

CAMINAR
(A California Nonprofit Public Benefit Corporation)

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

June 30, 2022



CAMINAR
(A California Nonprofit Public Benefit Corporation)

T A B L E O F C O N T E N T S

	Page(s)
Independent Auditors' Report	1–2
Schedule of Expenditures of Federal Awards for the year ended June 30, 2022	3
Notes to Schedule of Expenditures of Federal Awards	4
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	5–7
Schedule of Findings and Questioned Costs	8–10



INDEPENDENT AUDITORS' REPORT

To the Audit Committee of Caminar
(A California Nonprofit Public Benefit Corporation)
San Mateo, California

Report on Schedule of Expenditures of Federal Awards

Opinion

We have audited the schedule of expenditures of federal awards of Caminar (a California nonprofit public benefit corporation), for the year ended June 30, 2022, and the related notes (the schedule).

In our opinion, the accompanying schedule of expenditures of federal awards present fairly, in all material respects, the expenditures of federal awards of Caminar for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and 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 are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of Caminar and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 U.S. GAAS and *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with U.S. GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, 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 amounts and disclosures in the schedule.

To the Audit Committee of Caminar
(A California Nonprofit Public Benefit Corporation)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Caminar’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BPM LLP

San Jose, California
December 6, 2022

CAMINAR
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures
Current Year Expenditure of Federal Awards			
U.S. Department of Education,			
Office of Special Education and Rehabilitative Services			
Rehabilitation Services - Vocational Rehabilitation Grants to States			
Pass-through programs from:			
Butte County	84.126	31784	\$ 114,275
San Mateo County	84.126	30965	219,624
San Francisco County	84.126	30968	<u>416,788</u>
Total - U.S. Department of Education			<u>750,687</u>
U.S. Department of Housing and Urban Development,			
Office of Community Planning and Development			
Supportive Housing Program			
Loan Program	14.235	CA01B319001	200,000
Continuum of Care Program			
Direct Award	14.267	CA1863L9T192001	87,612
Direct Award	14.267	CA1863L9T192102	18,846
Direct Award	14.267	CA0779L9T191911	20,263
Direct Award	14.267	CA0981L9T181908	8,746
Direct Award	14.267	CA0300L9T181912	18,698
Direct Award	14.267	CA0298L9T182013	48,824
Direct Award	14.267	CA0300L9T182013	73,576
Direct Award	14.267	CA0779L9T192012	65,986
Direct Award	14.267	CA0981L9T182009	26,650
Home Investment Partnership Program			
Pass-through from the City of Chico	14.239	N/A	250,000
Pass-through from the City of Chico	14.239	N/A	<u>548,105</u>
Total - U.S. Department of Housing and Urban Development			<u>1,367,306</u>
U.S. Department of Health and Human Services,			
Office of Substance Abuse and Mental Health Services Administration			
Block Grants for Community Mental Health Services			
Pass-through programs from:			
San Mateo County	93.958	73556	128,666
Community Services Block Grant			
Pass-through from City of Vacaville	93.569	MOU	116,890
U.S. Stimulus			
COVID-19 Provider Relief Funds	93.498	N/A	<u>12,173</u>
Total - U.S. Department of Health and Human Services			<u>257,729</u>
Substance Abuse Treatment and Prevention Federal Block Grant (SABG)			
South County Prevention	93.959	94658	<u>110,103</u>
Total - Substance Abuse Treatment and Prevention Federal Block Grant			<u>110,103</u>
U.S. Department of Agriculture, Office of Food and Nutrition Service			
Emergency Food Assistance Program (Food Commodities)			
Pass-through from Second Harvest Food Bank	10.569	N/A	<u>671</u>
Total - U.S. Department of Agriculture			<u>671</u>
Total Current Year Expenditures of Federal Awards			<u>\$ 2,486,496</u>

CAMINAR
(A California Nonprofit Public Benefit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. 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). The Schedule presents only a selected portion of the operations of the Organization and is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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. The Organization used the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance for their Housing and Urban Development direct awards and used other negotiated indirect rates for other programs.

