



City of Santa Clara

Meeting Agenda

Audit Committee

Wednesday, March 4, 2020

3:30 PM

CMO Staff Conference Room

CALL TO ORDER AND ROLL CALL

CONSENT CALENDAR

1. 20-266 [Audit Committee Minutes](#)

Recommendation: Approve the Audit Committee minutes of December 9, 2019.

PUBLIC PRESENTATIONS

GENERAL BUSINESS

2. 20-230 [Overview of the Draft Single Audit Report for Fiscal Year Ended June 30, 2019](#)

Recommendation: Accept the Single Audit Report for Fiscal Year Ended June 30, 2019 and recommend that the reports are forwarded for note and file to the full Council at the March 17, 2020 Council and Authorities Concurrent meeting.

3. 20-306 [Overview of the City Auditor's Office Semi-Annual Status Report as of December 31, 2019 and the Contract Audit of the Public Affairs and Media Relation Services](#)

Recommendation: Accept the City Auditor's Office Semi-Annual Status Report as of December 31, 2019 and the Contract Audit of the Public Affairs and Media Relation Services and recommend that the reports are forwarded for note and file to the full Council at the March 17, 2020 Council and Authorities Concurrent meeting.

STAFF REPORT

COMMITTEE REPORT

ADJOURNMENT

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



City of Santa Clara

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

Agenda Report

20-266

Agenda Date: 3/4/2020

SUBJECT

Audit Committee Minutes

RECOMMENDATION

Approve the Audit Committee minutes of December 9, 2019.



City of Santa Clara

Meeting Minutes

Audit Committee

12/09/2019

3:30 PM

City Manager's Office (CMO) Conference Room
1500 Warburton Avenue
Santa Clara, CA 95050

CALL TO ORDER AND ROLL CALL

Committee Member Watanabe called the meeting to order at 3:30 P.M.

Present 2 - Kathy Watanabe, and Karen Hardy

Absent 1 - Lisa M. Gillmor

CONSENT CALENDAR

1. [19-1286](#) Audit Committee Minutes

Recommendation: Approve the Audit Committee minutes of September 10, 2019.

A motion was made by Committee Member Hardy, seconded by Committee Member Watanabe, to approve staff recommendation.

Aye: 2 - Watanabe, and Hardy

Absent: 1 - Gillmor

PUBLIC PRESENTATIONS

GENERAL BUSINESS

2. [19-1285](#) 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, 2019

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, 2019 and recommend that the reports are forwarded for note and file to the full Council at the December 17, 2019 Council and Authorities Concurrent meeting.

Director of Finance, Kenn Lee, asked for feedback regarding the placement of this item on the Council Meeting agenda. Previously this item was on General Business and a presentation was made to the full Council. Since the Audit Committee reviews in depth with the Auditor at the Audit Committee Meeting, a recommendation was made to move this item to the Consent Calendar on the Council Meeting agenda.

A motion was made by Committee Member Hardy, seconded by Committee Member Watanabe, to approve staff recommendation.

Aye: 2 - Watanabe, and Hardy

Absent: 1 - Gillmor

STAFF REPORT

COMMITTEE REPORT

ADJOURNMENT

Committee Member Watanabe adjourned the meeting at 4:30 P.M.

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



Agenda Report

20-230

Agenda Date: 3/4/2020

REPORT TO AUDIT COMMITTEE

SUBJECT

Overview of the Draft Single Audit Report for Fiscal Year Ended June 30, 2019

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. 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 2018-19. Maze & Associates identified Housing and Urban Development (HUD) - Community Development Block (CDBG) - Entitlement Grant as the major program to audit. The City received a monitoring visit from HUD in June 2019 which determined that the City was out of compliance with the grant compliance monitoring requirement. As a result of the monitoring review, two findings related to subrecipient monitoring was reported in the CDBG program, one finding related to financial management was reported in the CDBG and HOME programs, and one concern related to lease review guideline was reported in the HOME program. The City provided a corrective action to HUD in October 2019 and the Concern was resolved and closed by HUD in December 2019. As part of the Corrective Action Plan, Staff has revised the policies and procedures manual and developed the compliant eligibility intake forms to ensure the compliance with the regulations. The finalized manual will be presented to the City Council for action in April 2020 and will be submitted to HUD upon the approval by the Council. However, since the findings were contained in the original monitoring visit report, Maze & Associates is required to present the findings in the Single Audit Report.

