

CITY OF SANTA CLARA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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For the Year Ended June 30, 2018

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CITY OF SANTA CLARA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

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(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes 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 2 CFR 200.516(a)? X Yes No

Identification of major programs:

CFDA #(s)	Name of Federal Program or Cluster
<u>14.239</u>	<u>HOME Investment Partnerships Program</u>
<u>97.044</u>	<u>Assistance to Firefighters Grant</u>

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did disclose significant deficiencies, but no material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 3, 2018, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with Uniform Guidance.

Finding reference number: SA2018-001 Equipment Management Requirements

CFDA number: 97.044

CFDA Title: Assistance to Firefighters Grant

Name of Federal Agency: Department of Homeland Security

Federal Award Identification Number: EMW-2015-FO-07248 and EMW-2016-FO-06694

Criteria: Title 2 Part 200 Subpart D Subgroup Property Standards Section 200.313(d) of the Code of Federal Regulations requires that recipients of grant funds who use federal funds to purchase equipment adhere to certain management requirements for the equipment. These requirements include a physical inventory of the equipment at least once every two years.

Condition: The U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA), Region IX Grants Management Division performed an on-site monitoring review of the City's inventory procedures on July 23, 2018 related to the EMW-2016-FO-06694 grant and determined that the City was out of compliance with the physical inventory requirement noted above under Title 2 Part 200 Subpart D Subgroup Property Standards Section 200.313(d)(1-3) of the Code of Federal Regulations.

The City did subsequently provide a corrective action plan to FEMA, which included documentation that the required physical inventory had been completed, and the area of non-compliance was resolved and closed by FEMA in its letter dated November 16, 2018.

Effect: The City was not in compliance with the management requirements of Title 2 Part 200 Subpart D Subgroup Property Standards Section 200.313(d) of the Code of Federal Regulations.

Cause: It appears that this was due to an oversight on the part of City and Fire Department staff.

Recommendation: The City should develop procedures to ensure that the required physical inventory of equipment purchased in whole or in part with Federal funds is taken at least once every two years and reconciled with the equipment records.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

CITY OF SANTA CLARA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development Direct Programs				
Community Development Block Grant - Entitlement Grant	14.218		\$184,610	\$922,892
Home Investment Partnerships Program	14.239		701,148	731,070
Total U.S. Department of Housing and Urban Development			<u>885,758</u>	<u>1,653,962</u>
U.S. Department of Justice Direct Program				
Equitable Sharing Program	16.922			153,540
U.S. Department of Transportation Pass-Through Programs From:				
State of California Department of Transportation				
Highway Planning and Construction	20.205	CML-5019 (033)		45,227
Metropolitan Transportation Commission				
Priority Development Area Planning Grant	20.205	1812		103,290
Program subtotal				<u>148,517</u>
State of California Office of Traffic Safety				
State and Community Highway Safety	20.600	PS18030		23,203
Total U.S. Department of Transportation				<u>171,720</u>
U.S. Department of Homeland Security				
Pass-Through Programs From:				
California Task Force 3 Urban Search and Rescue				
National Urban Search and Rescue Response System	97.025	CA-TF3		170,659
California Governor's Office of Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4301-DR-CA 085-69084		48,464
County of Santa Clara Office of Emergency Services				
Homeland Security Grant Program	97.067	SHSGP		18,500
Direct Program				
Federal Emergency Management Agency				
Assistance to Firefighters Grant	97.044			826,724
Total U.S. Department of Homeland Security				<u>1,064,347</u>
Total Expenditures of Federal Awards			<u>\$885,758</u>	<u>\$3,043,569</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF SANTA CLARA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Santa Clara, California, and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the Santa Clara Stadium Authority (Stadium Authority). Federal awards expended by the Stadium Authority, if any, are excluded from the Schedule and are subject to a separate Single Audit performed by other auditors.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

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

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SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION PLAN

FINANCIAL STATEMENT FINDINGS - CURRENT YEAR

Finding Reference Number: 2018-01 Franchise Fees Remittance Errors

- **Name(s) of the contact person:** David Noce, Accounting Division Manager
- **Corrective Action Plan:** The City has established procedures in the Accounts Receivable function of the Accounting Division to ensure that franchise agreements are monitored for collection and accuracy of payment. An additional audit will review the existing NEF hauler agreements and prepare suggestions for the next iteration of these agreements for the 2019-2022 term. This task will also include the creation of an online reporting form to facilitate the ease and accuracy of payments and continued review for accuracy during the 2019-2022 reporting periods.
- **Anticipated Completion Date:** Implemented in fiscal year 2018/19.