Pass-Through Awards

Pass-through entity identifying numbers are presented where available.

Food Subsidies

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. As of June 30, 2022, the Organization had no food commodities in inventory.

3. Loans/Prior Year Expenditures

The Schedule includes loan balances for prior years for which continuing compliance is required, as follows:

CFDA Number	Program Name	Balance as of June 30, 2021	Amount Forgiven	Balance as of June 30, 2022
14.235	Supportive Housing Program	\$ 200,000	\$ (50,000)	\$ 150,000
14.239	HOME Investment Partnership Program	250,000	-	250,000
14.239	HOME Investment Partnership Program	548,655	-	548,655
		<u>\$ 998,655</u>	<u>\$ (50,000)</u>	<u>\$ 948,655</u>



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

To the Audit Committee of Caminar
(A California Nonprofit Public Benefit Corporation)

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Caminar's (a California nonprofit public benefit corporation) 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 Caminar's major federal programs for the year ended June 30, 2022. Caminar's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Caminar 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, 2022.

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 ("U.S. 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Caminar 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 Caminar'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 Caminar's federal programs.

Auditors' 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 Caminar'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 U.S. 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 Caminar's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. 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 Caminar'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 Caminar'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 Caminar'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on Caminar's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Caminar's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness. *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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Caminar's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Caminar's response was not subjected to the other 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.

BPM LLP

San Jose, California
December 6, 2022

CAMINAR
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 2022

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|----------------------------------------------------------|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness identified? | No |
| • Significant deficiency? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|-------------------------------------------------------------------------------------------------------|------------|
| 4. Internal control over major programs: | |
| • Material weakness identified? | 2022-001 |
| • Significant deficiency? | 2022-002 |
| 5. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Identification of major programs: | |

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
84.126	U.S. Department of Education, Office of Special Education and Rehabilitative Services - Vocational Rehabilitation Grants to States
14.267	U.S. Department of Housing and Urban Development - Office of Community Planning and Development – Supportive Housing and Home Improvement Partnership Program

- | | |
|-----------------------------------------------------------------------------|-----------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee: | Yes |

Section II - Financial Statement Findings

No matters were reported.

CAMINAR
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 2022

Section III - Federal Award Findings and Questioned Costs

Finding 2022-001:

Information on the Federal Program: Assistance Listing Number 14.267— U.S. Department of Housing and Urban Development – Office of Community Planning and Development – Continuum of Care Program.

Awarding Entity: Office of Community Planning and Development – San Francisco Regional Office.

Compliance Requirements: Special Tests and Provision, and Reporting.

Type of Finding: Material Weakness.

Criteria: Program requirements state that where grants are used to pay for rent for all or a part of a structure, the rent paid must be reasonable in relation to rents being charged in the area for comparable space. Further, required reports for federal awards should include all activities of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

Condition: For the year ended June 30, 2022, we reviewed the Organization's rent calculation methodology to ascertain that the amounts billed to its tenants are reasonable.

Cause: The Organization encountered employee turnover in certain program management position during the year.

Effect or Potential Effect: As a result, the entity was not able to provide consistent documentation for our testing procedures over rental reasonableness.

Context: Upon examination and review of correspondences provided for program income and rental reasonableness compliance testing purposes, it was noted that the Organization could not provide complete and consistent records for us to test program income compliance area and special tests and provision compliance area, respectively. In addition, it is noted that there were instances of deviation from key control activities such as annual verification of client income and inconsistent application of rent calculation methodology, causing charged client rents that do not correspond to rent calculations or lease agreements.

Recommendation: We recommend that the Organization improve its documentation retention for client rent correspondences by adhering to its formal process of record retention system. We also recommend that the Organization adhere to its established key control activities so that potential misstatement and/or noncompliance can be prevented, or detected and corrected, on a timely basis.

Views of Responsible Official: Management of Caminar concurs with the audit finding. The individual preparing the report has been informed of the proper requirements, and management will perform a quality control review over future report submissions to ensure key control activities are performed periodically and complete and consistent documentation are retained.

