



# City of Santa Clara

## Meeting Agenda

### Audit Committee

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Monday, February 25, 2019

3:30 PM

CMO Staff Conference Room  
1500 Warburton Avenue  
Santa Clara, CA 95050

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#### CALL TO ORDER AND ROLL CALL

#### CONSENT CALENDAR

1.A 19-203 [Audit Committee Minutes](#)

**Recommendation:** Approve the Audit Committee minutes of December 3, 2018.

#### PUBLIC PRESENTATIONS

#### GENERAL BUSINESS

2. 19-202 [Overview of the Draft Single Audit Report for Fiscal Year Ended June 30, 2018](#)

**Recommendation:** Accept the Single Audit Report for Fiscal Year Ended June 30, 2018 and recommend that the reports are forwarded for note and file to the full Council at the March 26, 2019 Council and Authorities Concurrent meeting.

#### STAFF REPORT

#### COMMITTEE REPORT

#### ADJOURNMENT

Future Audit Committee Meetings will be scheduled at a future date.



# City of Santa Clara

1500 Warburton Avenue  
Santa Clara, CA 95050  
santaclaraca.gov  
@SantaClaraCity

## Agenda Report

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**19-203**

**Agenda Date: 2/25/2019**

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**SUBJECT**

Audit Committee Minutes

**RECOMMENDATION**

Approve the Audit Committee minutes of December 3, 2018.



# City of Santa Clara

## Meeting Minutes

### Audit Committee

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12/03/2018

5:00 PM

CMO Staff Conference Room  
1500 Warburton Avenue  
Santa Clara, CA 95050

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#### CALL TO ORDER AND ROLL CALL

**Chairperson Kolstad** called the meeting to order at 5:00 P.M.

**Present** 3 - Patrick Kolstad, Lisa M. Gillmor, and Kathy Watanabe

#### CONSENT CALENDAR

1.A [18-1503](#) Audit Committee Minutes

**Recommendation:** Approve the Audit Committee minutes of August 27, 2018.

**A motion was made by Council Member Watanabe, seconded by Council Member Gillmor to approve staff recommendation.**

**Aye:** 3 - Kolstad, Gillmor, and Watanabe

#### PUBLIC PRESENTATIONS

None.

#### GENERAL BUSINESS

2. [18-1504](#) Overview of the draft City of Santa Clara Audited Comprehensive Annual Financial Report (CAFR), Audited Silicon Valley Power (SVP) Financial Statements, and Audited Transportation Development Act (TDA) Financial Statements for Fiscal Year Ended June 30, 2018

**Recommendation:** Accept the City of Santa Clara Audited Comprehensive Annual Financial Report, Silicon Valley Power Financial Statements, and Transportation Development Act Financial Statements for Fiscal Year Ended June 30, 2018 and recommend that the reports are forwarded for note and file to the full Council at the January 15, 2019 Council and Authorities Concurrent meeting.

**Council Member Gillmor left after this item was heard but before a motion was made.**

**A motion was made by Council Member Watanabe, seconded by Council Member Kolstad to approve staff recommendation.**

**Aye:** 2 - Kolstad, and Watanabe

**Absent:** 1 - Gillmor

3. [18-1586](#) Action on the Audit Work Plan for Fiscal Year 2018/19 and 2019/20

**Recommendation:** Approve the Audit Work Plan for Fiscal Year 2019 (mid-year) and 2020 to the City Council

**A motion was made by Council Member Watanabe, seconded by Council Member Kolstad to approve staff recommendation.**

**Aye:** 2 - Kolstad, and Watanabe

**Absent:** 1 - Gillmor

#### **STAFF REPORT**

#### **COMMITTEE REPORT**

#### **ADJOURNMENT**

**Chairperson Kolstad** adjourned the meeting at 5:40 P.M.

Future Audit Committee Meetings will be scheduled at future date.



## Agenda Report

19-202

Agenda Date: 2/25/2019

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### REPORT TO AUDIT COMMITTEE

#### SUBJECT

Overview of the Draft Single Audit Report for Fiscal Year Ended June 30, 2018

#### BACKGROUND

City Charter Section 1319 requires that an independent certified public accountant (CPA) audit the City's records and accounts on an annual basis. In compliance with the Charter, the City engaged the audit firm of Maze and Associates to perform an independent audit of the City's financial statements.

The City's annual financial statement audit also includes the federally mandated "Single Audit" which is designed to meet the special reporting requirements of federal granting agencies, specifically Office of Management and Budget (OMB) Uniform Guidance 2.CFR.200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (formerly OMB A-133). The standards governing Single Audit engagements require that agencies expending more than \$750,000 in federal monies in a fiscal year have an independent audit not only on the fair presentation of the financial statements, but also on internal controls for compliance with the administrative requirements of federal awards.

