



# City of Santa Clara

## Meeting Agenda

### Audit Committee

Wednesday, February 28, 2024

11:00 AM

Hybrid Meeting  
Council Conference Room/Virtual  
City Hall - East Wing  
1500 Warburton Avenue  
Santa Clara, CA 95050

The City of Santa Clara is conducting the Audit Committee meetings in a hybrid manner (in-person and continues to have methods for the public to participate remotely).

Join from a PC, Mac, iPad, iPhone or Android device:

Please click this URL to join: <https://santaclaraca.zoom.us/j/99199624617>

Webinar ID: 991 9962 4617

Or join by phone:

US: +1 669 900 6833

#### **CALL TO ORDER AND ROLL CALL**

#### **CONSENT CALENDAR**

1.      24-162      [Audit Committee Minutes](#)

**Recommendation:** Approve the Audit Committee minutes of November 27, 2023.

#### **PUBLIC PRESENTATIONS**

*[This item is reserved for persons to address the body on any matter not on the agenda that is within the subject matter jurisdiction of the body. The law does not permit action on, or extended discussion of, any item not on the agenda except under special circumstances. The governing body, or staff, may briefly respond to statements made or questions posed, and appropriate body may request staff to report back at a subsequent meeting.]*

#### **GENERAL BUSINESS**

2.      24-163      [Overview of the Single Audit Report for Fiscal Year Ended June 30, 2023](#)

**Recommendation:** Accept the Single Audit Report for Fiscal Year Ended June 30, 2023 and recommend that the reports are forwarded to note and file to the full Council at the March 19, 2024 Council and Authorities Concurrent meeting.

#### **ADJOURNMENT**

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

**MEETING DISCLOSURES**

The time limit within which to commence any lawsuit or legal challenge to any quasi-adjudicative decision made by the City is governed by Section 1094.6 of the Code of Civil Procedure, unless a shorter limitation period is specified by any other provision. Under Section 1094.6, any lawsuit or legal challenge to any quasi-adjudicative decision made by the City must be filed no later than the 90th day following the date on which such decision becomes final. Any lawsuit or legal challenge, which is not filed within that 90-day period, will be barred. If a person wishes to challenge the nature of the above section in court, they may be limited to raising only those issues they or someone else raised at the meeting described in this notice, or in written correspondence delivered to the City of Santa Clara, at or prior to the meeting. In addition, judicial challenge may be limited or barred where the interested party has not sought and exhausted all available administrative remedies.

If a member of the public submits a speaker card for any agenda items, their name will appear in the Minutes. If no speaker card is submitted, the Minutes will reflect "Public Speaker."

In accordance with the requirements of Title II of the Americans with Disabilities Act of 1990 ("ADA"), the City of Santa Clara will not discriminate against qualified individuals with disabilities on the basis of disability in its services, programs, or activities, and will ensure that all existing facilities will be made accessible to the maximum extent feasible. The City of Santa Clara will generally, upon request, provide appropriate aids and services leading to effective communication for qualified persons with disabilities including those with speech, hearing, or vision impairments so they can participate equally in the City's programs, services, and activities. The City of Santa Clara will make all reasonable modifications to policies and programs to ensure that people with disabilities have an equal opportunity to enjoy all of its programs, services, and activities.

Agendas and other written materials distributed during a public meeting that are public record will be made available by the City in an appropriate alternative format. Contact the City Clerk's Office at 1 408-615-2220 with your request for an alternative format copy of the agenda or other written materials.

Individuals who require an auxiliary aid or service for effective communication, or any other disability-related modification of policies or procedures, or other accommodation, in order to participate in a program, service, or activity of the City of Santa Clara, should contact the City's ADA Coordinator at 408-615-3000 as soon as possible but no later than 48 hours before the scheduled event.



# City of Santa Clara

1500 Warburton Avenue  
Santa Clara, CA 95050  
[santaclaraca.gov](http://santaclaraca.gov)  
[@SantaClaraCity](https://twitter.com/SantaClaraCity)

## Agenda Report

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**24-162**

**Agenda Date: 2/28/2024**

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### **REPORT TO AUDIT COMMITTEE**

#### **SUBJECT**

Audit Committee Minutes

#### **RECOMMENDATION**

Approve the Audit Committee minutes of November 27, 2023.



# City of Santa Clara

## Meeting Minutes

### Audit Committee

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11/27/2023

3:00 PM

Hybrid Meeting  
Council Conference Room/Virtual  
City Hall - East Wing  
1500 Warburton Avenue  
Santa Clara, CA 95050

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#### **CALL TO ORDER AND ROLL CALL**

**Chair Park** was running late, so **Committee Member Watanabe** became the Sub-Chair in Chair Park's absence.

**Sub-Chair Watanabe** called the meeting to order at 3:07 PM.

**Present** 2 - Member Kathy Watanabe, and Member Suds Jain

**Absent** 1 - Chair Kevin Park

#### **CONSENT CALENDAR**

1. [23-1344](#) Audit Committee Minutes

**Recommendation:** Approve the Audit Committee minutes of August 30, 2023.

**A motion was made by Member Jain, seconded by Member Watanabe, to approve the Audit Committee Minutes of August 30, 2023.**

**Aye:** 2 - Member Watanabe, and Member Jain

**Absent:** 1 - Chair Park

**PUBLIC PRESENTATIONS**

None.

