

CITY OF BURBANK, CALIFORNIA
SINGLE AUDIT OF FEDERAL AWARDS
JUNE 30, 2020



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CITY OF BURBANK
June 30, 2020
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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*

City Council
City of Burbank
Burbank, 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 Burbank, 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 November 10, 2020.

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 opinion 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 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 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 deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

Compliance and Other Matters

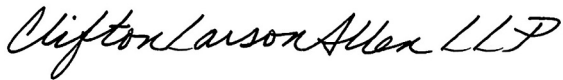
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Irvine, California
November 10, 2020



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

City Council
City of Burbank
Burbank, California

Report on Compliance for Each Major Federal Program

We have audited the City of Burbank'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 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 auditors' 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.

Auditors' 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-003. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-003 that we consider to be a significant deficiency.

Report on Internal Control over Compliance (Continued)

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, each major fund, and the aggregate remaining fund information of the City of Burbank, 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 November 10, 2020, 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.



CliftonLarsonAllen LLP

Irvine, California
March 24, 2021

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	N/A	\$ 721,454	\$ 255,547
Supportive Housing Program	14.235	N/A	351,032	-
HOME Investment Partnerships Program	14.239	N/A	59,165	-
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	N/A	10,692,270	-
COVID-19 Section 8 Housing Choice Vouchers - CARES Act	14.871	N/A	168	-
			<u>10,692,438</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>11,824,089</u>	<u>255,547</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	5,148	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	N/A	16,307	-
Total U.S. Department of Justice			<u>21,455</u>	<u>-</u>
<u>U.S. Department of Labor</u>				
Passed through the State of California				
Employment Development Department:				
WIOA Cluster:				
WIA Adult Program	17.258	Catalog 417260	149,332	-
<u>U.S. Department of Transportation</u>				
Passed through the State of California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction				
Burbank Channel Bikeway	20.205	CML-5200(046)	4,133,903	-
Passed through the California Office of Traffic and Safety:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
	20.608	PT20015	81,571	-
Total U.S. Department of Transportation			<u>4,215,474</u>	<u>-</u>
<u>United States Department of the Treasury</u>				
Direct Assistance:				
Asset Forfeiture	21.016	N/A	35,050	-

(Continued)

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

CITY OF BURBANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursement to Subrecipient
<u>Institute for Museum and Library Services</u>				
Passed through the State of California				
Library Services and Technology				
Grants to States	45.310	LS-00-19-0005-19	\$ 39,756	\$ -
<u>U.S. Department of Health and Human Services</u>				
Passed through the Los Angeles County Workforce Development, Aging, and Community Services: Aging Cluster:				
Title III, Part B - Grants for supportive services and senior centers	93.044	ENP-1216-003	1,170	-
Title III, Part C1-Congregate Nutrition	93.045	ENP-1216-003	340,362	-
Nutrition Services Incentive Program	93.053	ENP-1216-003	36,000	-
Total U.S. Department of Health and Human Services			<u>377,532</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the City of Los Angeles:				
Homeland Security Grant Program	97.067	UASI C-129267	68,134	-
Total U.S. Department of Homeland Security			<u>68,134</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 16,730,822</u>	<u>\$ 255,547</u>

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

**CITY OF BURBANK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE 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 Burbank (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, 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which are described in Note 1 of the notes to the City's financial statements. 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 INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 CONTINGENCIES

Under the terms of federal and state 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 BURBANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Identification of Major Federal Programs

CFDA Number(s)

20.205

Name of Federal Program or Cluster

Highway Planning and Construction

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 BURBANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020 – 001

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: The organization does not have a policy in place to provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the organization's internal controls.

Criteria or specific requirement: Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Context: During our year-end audit procedures, we noted that the balances reported in the utility billing reports were lower than the balances reported in the general ledger. Upon a review of this difference, the City determined that a significant portion of the balance was not collectable, resulting in a significant audit adjustment.

Effect: The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: The organization has not adopted a policy to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP; however, management has reviewed and approved the annual financial statements and related notes, and has accepted responsibility for those financial statements.

Repeat Finding: This is a first year finding.

Recommendation: We recommend that the City review its closing procedures over reconciling account balances to ensure that detailed schedules for all significant account balances are reconciled to the general ledger and estimates for uncollectable balances are recorded, where applicable.