CAMINAR
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 2022

Section III - Federal Award Findings and Questioned Costs, continued

Finding 2022-02:

Information on the Federal Program: Assistance Listing Number 14.267— U.S. Department of Housing and Urban Development – Office of Community Planning and Development – Continuum of Care Program.

Awarding Entity: Office of Community Planning and Development – San Francisco Regional Office.

Compliance Requirements: Reporting.

Type of Finding: Significant Deficiency.

Criteria: Program requirements state that required reports for federal awards should include all activities of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with governing requirements.

Condition: For the year ended June 30, 2022, we reviewed the Schedule of Expenses and Federal Awards (“SEFA”) and matched with the general ledger details together with the details per federal grant awards to ascertain those federal expenditures for the year were properly supported and reported.

Cause: Program staff used incorrect award number in coding some transactions that occurred near the end of the grant term. Also, the individual preparing the SEFA appeared to copy the Assistance Listing number of previous year’s grant awards for another program under the same awarding entity.

Effect or Potential Effect: As a result, the client-prepared SEFA initially submitted for audit needed to be revised to reflect the correct Assistance Listing number and federal expenditures for the year ended June 30, 2022.

Context: Upon review of client-prepared SEFA, it was noted there were instances of inaccurate Assistance Listing numbers. In addition, there were incorrect federal expenditures recorded due to certain transactions were coded to the incorrect grant term in the source data (i.e., the general ledger details) and due to understatements of certain reimbursable expenses, resulting in variances between the Organization’s SEFA and the amounts actually billed to federal grant awards. The amounts were reported incorrectly on the SEFA for what was actually billed.

Recommendation: We recommend that the Organization ensure consistency between its SEFA and the amounts actually billed to federal grant awards so as to provide an accurate record moving forward.

Views of Responsible Official: Management of Caminar concurs with the audit finding. The individual preparing the report has been informed of the proper requirements, and management will perform a quality control review over future report submissions to ensure proper coding.

Section IV - Prior Year Findings and Question Costs

N/A - No matters were reported in the prior year.



December 6, 2022

Finding 2022-001

Contact Person responsible for corrective action:

- Alex Cheung – Director of Finance and Accounting
- Lynna Magnuson – Director of Supported Housing

Anticipated completion date: 6/30/23

Corrective Action Plan:

1. All rents that were able to be recalculated for June 2022, were recalculated and have been provided
2. The SO Rent Worksheet will be updated with the correct rent calculations reflecting for June 2022 and submitted as evidence of corrective action
3. Going forward, rents will be calculated initially upon program entry and at least annually, in addition to any time income changes for a client, in accordance with HUD guidelines
4. Rent calculations and supporting documentation will be uploaded to a Shared file with Caminar's Finance Department to allow for audit, cross-referencing, reporting, and security of information
5. Records will be audited and quality assured internally at least quarterly
6. An annual rent calculation checklist will ensure that all documents are gathered within the 120 days prior to the annual certification and rent calculation.
 - a. The annual checklist should be prepared by the staff and approved by the Program Director on an annual basis.
 - b. The same annual checklist will be reviewed by Accounting Department.

Signature: *Alex Cheung*

Title: Director of Finance and Accounting



December 6, 2022

Finding 2022-002

Contact Person responsible for corrective action:

- Alex Cheung – Director of Finance and Accounting
- Simon Huo – Finance Manager
- Jenny Nguyen – Senior Accountant

Anticipated completion date: 6/30/23

Corrective Action Plan:

1. Setup a review process to review the General Ledger (GL) detail to ensure the proper award number was listed on the description during the billing process.
2. Senior Accountant will prepare the SEFA on a quarterly basis.
3. The quarterly SEFA will be reviewed by Finance Manager and Director of Accounting and Operation for the accuracy of the following.
 - a. Proper award number
 - b. Proper coding
 - c. Proper expense cut off for each award year

Signature: *Alex Cheung*

Title: Director of Finance and Accounting