**GENERAL BUSINESS**

2. [23-1343](#) Overview of the Draft City of Santa Clara Audited Annual Comprehensive Financial Report (ACFR) and Audited Silicon Valley Power (SVP) Financial Statements for Fiscal Year Ended June 30, 2023

**Recommendation:** Accept the City of Santa Clara Audited Annual Comprehensive Financial Report and Silicon Valley Power Financial Statements for Fiscal Year Ended June 30, 2023 and recommend that the reports are forwarded for note and file to the full Council at the December 12, 2023 Council and Authorities Concurrent meeting.

**Director of Finance, Kenn Lee** gave a Powerpoint presentation.

**Auditor Grace Zhang, Maze & Associates**, gave a Powerpoint presentation.

**Committee Members'** questions and comments followed.

**Director Lee, Auditor Zhang, and Chief Assistant City Attorney, Sujata Reuter** addressed the Committee Members' questions.

**Committee Member Park** arrived at the meeting late at 3:28 PM.

**Committee Members'** questions and comments continued.

**Director Lee, Auditor Zhang, and Assistant Finance Director, Linh Lam** addressed the Committee Members' questions.

**A motion was made by Member Jain, seconded by Committee Member Park, to accept the City of Santa Clara Audited Annual Comprehensive Financial Report and Silicon Valley Power Financial Statements for Fiscal Year Ended June 30, 2023 and recommend that the reports are forwarded for note and file to the full Council at the December 12, 2023 Council and Authorities Concurrent meeting.**

**Aye:** 3 - Member Watanabe, Member Jain, and Chair Park

**ADJOURNMENT**

The meeting was adjourned at 3:50 PM.

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

**MEETING DISCLOSURES**

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## Agenda Report

24-163

Agenda Date: 2/28/2024

### REPORT TO AUDIT COMMITTEE

#### SUBJECT

Overview of the Single Audit Report for Fiscal Year Ended June 30, 2023

#### 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 & 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 & Associates will present the audit process and scope of work, as well as the audit results to the Committee (attachment 1). In addition, City staff will be present to address questions and the results of the audit.

Attached is the Single Audit report for FY 2022-23 (attachment 2). Maze & Associates identified Housing and Urban Development (HUD) - Community Development Block (CDBG) - Entitlement Grant as the major program to audit. The audit yielded one finding related to noncompliance with timely expenditure requirements under the CDBG program. The City's line of credit for the CDBG program is more than 1.5 times the most recent entitlement grant. As part of the Corrective Action Plan (attachment 3), staff has developed a comprehensive plan to expend the funds to the Neighborhood Conservation and Improvement Program and expedite its capital projects to ensure compliance with the next HUD Timeliness Test.

Additionally, part of the annual requirements for the Single Audit is to report on the status of any audit findings that were identified during the previous year. The Single Audit for FY 2021-22 resulted in a finding related to the Grant Deadlines reporting requirement for the California Arrearage Payment Programs under the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program. The actions staff have taken, and the status of the prior year finding are outlined in the attached Summary Schedule of Prior Audit Findings (attachment 4).

**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 2023-24 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) 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, 2023 and recommend that the reports are forwarded to note and file to the full Council at the March 19, 2024 Council and Authorities Concurrent meeting.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Jovan D. Grogan, City Manager

**ATTACHMENTS**

1. Single Audit Presentation from Maze
2. Single Audit Report June 30, 2023
3. Single Audit Current Year Finding - Corrective Action Plan
4. Summary Schedule of Prior Audit Findings




Independent Auditor Presentation –  
Single Audit  
For the fiscal year ended June 30, 2023

Audit Committee February 28, 2024

Grace Zhang, CPA  
Partner


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## Single Audit

- Required when federal grant expenditures exceed \$750k in one year
- The City expended just over \$2.8 million across 10 programs
  - Schedule of Expenditures of Federal Awards page 3



2

2

## Single Audit – Major Programs

- One Major Program
  - 14.218 – Community Development Block Grant



3

3

## Results of Audit

- Current Year Finding
  - Noncompliance with Expenditure Requirements
- Prior Year Findings addressed
  - Current Status included in the Separate Summary Status of Prior Year Audit Findings (SSPAF)



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## Report

- Audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.
- Includes Two Audit Opinions
  - Internal Control Over Financial Reporting and on Compliance and Other Matters (Page 7)
  - Compliance for Each Major Program and on Internal Control Over Compliance (Page 9)



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## QUESTIONS?



