



# City of Beaumont

**Beaumont, California**

## **Single Audit Report on Federal Awards**

*For the Year Ended June 30, 2021*



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

**City of Beaumont**

**Single Audit Report on Federal Awards  
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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*

To the Honorable City Council  
City of Beaumont

We have audited, in accordance with 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont (the City) as of and for the year ended June 30, 2021, 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 12, 2022.

***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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

However, as described in the accompanying *Schedule of Findings*, we identified certain deficiencies in internal control that we consider to be significant deficiencies. 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. We identified deficiencies in internal control over financial reporting, described in the accompanying *Schedule of Findings* as items 2021-001, 2021-002, and 2021-003 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 determination of financial statement amounts. 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 of Beaumont's Response to Findings***

The City of Beaumont's response to the findings identified in our audit is described in the accompanying *Schedule of Findings*. The City of Beaumont's response 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.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
January 12, 2022



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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*Independent Auditor's Report*

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To the Honorable City Council  
City of Beaumont  
Beaumont, California

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

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

We have audited the City of Beaumont's (the City's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. 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.

In our opinion, the City complied, in all material respects, with the 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.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program.



Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, On a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated January 12, 2022, 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 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.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California

March 17, 2022 (except for our report on the Schedule of Expenditures of Federal Awards, as to which the date is January 12, 2022)

**City of Beaumont**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021**

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Assistance Listing Number	Program Identification Number	Federal Expenditures	Amount provided to subrecipients
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<i>Passed through Riverside County Economic Development Agency</i>				
CDBG- Entitlement Grants Cluster:				
Community Development Block Grant	14.218	5.BEA-44-20	\$ 51,032	\$ -
Total ALN 14.218 and CDBG Entitlement Grants Cluster			<u>51,032</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>51,032</u>	<u>-</u>
<b><u>U.S. Department of Justice</u></b>				
<i>Direct Assistance:</i>				
BJA FY20 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1796	35,016	-
Total ALN 16.034			<u>35,016</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<u>35,016</u>	<u>-</u>
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed through State of California Department of Transportation</i>				
Highway Planning and Construction Cluster:				
Potrero Interchange Project	20.205	DEM 10L-5209(008)	91,240	-
Total ALN 20.205 and Highway Planning and Construction Cluster			<u>91,240</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>91,240</u>	<u>-</u>
<b><u>U.S. Department of Treasury</u></b>				
<i>Passed through State of California Department of Treasury</i>				
Covid 19 - Coronavirus Aid, Relief and Economic Security (CARES) Act Funding	21.019	SLT-0043	635,569	-
Total ALN 21.019			<u>635,569</u>	<u>-</u>
<b>Total U.S. Department of Treasury</b>			<u>635,569</u>	<u>-</u>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Direct Assistance:</i>				
Covid 19 - Disaster Grants - Public Assistance COVID-19	97.036	4482-DR-CA	11,200	-
Total ALN 97.036			<u>11,200</u>	<u>-</u>
<b>Total U.S. Department of Homeland Security</b>			<u>11,200</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 824,057</u>	<u>\$ -</u>

See accompanying notes to the schedule of expenditures of federal awards.



## City of Beaumont

### Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

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#### **Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

##### *Scope of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal activity of the City of Beaumont, California (City) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared 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, where applicable, of the City.

##### *Basis of Accounting*

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting, which is defined in Note 1 to the City's basic 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. Expenditures reported include any property or equipment acquisitions incurred under the federal programs.

#### **Note 2: De Minimis Indirect Cost Rate**

The City has elected not to use 10-percent de minimis indirect cost rate allowed under the Uniform Guidance, as there were no indirect costs charged to the City's grant programs.