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 2019/20 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, 2019 and recommend that the reports are forwarded for note and file to the full Council at the March 17, 2020 Council and Authorities Concurrent meeting.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Draft Single Audit Report - Fiscal Year 2018-19
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, 2019

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CITY OF SANTA CLARA
SINGLE AUDIT REPORT
For the Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Findings and Questioned Costs	1
Section I - Summary of Auditor's Results	1
Section II – Financial Statement Findings	2
Section III – Federal Award Findings and Questioned Costs	2
Schedule of Expenditures of Federal Awards	3
Notes to the Schedule of Expenditures of Federal Awards.....	5
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 <i>Government Auditing Standards</i>	7
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	9

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CITY OF SANTA CLARA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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? 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:

<u>CFDA #(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>Community Development Block Grant – Entitlement 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 not disclose material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 19, 2019, 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: SA2019-001 Monitoring CDBG and HOME Program Activities
for Compliance with Program Rules and Regulations

CFDA number: 14.218 and 14.239

CFDA Title: Community Development Block Grant – Entitlement Grant
HOME Investment Partnerships Program

Name of Federal Agency: Department of Housing and Urban Development

Federal Award Identification Number: B-18-MC-06-0022
M-18-MC-06-0217

Criteria: 24 CFR part 570 details the various rules and regulations of the Community Development Block Grant (CDBG) Program and 24 CFR Part 92 details the various rules and regulations of the HOME Investment Partnership (HOME) Program. These regulations include specific program requirements for timing of activities, eligible and prohibited activities, project and subrecipient monitoring requirements, as well as other provisions. If the City does not adhere to the requirements of 24 CFR part 570 and 24 CFR Part 92 both before disbursement for eligible activities and on an ongoing basis to ensure continued compliance with the income eligibility requirements of the program, costs incurred under the program may be deemed ineligible and need to be returned to the grantor.

Condition: The City underwent a monitoring review by the grantor in June 2019 related to the fiscal year 2019 CDBG and HOME Programs, the results of which were issued in August 2019. The monitoring review results included two findings related to the CDBG program, one finding regarding financial management for the CDBG and HOME programs and one concern pertaining to the HOME program.

The first finding for the CDBG program was related to the City's management of its subrecipients and monitoring their performance. The city does not have written CDBG subrecipient procedures, does not assess the risk of its CDBG subrecipients or conduct formal on-site monitoring visits, does not document its review of subrecipient audits, and the subrecipient written agreements do not contain certain required agreement provisions.

The second finding for the CDBG program was related to compliance with the program's national objective requirements to ensure that CDBG grant funds primarily benefit low- and moderate-income households. HUD determined that one of the City's subrecipients did not adequately document the income eligibility of participants served by this CD BG-funded program. Although HUD indicated that it is likely many beneficiaries receiving services annually from the subrecipient are low- and moderate-income, the City does not perform on-site monitoring reviews of subrecipients to ensure that subrecipients are 1) using appropriate standards to assess income eligibility and 2) maintaining acceptable documentation to support eligibility determinations and as a result, the city is unable to verify the number of eligible persons reported as eligible by subrecipients.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding Reference Number: SA2019-001 Monitoring CDBG and HOME Program Activities
for Compliance with Program Rules and Regulations
(Continued)

The third finding for the financial management of the CDBG and HOME programs is that the City does not verify that its CDBG and HOME subrecipients expending at least \$750,000 in federal funding in a year have required audits completed in accordance with the regulations found at 2 CFR part 200.331(f).

The concern for the HOME program is related to the subrecipient management and tenant based rental assistance (TBRA) requirements and the need for the TBRA Policies and Procedures Manual to include additional guidance to subrecipients on lease review and payments to landlords. HUD noted that executed leases between TBRA clients and landlords did not include any prohibited clauses. However, review of the tenant files did not find that one of the HOME program's TBRA subrecipient's staff actively documented that leases were reviewed and determined to be acceptable. The City's TBRA Policies and Procedures Manual mentions that the lease must be reviewed (page 9) but does not clearly state that the subrecipient should document that the lease was reviewed and found to be free of prohibited HOME provisions. Similarly, this TBRA manual does not describe the City's expectation regarding timely payment of rent subsidies to landlords on behalf of tenants.