*"We are in the business to help our clients succeed"*

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**CITY OF SANTA CLARA**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**CITY OF SANTA CLARA**  
**SINGLE AUDIT REPORT**  
**For the Year Ended June 30, 2023**

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CITY OF SANTA CLARA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2023

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?            Yes     X     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?            Yes     X     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)?            Yes     X     No

Identification of major program(s):

Assistance Listing Number(s)	Name of Federal Program or Cluster
<u>14.218</u>	<u>Community Development Block Grant – Entitlement Grants</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 not disclose any significant deficiencies, material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 30, 2023, 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 finding required to be reported in accordance with Uniform Guidance:

**Finding reference number:** SA 2023-001  
**Assistance Listing Number:** 14.218  
**Assistance Listing Title:** Community Development Block Grant – Entitlement Grants  
**Name of Federal Agency:** U.S. Department of Housing and Urban Development

**Criteria:** As required by 24 CFR Section 570.902 of the Community Development Block Grant (CDBG) regulations, A grantee is considered not in compliance if, 60 days prior to the end of its program year, the balance in the grantee's line of credit, plus the balance of program income on hand, is more than 1.5 times of the most recent entitlement grant.

**Condition:** The U.S. Department of Housing and Urban Development San Francisco Regional Office reviewed Santa Clara's compliance with requirements for carrying out a CDBG Program in a timely manner and noticed the City of the following conditions:

- Prior to the next 60-day test to be conducted on May 2, 2024, it was calculated that the City's community has an adjusted line of credit balance of 3.07 times its annual grant.
- The last 60-day test conducted on May 2, 2023, indicated an adjusted line of credit balance of 2.38 times its annual grant.
- On May 2, 2022, the City had an adjusted line of credit balance of 1.90 times its annual grant.

Therefore, the Office notified the City that it is at risk of non-compliance with the 1.5 performance standard for the third consecutive year.

**Effect:** The City is at risk of not carrying out its CDBG program in a timely manner for the third consecutive year. The City's future CDBG grant may be reduced by the dollar amount by which the 1.5 timeliness expenditure standard was exceeded.

**Cause:** The City was aware of the situation and has been trying to accelerate CDBG spending but has been unable to catch up due to various delays related to six awarded capital projects. Delays were due to some applicants needing to secure lender approval before committing to the project, needing time for a consultant to determine if flood insurance is required, needing additional time to develop a new bid packet and CIP contract, a six-month delay to secure parts for elevator repairs, and insufficient staff capacity to push forward all six projects at once.

**Identification as a repeat finding:** No

**Recommendation:** We recommend that the City treat this finding as a high priority and address the incompliance accordingly to avoid potential future reduction of the CDBG grant funding.

**View of Responsible Officials and Planned Corrective Actions:** Please see the 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, 2023

<b>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Identifying Number</b>	<b>Pass-Through To Subrecipients</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development Direct Programs</b>				
CDGB- Entitlement Grants Cluster				
Community Development Block Grant - Entitlement Grants Program expenditures	14.218		\$288,047	\$937,490
Home Investment Partnerships Program	14.239		565,885	604,344
<b>Total U.S. Department of Housing and Urban Development</b>			853,932	1,541,834
<b>U.S. Department of Justice Direct Programs</b>				
Equitable Sharing Program	16.922			44,953
<b>Total U.S. Department of Justice</b>				44,953
<b>U.S. Department of Transportation Pass-Through Programs From:</b>				
Metropolitan Transportation Commission				
Highway Planning and Construction				
Priority Development Area Planning Grant	20.205	1812		529,409
Highway Safety Cluster				
State of California Office of Traffic Safety				
State and Community Highway Safety	20.600	402PT-22/402PS-23		19,154
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	164AL-22		4,364
Subtotal for Highway Safety Cluster:				23,518
<b>Total U.S. Department of Transportation</b>				552,927
<b>U.S. Department of Homeland Security</b>				
<b>Direct Program:</b>				
Federal Emergency Management Agency				
COVID-19 - Assistance to Firefighters Supplemental Grant	97.044			190,293
<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		48,539
County of Santa Clara Office of Emergency Services				
2019 Emergency Management Performance Grants	97.042	2019-003 / 085-00000		34,734
County of Santa Clara Office of Emergency Services				
Homeland Security Grant Program (HSGP)	97.067	SHSGP		444,307
Subtotal for pass-through programs:				527,580
<b>Total U.S. Department of Homeland Security</b>				717,873
<b>Total Expenditures of Federal Awards</b>			<b>\$853,932</b>	<b>\$2,857,587</b>

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, 2023**

#### **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. The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and 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 of Santa Clara as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2023.