#### DISCUSSION

The role of the Audit Committee (Committee) is to provide oversight of the City's financial reporting processes, internal controls, and independent auditors. Grace Zhang, Audit Partner, from Maze and Associates will present the audit results to the Committee. In addition, City staff will provide an overview of the Single Audit Report and address the results of the audit.

Attached is the Single Audit report for FY 2017-18. Maze and Associates identified Housing and Urban Development (HUD) - HOME Investments Partnership Program and Federal Emergency Management Agency (FEMA) - Assistance to Firefighters Grant as major programs to audit. As a result of the audit, one finding was reported in the Assistance to Firefighters Grant related to inventory requirements when purchasing equipment with federal funds. The City received a monitoring visit from FEMA in July 2018 which determined that the City was out of compliance with the inventory requirement. The City provided a corrective action to FEMA and the area of non-compliance was resolved and closed by FEMA in November 2018. However, since this finding was contained in the original monitoring visit report, Maze and Associates is required to present the finding in the Single Audit Report. The City is confident that existing procedures are in compliance with the equipment inventory guidelines and that this finding will not occur in the future.

**ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environment Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

**FISCAL IMPACT**

Costs associated with the preparation of this report are included in the City’s FY 2018/19 Adopted Operating Budget.

**PUBLIC CONTACT**

Public contact was made by posting the Audit Committee agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

**RECOMMENDATION**

Accept the Single Audit Report for Fiscal Year Ended June 30, 2018 and recommend that the reports are forwarded for note and file to the full Council at the March 26, 2019 Council and Authorities Concurrent meeting.

Reviewed by: Angela Kraetsch, Director of Finance

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Draft Single Audit Report - Fiscal Year 2017-18
2. Single Audit Current Year Finding - Corrective Action Plan
3. Single Audit - Status of Prior Year Findings

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

**CITY OF SANTA CLARA**  
**SINGLE AUDIT REPORT**  
**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:

<b>CFDA #(s)</b>	<b>Name of Federal Program or Cluster</b>
<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 and the area of non-compliance was resolved and closed by FEMA in its letter 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
<b>U.S. Department of Housing and Urban Development Direct Programs</b>				
Community Development Block Grant - Entitlement Grant	14.218		\$184,610	\$922,892
Home Investment Partnerships Program	14.239		<u>701,148</u>	<u>731,070</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>885,758</u>	<u>1,653,962</u>
<b>U.S. Department of Justice Direct Program</b>				
Equitable Sharing Program	16.922			<u>153,540</u>
<b>U.S. Department of Transportation Pass-Through Programs From:</b>				
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		<u>103,290</u>
Program subtotal				148,517
State of California Office of Traffic Safety				
State and Community Highway Safety	20.600	PS18030		<u>23,203</u>
<b>Total U.S. Department of Transportation</b>				<u>171,720</u>
<b>U.S. Department of Homeland Security</b>				
<b>Pass-Through Programs From:</b>				
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
<b>Direct Program</b>				
Federal Emergency Management Agency				
Assistance to Firefighters Grant	97.044			<u>826,724</u>
<b>Total U.S. Department of Homeland Security</b>				<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

**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.

**INDEPENDENT AUDITOR'S 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 Members of the City Council  
City of Santa Clara, 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 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2018. Our report includes a reference to other auditors who audited the financial statements of the City of Santa Clara Stadium Authority for the year ended March 31, 2018 and a reference to other auditors who audited the financial statements the Northern California Power Agency, Transmission Agency of Northern California and San Jose-Santa Clara Regional Wastewater Facility and Clean Water Financing Authority as of and for the year ended June 30, 2017, related to the calculation of the Investments in Joint Ventures, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. Our report also included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

***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) to determine the 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.

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 and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies and item 2017-01 on the Status of Prior Year Significant Deficiencies included as part of our separately issued 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.

### ***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 and those of the other auditors 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 are described in our separately issued 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. The City'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 result 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.

Pleasant Hill, California  
December 3, 2018

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

To the Honorable Members of the City Council  
City of Santa Clara, California

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

We have audited the City of Santa Clara's 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, 2018. 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.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's 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, 2018.

### ***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 item SA2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are 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 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 3, 2018, which contained an unmodified opinion on those basic financial statements. Our report includes a reference to other auditors who audited the financial statements of the City of Santa Clara Stadium Authority for the year ended March 31, 2018 and a reference to other auditors who audited the financial statements the Northern California Power Agency, Transmission Agency of Northern California and San Jose-Santa Clara Regional Wastewater Facility and Clean Water Financing Authority as of and for the year ended June 30, 2017, related to the calculation of the Investments in Joint Ventures, as described in our report on the City's financial statements. Our report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. 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 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.

Pleasant Hill, California  
February 25, 2019



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

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

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 IDIS.

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.