Cause: The causes listed in HUD's monitoring visit letter include:

- Finding one - The City does not have policies and procedures to ensure proper oversight of its CDBG-funded subrecipients.
- Finding two - The City does not have policy and procedures that cover oversight of its CDBG subrecipients. Such policies and procedures should include subrecipient documentation requirements and procedures for city staff to verify that subrecipients are complying with CDBG program and contract requirements.

Although the City does include national objective recordkeeping provisions in its subrecipient agreements, and annually emails updated CDBG income limits, the city does not perform on-site monitoring reviews of subrecipients to ensure that subrecipients are 1) using appropriate standards to assess income eligibility and 2) maintaining acceptable documentation to support eligibility determinations. As a result, the city is unable to verify the number of eligible persons reported as eligible by subrecipients.

- Finding three - The City does not have policies and procedures for the submission of annual audits for subrecipients exceeding the annual Federal expenditure threshold a requirement in its CDBG and HOME subrecipient contracts. Although not all subrecipients meet the expenditure threshold, the City should identify those subrecipients likely to meet this criterion and ensure that those audits are submitted.
- Concern - The City's current TBRA procedures manual does not fully describe the lease review process or describe the steps for documenting the review of leases. Further, this document does not describe the City's expectations that rent subsidies are to be paid timely.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding Reference Number: SA2019-001 Monitoring CDBG and HOME Program Activities
for Compliance with Program Rules and Regulations
(Continued)

Effect: The effects listed in HUD’s monitoring visit letter include:

- Finding one - The City does not provide adequate oversight of its CDBG subrecipients in accordance with the regulations found at: 24 CFR § 570.501, 24 CFR § 570.502, 2 CFR § 200.302 and 2 CFR § 200.33 l(a - b).
- Finding two - The City puts its public service funding at-risk because it does not verify that CDBG-funded subrecipients are serving a sufficient percentage of low- and moderate- income families.
- Finding three - The City puts its CDBG and HOME programs at-risk by not requiring subrecipients to submit audited financial statements on an annual basis. This is especially important because the City does not currently complete a risk assessment of its CDBG subrecipients. Without the benefit of audited financial statements, the City loses an opportunity to identify issues with subrecipients.
- Concern - There is the possibility that without clear standards for rent subsidy payments, subrecipients might delay payment, thus jeopardizing tenants' housing. Further, having the subrecipient document that leases have been reviewed prior to execution reduces the likelihood that tenants will execute leases with provisions that violate HOME regulations

Recommendation: Although the City responded to the findings and the concern in its October 30, 2019 letter to the grantor with corrective action plans, the City must develop policies and procedures to ensure that all grant program activities are in compliance with the provisions of 24 CFR part 570 and 24 CFR Part 92 and ensure that all the findings are resolved with the grantor in a timely manner.

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, 2019

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		\$167,977	\$1,221,727
Home Investment Partnerships Program	14.239		755,991	825,141
Total U.S. Department of Housing and Urban Development			923,968	2,046,868
U.S. Department of Justice Direct Program				
Equitable Sharing Program	16.922			99,229
U.S. Department of Transportation Pass-Through Programs From:				
State of California Department of Transportation				
Highway Planning and Construction	20.205	CML-5019 (033)		196,374
Metropolitan Transportation Commission				
Priority Development Area Planning Grant	20.205	1812		155,835
Program subtotal				352,209
State of California Office of Traffic Safety				
State and Community Highway Safety	20.600	PS18030		
Total U.S. Department of Transportation				352,209
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		106,657
California Governor's Office of Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4301-DR-CA 085-69084		26,179
County of Santa Clara Office of Emergency Services				
Homeland Security Grant Program	97.067	SHSGP		18,750
Direct Program				
Federal Emergency Management Agency				
Assistance to Firefighters Grant	97.044			
Total U.S. Department of Homeland Security				151,586
Total Expenditures of Federal Awards			\$923,968	\$2,649,892

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, 2019

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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**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, 2019, 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 19, 2019. 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, 2019 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, 2018, 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.

