



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  
of the City of Santa Fe Springs  
Santa Fe Springs, 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 Santa Fe Springs, 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 March 30, 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 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.

## **Internal Control over Financial Reporting (Continued)**

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 accompany schedule of findings and responses as items 2020-001 to 2020-004 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-005.

## **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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'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  
March 30, 2021

City of Santa Fe Springs  
Schedule of Findings and Responses

For the Year Ended June 30, 2020

**Significant Deficiencies**

**2020-001: Successor Agency Private-Purpose Trust Fund**

Auditors' Comment and Recommendation

The Successor Agency Private-Purpose Trust Fund is used to account for the activities to wind down the affairs of the City's former redevelopment agency, which involves converting noncurrent assets determined by the California State Department of Finance (the State) to not have a specific governmental use into cash and paying off outstanding debt of the former redevelopment agency. Assets identified on the Long-Range Property Management Plan (LRPMP) as governmental-use assets should have been transferred to the City when the LRPMP was approved by the State.

As a result of audit procedures, the City discovered certain land and land held for resale recorded in the Successor Agency Private Purpose Trust Fund were approved for governmental use on the LRPMP but was not transferred to the City. This material misstatement resulted in a restatement of net position as of July 1, 2019, for the Governmental Activities and the Successor Agency Private-Purpose Trust Fund.

We recommend the City implement procedures to ensure proper recording of unusual and/or significant transactions. Detailed documentation should be maintained concluding on how such transactions are to be recorded that should be reviewed and approved by the appropriate city employee.

Management's Response

During fiscal year 2011/2012, upon dissolution of a redevelopment agency, the City identified governmental-use assets and transferred to the City's Governmental Activities. However, City's LRPMP was not completed until later. As such, some of the governmental-use assets were not corrected on the financial statements timely upon completion of the LRPMP. This is a onetime occurrence and the City has corrected items identified as governmental-use.

City of Santa Fe Springs  
Schedule of Findings and Responses  
(Continued)  
For the Year Ended June 30, 2020

**Significant Deficiencies (Continued)**

**2020-002: Bank Reconciliations**

Auditors' Comment and Recommendation

An important element of internal controls over cash is the bank reconciliation process to identify differences between the bank balances and the general ledger and resolving such differences in a timely manner. This process provides for accurate general ledger balances and minimizes the risk of misappropriation of cash. The City did not prepare and review bank reconciliations during fiscal year 2019-2020 in a timely manner. We recommend that all bank accounts be reconciled within 30 days after the end of the month such that reconciling items can be identified, investigated, and corrected in a timely manner.

Management's Response

Management concurs with this recommendation and implemented action plans to ensure bank accounts are being reconciled and reviewed in a timelier manner. Management agrees that accounts should be reconciled within 30 days after month-end, however, due to complexities involved in the reconciliations, a 45-day period is considered more feasible. Even though the bank reconciliations were delayed during fiscal year 2019-2020 due to short staffing and the pandemic, the Finance Department reviewed the cash movement transactions daily and any unauthorized transactions were being identified and resolved timely.

**2020-003: Capital Assets**

Auditors' Comment and Recommendation

An important part of financial reporting is ensuring the accuracy of capital asset balances and determining whether those capital assets are still in existence. During the audit, we noted that the City does not maintain detailed supporting schedules of the Water Fund's capital assets. City staff rolls forward the summary schedule using current year additions. With this methodology, the City is unable to determine whether there are any assets that are no longer in existence or track when an asset becomes fully depreciated. We recommend the City maintain detailed listings and depreciation schedules for all capital assets such that deletions can be identified and removed to ensure that all capital asset activities are properly accounted for.

Management's Response

Management concurs with this recommendation and implemented procedures to record Water Fund's capital assets by project moving forward.

City of Santa Fe Springs  
Schedule of Findings and Responses  
(Continued)  
For the Year Ended June 30, 2020

**Significant Deficiencies (Continued)**

**2020-004: Deposits Payable**

Auditors' Comment and Recommendation

The City collects deposits from developers and others that may be refundable upon satisfaction of certain City terms. In some cases, the depositor may forfeit the deposit, which the City would then record as revenue. During our review of deposit payable accounts, we noted a significant amount of deposits that have been outstanding for many years in various funds. The City was uncertain of the source and the status of these deposits and needs to perform further investigation. We recommend the City analyze the outstanding deposits payable balances to determine the true balance of refundable deposits and to record any necessary adjustments. Deposits payable should be reviewed at least annually to determine the status of the deposits.

Management's Response

The City will review such deposits annually with the responsible Department.

**Compliance**

**2020-005: Compliance with Senate Bill 341**

Auditors' Comment and Recommendation

Senate Bill 341 (SB 341) requires all successor housing entities, beginning with fiscal year ended June 30, 2014, to comply with annual reporting requirements. One requirement is for the City to post a report within six months after the end of each fiscal year to the City's website that contains all of the required items as described in Health and Safety Code Section 34176.1 beginning with Subsection (f). We noted the City, in its capacity as the successor housing agency, has not prepared or posted to its website the annual report with the required information since the inception of SB 341. We recommend the City implement policies and procedures to comply with this reporting requirement of SB 341.

Management's Response

Management will work with the Planning Department to prepare and post the information as required by the Health and Safety Code Section 34176.1.