FEDERAL AWARD FINDINGS - CURRENT YEAR

Finding Reference Number: SA2018-001 Equipment Management Requirements

- **Name(s) of the contact person:** *Nicole Gresham, Staff Analyst*
- **Corrective Action Plan:** The City provided the inventory records to the granting agency as required. The finding arose due to the timing of when the records were submitted and not that the inventory did not take place. The City has proper controls in place to conduct the inventories as required and has identified additional procedures to inform the granting agency in multiple ways.
- **Anticipated Completion Date:** *Implemented in November 2018.*



SINGLE AUDIT FOR THE YEAR ENDED JUNE 30, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINANCIAL STATEMENT FINDINGS – PRIOR AUDIT

Finding Reference Number: 2017-01 Payroll Database Access

Fiscal Year of Initial Finding: 2016/17

Name(s) of the contact person: David Noce, Accounting Division Manager

Current Status:

As recommended, beginning in the third quarter of fiscal year 2018, staff from the Human Resources Department is reviewing and approving all payroll database changes each and every pay period for validity. Additionally, the City continues to look at realigning duties and implementing technology enhancements to strengthen controls.

FEDERAL AWARD FINDINGS – PRIOR AUDIT

Finding Reference Number: SA2017-001 Monitoring HOME Program Activities for Compliance with HOME Program Rules and Regulations

Fiscal Year of Initial Finding: 2016/17

Name(s) of the contact person: Jonathan Veach, Housing and Community Services Division Manager

Current Status:

The seven step process to ensure that federal funds are not obligated in IDIS in advance of a signed commitment by the applicant, and to ensure that staff completes the environmental review prior to any commitment of funds has been implemented.

The seven steps described below present a summary of HUD approved administrative steps that ensure HOME program activities are occurring in an appropriate sequence.

- 1) The NCIP Administrator receives and reviews applications and if the application is approved, will oversee the preparation of a property valuation to determine the funding source (CDBG or HOME) for which the project qualifies.
2) The NCIP Housing Inspector conducts a site visit and inspection of the property. The physical and financial scope of work is assessed, including substandard code corrective requirements, and the inspection is discussed with the homeowner. At this time the homeowner will sign an Owner Participation Agreement which covers any grant expenditures. At this time Environmental and historical forms and any required disclosures will be executed

- 3) The NCIP Administrator will request an NCIP activity number and the direct time payroll code from the City's Finance Department to start documenting costs attributed to the project.
- 4) If the scope of work determined will require a loan, the NCIP Administrator will request Lot Book and Judgment Tax Lien Guarantees from a Title Company. If the property has less than three liens reported and a City loan will be within third position, a loan will be offered to the homeowner.
- 5) The project is scheduled for review at the next Rehabilitation Loan Committee Meeting. Once the loan is approved, a Promissory Note is drawn and a Deed of Trust is recorded for the project.
- 6) Once all necessary documents have been fully executed with a written legally binding agreement under which HUD assistance will be provided to the homeowner, a HOME/CDBG activity and commitment will be set up in IDIS. The Housing and Community Services Division Management Analyst will process the first draw once an amount over \$ 1,000 has been spent on the project.
- 7) The NCIP Administrator will sign off on the draw vetting that all the necessary documents have been executed before the draw is processed and approved in I D I S .

Further, a Housing Development Officer (HDO) and a Housing Rehabilitation Inspector (HRI) with substantial HUD experience have been hired. The HDO has attended numerous HUD-sponsored Environmental Review trainings, and the HRI has over 15 years of experience administering federally funded homeowner rehabilitation projects.

We finalized and implemented a comprehensive Tenant Based Rental Assistance (TBRA) manual and are in the final steps completing our Neighborhood Conversation and Improvement Program (NCIP) manual with the City Attorney's Office. In addition, in its letter dated February 22, 2019, the grantor indicated that it considers the finding closed.