# City of Beaumont

## Schedule of Findings and Questioned Costs Year Ended June 30, 2021

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### SECTION I: SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness identified?	_____	Yes	<u>  X  </u>	No
Significant deficiencies identified?	<u>  X  </u>	Yes	_____	None Reported
Noncompliance material to financial statements noted?	_____	Yes	<u>  X  </u>	No

#### Federal Awards

Internal control over major programs:

Material weakness identified?	_____	Yes	<u>  X  </u>	No
Significant deficiencies identified?	_____	Yes	<u>  X  </u>	None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_____	Yes	<u>  X  </u>	No
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Identification of major federal programs:

<u>ALN Number</u>	<u>Name of Federal Programs or Cluster</u>
21.019	Coronavirus Aid, Relief and Economic Security (CARES) Act Funding

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?	_____	Yes	<u>  X  </u>	No
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## City of Beaumont

### Schedule of Findings and Questioned Costs Year Ended June 30, 2021

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#### Section II: Financial Statement Findings

##### Finding 2021-001 – Overhead Cost Allocation

###### Condition:

The City allocates certain General Fund costs (administration, maintenance, etc.) to the Sewer Enterprise, Gas Tax, Transit Enterprise, and the Community Facilities District (CPD) Fund. The amounts are based on calculations included in schedules maintained by the Finance Department. Currently, the City is not allocating and recovering any of its indirect costs to federal (or state) grants. While the City completed a cost allocation study in April 2016 and has implemented the cost allocation of administrative costs to the various funds within the City, the City has not had a formal Cost Allocation Plan performed for charging of its costs to federally funded projects.

This finding was previously reported in 2020 as finding 2020-005, in 2019 as finding 2019-002 and in 2018 as finding 2018-007 – Overhead Cost Allocation.

###### Criteria:

Cost allocation plan methodologies should be thoroughly documented for transparency purposes, and updates to the plans should be done periodically in accordance with best practices.

###### Cause:

The City does have a formal cost allocation plan to allocate internal costs, and the plan developed internally is not sufficient to claim indirect costs against federal (and state) grant programs.

###### Effect:

The City could potentially be utilizing allocation methods which result in either less administrative costs or excessive administrative costs being allocated than would be allowable if detailed cost allocation studies were performed on a periodic basis, and in accordance with federal grant requirements. Costs that could be reimbursable from other than local sources may be able to be claimed if adequately supported. For federal awards, the City may elect to use the 10 percent of Modified Total Direct Cost (MTDC) de Minimis indirect rate to recover indirect costs as part of your federal grant budgets. If the City elects to use the 10 percent de Minimis rate, the Uniform Guidance requires that the City use Modified Total Direct Costs as the cost base. MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each sub award (regardless of the period of performance of the sub awards under the award).

###### Recommendation:

We recommend the City perform a full cost allocation study of administrative costs to ensure the detailed methodology for the allocation of administrative costs is reasonable and appropriate, based on the current circumstances, and that the methodology is clearly defined and documented. A plan should be prepared in accordance with the Uniform Guidance in the event the City wishes to allocate and claim the indirect costs against federal (and state) grant programs. Due to the complexity involved in developing a well-supported and reasonable indirect cost plan, the City should evaluate the cost of outsourcing this study as opposed to the use of internal staff time.

## City of Beaumont

### Schedule of Findings and Questioned Costs Year Ended June 30, 2021

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#### Section II: Financial Statement Findings (continued)

##### Finding 2021-001 – Overhead Cost Allocation (continued)

###### Management's Response:

While the City completed a cost allocation study in April 2016 and has implemented the cost allocation of administrative cost to the various funds within the city, further work is necessary to fully comply with this recommendation. The City issued an RFP for a Full Cost Allocation Plan on September 28, 2021 and approved a contract with a consultant to provide the City with a Cost Allocation Plan for use beginning FY2023.

##### Finding 2021-002 – Billings - Segregation of Duties

###### Criteria:

During our audit, we noted the customer service counter representative collects payments for wastewater, records them into the billing system, and reconciles/approve them before posting into the general ledger.

###### Condition and Context:

During the audit, lack of segregation of duties was noted in the cash receipt billings process. The Customer Service Counter representative collects payments for wastewater, records them into the billing system, and reconciles/approves them before posting into the general ledger.

###### Effect:

Lack of segregation of duties related to the cash receipt billing process could result in erroneous, fictitious and or fraudulent cash receipts.

###### Recommendation:

We recommend that the Finance Department segregate the responsibilities for the collection of cash receipts, the recording of cash receipts into the billing system and the reconciliation of cash receipts to the general ledger.