Views of responsible officials and planned corrective actions: The City agrees with the finding. In light of the COVID-19 pandemic, it was reasonable to have a larger allowance for uncollectible accounts. Burbank Water and Power is in the process of reconciling the aforementioned account balances and will review its procedures to ensure that significant account balances are reconciled to the general ledger and estimates for uncollectable balances are recorded in a timely manner.

2020 – 002

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: The organization does not have a policy in place to provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the organization's internal controls.

**CITY OF BURBANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings (Continued)

2020 – 002 (Continued)

Criteria or specific requirement: Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Context: Multiple auditor proposed journal entries were recorded based on procedures performed during our audit. These adjustments included entries to adjust accrued expenses in the electric and water funds and to move completed construction projects to a completed capital asset category in the water fund. Additionally, during our review of cutoff procedures over accounts receivable, we noted that a significant balance was recorded to the incorrect fiscal year for the general liability insurance fund.

Effect: The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: The organization has not adopted a policy to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP; however, management has reviewed and approved the annual financial statements and related notes, and has accepted responsibility for those financial statements.

Repeat Finding: This is a first year finding.

Recommendation: We recommend that the City review its closing procedures for reviewing the general ledger for balances before the start of the audit to reduce the number of auditor proposed journal entries. Further, we recommend that the finance department review cutoff determinations made by departments against applicable generally accepted accounting principles (GAAP) to ensure that cutoff determinations made outside of the finance department are in accordance with GAAP.

Views of responsible officials and planned corrective actions: The City agrees with the finding. It should be noted, however, that the adjustments to accrued expenses were not of significant value and the moving of completed construction projects had no impact on the total capital assets reported on the Statement of Net Position or on the Statement of Revenues, Expenses, and Changes in Fund Net Position. Burbank Water and Power will modify its practice to include more frequent reviews of construction in progress projects, in order to improve the timeliness of capitalization.

The audit identified one accounts receivable transaction within the General Liability Insurance Fund that was recorded to the incorrect fiscal year. The City will continue to work closely with the other departments to ensure that all revenues and expenses are recorded in the proper time period and in accordance with GAAP. The City will also review its closing procedures for year-end analysis of general ledger balances in an effort to reduce auditor proposed journal entries going forward.

**CITY OF BURBANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

2020 – 003

Federal agency: U.S. Department of Transportation

Federal program title: Highway Planning and Construction

CFDA Number: 20.205

Pass-Through Agency: State of California Department of Transportation

Pass-Through Number(s): CML-5200(046)

Award Period: June 26, 2014 through March 31, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of procurement, suspension, and debarment. The City should have internal controls designed to ensure compliance with those provisions.

Condition: During our testing, we noted the City did not have adequate internal controls designed to ensure vendors were not suspended or debarred.

Questioned costs: None

Context: During our testing, it was noted that the City was not reviewing vendors prior to entering into a contract with a vendor to ensure the vendor was not on the suspended or debarred vendor list maintained by the General Services Administration.

Cause: The City was unaware the contractors were not being reviewed to ensure they were not suspended or debarred.

Effect: The auditor noted no instances of noncompliance with the provisions of procurement, suspension, and debarment; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat Finding: This is a first year finding.

Recommendation: We recommend the City design controls to ensure an adequate review process is in place to review potential contractors to determine they are not suspended or debarred.

Views of responsible officials and planned corrective actions: We agree with the finding and will take the following actions.

1. Purchasing is currently working with the City Attorney's office to include language in all City Contracts and agreements that states "debarment in the SAM list will be grounds for immediate rescission of City's Contractual obligation".
2. Purchasing will flag Oracle requisitions as federally funded, or not.

**CITY OF BURBANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Section III – Findings and Questioned Costs – Major Federal Program (Continued)

2020 – 003 (Continued)

Views of responsible officials and planned corrective actions (Continued):

3. Purchasing is adding the SAM listing to the City's intranet to make it easily accessible for verification.
4. Purchasing is adding the SAM verification to the City's contracts and PSAs check list.
5. Purchasing will be training/reminding staff from all departments to check for vendor debarment or suspension when issuing a purchase order.
6. Purchasing will make final verification and attach proof of the search for vendor debarment or suspension to the contract/agreement package.

**CITY OF BURBANK
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I – Financial Statement Findings

None noted.

Section II – Findings and Questioned Costs – Major Federal Programs

None noted.

