November 30, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

DavisFarrLLP

Irvine, California

March 8, 2022, except for the Schedule of Expenditures of Federal Awards, as to which the date is November 30, 2021.

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Fed. Domestic Assistance Number	Pass-through Entity Identifying Number	Program Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Housing and Urban Development:</u>				
Direct Programs:				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	CA077VO	\$ 7,551,802	\$ -
Mainstream Vouchers	14.879	CA077VO	275,344	-
COVID-19 Section 8 Housing Choice Vouchers	14.871	CA077VO	<u>1,045,053</u>	<u>-</u>
Subtotal Housing Voucher Cluster			<u>8,872,199</u>	<u>-</u>
Community Development Block Grant Cluster:				
Community Development Block Grant	14.218	B-20-MC-06-0563	<u>1,618,238</u>	<u>511,699</u>
Subtotal Community Development Block Grant Cluster			<u>1,618,238</u>	<u>511,699</u>
Total - U.S. Department of Housing and Urban Development			<u>10,490,437</u>	<u>511,699</u>
<u>U.S. Department of Justice:</u>				
Direct Programs:				
Narcotics Task Force Reimbursement Agreement	16.U06	CA0370100	16,970	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0113	<u>11,591</u>	<u>-</u>
Total - U.S. Department of Justice			<u>28,561</u>	<u>-</u>
<u>U.S. Department of Transportation:</u>				
Pass-through State Department of Transportation:				
Highway Research and Development Program	20.200	STPLX-5308(021) FERPL16	260,820	-
Highway Research and Development Program	20.200	PT20021	<u>60,705</u>	<u>-</u>
Total - U.S. Department of Transportation			<u>321,525</u>	<u>-</u>
<u>U.S. Department of Treasury:</u>				
Direct Programs:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	20-1892-0-1-806	<u>6,307,873</u>	<u>-</u>
Pass-through the State of California:				
COVID-19 Coronavirus Relief Fund	21.019	20-1892-0-1-806	<u>1,413,290</u>	<u>-</u>
Pass-through the County of San Diego:				
COVID-19 Coronavirus Relief Fund	21.019	05192020-14-1	<u>650,252</u>	<u>-</u>
Total - U.S. Department of Treasury			<u>8,371,415</u>	<u>-</u>
<u>U.S. Department of Health and Human Services:</u>				
Direct Programs:				
COVID-19 Provider Relief Fund	93.498	75-0140-0-1-550	<u>10,016</u>	<u>-</u>
Pass-through the County of San Diego:				
Aging Cluster:				
Special Programs for the Aging - Title III-C	93.045	533561	234,851	-
Nutrition Services Incentive Program	93.053	533561	<u>23,964</u>	<u>-</u>
Subtotal Aging Cluster			<u>258,815</u>	<u>-</u>
Total - U.S. Department of Health and Human Services			<u>268,831</u>	<u>-</u>

**CITY OF CARLSBAD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2021**  
**(Continued)**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Fed. Domestic Assistance Number	Pass-through Entity Identifying Number	Program Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Homeland Security:</u>				
Direct Programs:				
Homeland Security Grant Program - Operation Stonegarden	97.067	70-0560-0-1-999	55,893	-
Pass-through the County of San Diego:				
Homeland Security Grant Program	97.067	2018-00102	28,068	-
Pass-through the San Diego County Office of Emergency Services:				
Homeland Security Grant Program	97.067	2019-0035	<u>74,755</u>	-
Total - U.S. Department of Homeland Security			<u>158,716</u>	-
<b>Total Federal Awards</b>			<u>\$ 19,639,485</u>	<u>\$ 511,699</u>

**CITY OF CARLSBAD**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2021**

**(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

a) Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of each of the City of Carlsbad's major programs of the federal government for the year ended June 30, 2021. The information in 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 ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City of Carlsbad, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Carlsbad. The City did not use the 10% de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

b) Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards wherein certain types of expenditures are not allowable or are limited as to reimbursement.

c) Subrecipients Expenditures

Payments to subrecipients totaled \$511,699 for the Community Development Block Grant for the fiscal year ended June 30, 2021.

<u>Subrecipients</u>	<u>Amount Provided</u>
The Community Resource Center	\$ 178,768
Feeding the Soul	100,000
Catholic Charities	95,304
Casa de Amparo	75,000
Brother Benno	26,472
Interfaith Community Services	15,148
Meals-on-Wheels San Diego County	15,000
Supportive Services for Domestic Abuse Victims	6,007
Total	<u>\$ 511,699</u>

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

**Section I - Summary of Auditor's Results**

**Financial Statements**

- |   |            |
|---|------------|
| 1. Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting:   |            |
| a. Material weakness(es) identified?  | No         |
| b. Significant deficiency(ies) identified?  | 2021-001   |
| 3. Noncompliance material to the financial statements noted?  | No         |

**Federal Awards**

- |  |   |
|--|---|
| 1. Internal control over major programs:   |   |
| a. Material weakness(es) identified?   | No  |
| b. Significant deficiency(ies) identified?   | None Reported                                     |
| 2. Type of auditors' report issued on compliance for major programs:                                   | Unmodified  |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? | No  |
| 4. Identification of major programs:   |   |
| <u>CFDA Number</u>   | <u>Name of Federal Program or Cluster</u>         |
| 21.027   | Coronavirus State and Local Fiscal Recovery Funds |
| 5. Dollar threshold used to distinguish between Type A and Type B programs:                            | \$750,000   |
| 6. Auditee qualified as a low-risk auditee?  | Yes   |

**CITY OF CARLSBAD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2021**

**Section II - Financial Statement Findings**

**2021-001 Prior Period Adjustments and Material Audit Adjustments**

Auditing standards require the auditors to include an internal control recommendation when there are material audit adjustments. During our audit, we noted six journal entries detected as a result of auditing procedures. Of the six audit adjustments detected, four were material to the financial statements. The journal entries affected a variety of accounts including capital assets, long-term debt, interest receivable, and OPEB.

Recommendation

We recommend the City establish procedures to, whenever possible, identify adjustments in the reporting period in which the related transactions occurred. It is recognized this is not always possible, and on occasion, the City's accounting procedures will properly identify adjustments in subsequent periods.

Management's Response

The City concurs that adjustments have been made to adjust the recording of transactions identified above. Going forward, the City will record future transactions in the manner prescribed by generally accepted accounting principles.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs for the year ended June 30, 2021.

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

**Section IV - Summary of Prior Audit Findings and Current Status**

There are no prior year audit findings.