###### Management Response to Finding:

Beginning in May 2021, the process for billing was changed to add in a layer of approval. The new process has the customer service counter running billing and the supervisor approves the billing through Info Send for the bills to be completed and mailed. Whoever is running the billing no longer approves the final documents. Finance completes all postings to the general ledger.

## City of Beaumont

### Schedule of Findings and Questioned Costs Year Ended June 30, 2021

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#### Section II: Financial Statement Findings (continued)

##### Finding 2021-003 – Adherence to Investment Policy

###### Criteria:

Per the City's investment policy, the City treasurer is required to report quarterly reports to City Council with specific details as documented per the City's investment policy.

###### Condition and Context:

During the audit, we noted that the City Treasurer was not reporting quarterly reports to City Council for the entire fiscal year 2021.

###### Effect:

The purpose of the adoption of an established investment policy is to set forth the overall investment philosophy of the City as decided by its governing board. The policy should be guiding rule and it should be followed without exception.

###### Recommendation:

We recommend that the Finance Department take steps to inform its City Treasurer of these discrepancies and that the investment policy is to be followed as it is stated. A copy of the investment policy should be provided to the City Treasurer with written correspondence of these matters. An investment policy is a very effective means of protecting the assets of the City, and we suggest that a procedure be implemented to be certain that it is carried out.

###### Management Response to Finding:

The City approved a contract for investment advisor services on February 16, 2021, and the City Council approved an amended investment policy on May 18, 2021. On August 9, 2021, City staff presented to the Finance and Audit Committee the FY2020-2021 4<sup>th</sup> Quarter Pooled Cash Investment Report which was then received and filed by the City Council on August 17, 2021. City staff has since included all Trustee accounts within the quarterly reports to encompass all investments held by the City.

#### Section III: Federal Awards Findings and Questioned Costs

No current year findings and questioned cost noted.

**City of Beaumont**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021**

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**Status of Prior Year Findings:**

**Financial Statement Findings**

**Finding 2020-004 – Segregation of Duties for Business Licenses Process**

Status:

Corrected

**Finding 2020-005 – Overhead Cost Allocation**

Status:

Finding has not been corrected. Reported as Finding 2021-001 for the current year.

**Federal Awards Findings and Questioned Costs**

No prior year findings.



In relation to the City of Beaumont’s annual financial statement audit and the single audit for the year ended June 30, 2021, the City hereby submits a summary schedule of prior audit findings and a status of corrective actions as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 511 *Audit Findings follow-up*.

**Summary Schedule of Prior Audit Findings**

**Reference Number:**                      **Finding 2021-001 Overhead Cost Allocation**

The City does not have a formal cost allocation plan to allocate internal costs, and the plan developed internally is not sufficient to claim indirect costs against federal (and state) grant programs.

Year in which Finding  
Initially occurred:

Fiscal Year 2018, 2019, 2020 and 2021

Status of Corrective  
Action:

No action has been completed to date. A cost allocation study is planned for the Fall of 2021 to move forward with corrective action on this finding.

**Reference Number:**                      **Finding 2021-002 Billings – Segregation of Duties**

The Customer Service counter representative lacks segregation of duties related to the cash receipt billing process.

Year in which Finding  
Initially Occurred:

Fiscal Year 2021

Status of Corrective  
Action:

Beginning in May 2021, the process for billing was changed to add in a layer of approval. The new process has the customer service counter running billing and the supervisor approves the billing through Info Send for the bills to be completed and mailed. Whoever is running the billing no longer approves the final documents. Finance completes all postings to the general ledger.



**Reference Number:**

**Finding 2021-003 – Adherence to Investment Policy**

The City Treasurer was not reporting quarterly reports to the City Council for the entire fiscal year 2021.

Year in which Finding Initially occurred:

Fiscal Year 2021

Status of Corrective Action:

The City approved a contract for investment advisor services on February 16, 2021, and the City Council approved an amended investment policy on May 18, 2021. On August 9, 2021, City staff presented to the Finance and Audit Committee the FY2020-2021 4<sup>th</sup> Quarter Pooled Cash Investment Report which was then received and filed by the City Council on August 17, 2021. City staff has since included all Trustee accounts within the quarterly reports to encompass all investments held by the City.