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, 2023 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, 2022, 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.

***Report on 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.

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. 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. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on 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 and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 30, 2023, which is an integral part of our audit and should be read in conjunction with this report.

### ***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.

A handwritten signature in dark ink that reads "Maze & Associates". The script is cursive and fluid, with the ampersand being particularly stylized.

Pleasant Hill, California  
November 30, 2023

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND 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**

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

We have audited City of Santa Clara'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, 2023. 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.

The City of Santa Clara's basic financial statements include the operations of the Santa Clara Stadium Authority (Stadium Authority), which is not included in the Schedule during the year ended June 30, 2023. Our audit, described below, did not include the operations of the Stadium Authority, because the Stadium Authority engaged other auditors.

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, 2023.

***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.

### ***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 SA 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying *Schedule of Findings and Questioned Costs*. The City'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

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, each major fund, and the aggregate remaining funds information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 30, 2023, which contained an unmodified opinion on those 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, 2023 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, 2022, related to the calculation of the Investments in Joint Ventures, as described in our report on the City's financial statements. Our report, in so far as it relates to the results of the other auditors, is based solely on the report of the other auditors. 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. 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 1, 2024



**SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2023**

**CORRECTIVE ACTION PLAN**

**FINANCIAL STATEMENT FINDINGS - CURRENT YEAR**

There were no current year financial statement findings.

**FEDERAL AWARD FINDINGS - CURRENT YEAR**

**Finding Reference Number:** SA2023-01  
**Assistance Listing Number:** 14.218  
**Assistance Listing Title:** Community Development Block Grant – Entitlement Grants (CDBG)  
**Name of Federal Agency:** U.S. Department of Housing and Urban Development (HUD)  
**Fiscal Year of Initial Finding:** 2023  
**Name of the contact person:** Adam Marcus, Housing & Community Services Division Manager

**Corrective Action Plan:**

The City has taken the appropriate actions to correct the issues related to the finding. In the City's 2024-25 HUD Annual Action Plan, the City proposes the following activities to meet the HUD Timeliness Test at the beginning of May 2025:

- Continue to maximize spending on public service projects in Fiscal Year 2024-2025 (approximately \$150,000)
- Increase the allocation for the Neighborhood Conservation and Improvement Program (NCIP) major single family home repair program from \$352,000 to \$500,000. With pandemic fears subsiding, residents are now open to having workers in their home. The NCIP now has a waitlist of residents wanting work completed on their home. NCIP major repair loans have historically been an efficient way to spend CDBG capital dollars.
- Increase the allocation for the NCIP minor single family home repair program from \$100,000 to \$150,000 due to the program's rising demand.
- Allocate \$600,000 for the construction of ADA curb ramps in partnership with the Department of Public Works.

In addition to the above actions, staff will continue to push forward the following four capital projects that are already in progress with the goal of distributing at least \$1 million by the beginning of May 2025:

- Liberty Tower two elevator upgrades (funded for \$850,000)
- Bill Wilson Center elevator upgrade (funded for \$266,000)

- Silicon Valley Independent Living Center – affordable housing rehabilitation (funded for \$56,000)
- Riverwood Grove Affordable Housing – electrical panel upgrades (funded for \$350,000)

The above actions are intended to bring the City into compliance with expenditures through April 30, 2025 just before the next HUD Timeliness Test at the beginning of May 2025.

**Anticipated Completion Date:** March 31, 2025



**SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2023**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINANCIAL STATEMENT FINDINGS – PRIOR AUDIT**

There were no prior year financial statement findings.

**FEDERAL AWARD FINDINGS – PRIOR AUDIT**

**Finding Reference Number:** SA2022-001 Compliance with Grant Deadlines  
**Assistance Listing Number:** 21.027  
**Assistance Listing Title:** COVID-19 - Coronavirus State and Local Fiscal Recovery Funds  
**Name of Federal Agency:** Department of Treasury  
**Federal Award ID Number:** COVID-19 – SLFRP0002  
COVID-19 – 68-0283471  
COVID-19 – 68-0281986

**Name of Pass-Through Entity:** State of California Department of Community Services  
California State Water Resources Control Board

**Name(s) of the contact person:** Gary Welling, Director of Water & Sewer Utilities  
Water and Sewer  
Manuel Pineda, Chief Electric Utility Officer

**Fiscal Year of Initial Finding:** 2021-2022

**Corrective Action Plan:**

Implemented. The City has taken action and corrected the issues related with this finding. The City has also taken steps to improve business processes to prevent this issue from occurring again. Staff are required to develop a checklist to manage the reporting and compliance requirements for the grant that they manage to ensure that the City meets the grant's reporting requirements. Since the City provided corrective action and there is no impact to future funding, Department of Community Services & Development decided to close the finding on 7/13/2023.

**Completion Date:**  
July 13, 2023