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. Given these limitations, during our audit we and other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 19, 2019

**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, 2019. 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, 2019.

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 SA2019-001. 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 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 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item SA2019-001, that we consider to be significant deficiencies.

The City's response to the internal control over compliance 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.

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2019, 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, 2019 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, 2018, 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

SAA OPINION DATE

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**SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2019**

CORRECTIVE ACTION PLAN

FINANCIAL STATEMENT FINDINGS - CURRENT YEAR

There were no current year financial statement findings.

FEDERAL AWARD FINDINGS - CURRENT YEAR

Finding Reference Number: SA2019-001 Monitoring CDBG and HOME Program Activities
for Compliance with Program Rules and Regulations

CFDA number: 14.218 and 14.239
CFDA Title: Community Development Block Grant – Entitlement Grant
HOME Investment Partnerships Program
Name of Federal Agency: Department of Housing and Urban Development

- **Name(s) of the contact person:** *Eric Calleja, Housing Development Officer*
- **Corrective Action Plan:**

Finding One – The City accepts HUD ‘s findings on Subrecipient Oversight. The City conducts thorough “desk audit” reviews of submitted reports and supporting documentation for invoices; however, on-site monitoring efforts need improvement. If the City does find consistent anomalies during the “desk review”, staff would complete an on-site visit to further investigate.

Although the City did not complete a formal Risk Assessment, the City does consider funding amount and history with the sub-recipient when determining whether an on-site review would return anything different than a desk review.

The City will complete the following actions:

- 1) The City will formalize a Subrecipient Monitoring and Oversight manual which will include a methodology on Subrecipient Risk Assessment. The City has already contacted Cloudburst, the City’s HUD technical advisor, to assist with this effort.
- 2) The City will be updating its Grant Agreement template for the new program year to include all necessary provisions from 2 CFR 200. The City will send the draft contract template to HUD for review.
- 3) The City will develop a Risk Assessment methodology which will be included in the subrecipient

Finding Two – The City agrees that St. Justin’s program intake form is inadequate; however, due to the nature of the primary population served (homeless and seniors), it is likely that the clientele is eligible.

The City has drafted a new intake form that has updated income levels, a place for the client and staff to sign, and a place where the client can self-certify their homeless status. The City has given the draft intake form to the agency to be approved by their Board. The City will then submit the form to HUD for approval.

Finding Three – The City disagrees with this finding. In the City’s contract/agreement template that is used with all subrecipients, there is the clause requiring those grantees that expend \$750,000 or more of federal financial assistance in a fiscal year to obtain a Single Audit.

The new policies and procedures will detail when single audits are required and how they are reviewed by City staff. Further, with the updated contract template, any concerns regarding required regulatory language should be addressed.

Concern – While the City’s current TBRA Guidelines contain verbiage that the TBRA administrator is required to review the lease, Staff acknowledges that this requirement could be clarified and further emphasized.

The City will update the TBRA Guidelines to make it clearer that the TBRA administrator is required to review leases, and that they will send the subsidy checks by a certain date every month.

- **Anticipated Completion Dates:**
Finding #1, April 30, 2020; Finding #2, November 30, 2020; Finding #3, April 30, 2020; and Concern, Implemented. As noted in its December 30, 2019 letter to the City, the grantor indicated that it considers the Concern to be “closed.”



**SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2019**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINANCIAL STATEMENT FINDINGS – PRIOR AUDIT

Finding Reference Number: 2018-01 Franchise Fees Remittance Errors

- **Name(s) of the contact person:** *David Noce, Accounting Division Manager*
- **Fiscal Year of Initial Finding:** *2017-2018*
- **Current Status:** *Implemented*

Finding Reference Number: 2017-01 Payroll Database Access

- **Name(s) of the contact person:** *David Noce, Accounting Division Manager*
- **Fiscal Year of Initial Finding:** *2016-2017*
- **Current Status:** *Implemented*

FEDERAL AWARD FINDINGS – PRIOR AUDIT

Finding Reference Number: SA2018-001 Equipment Management Requirements

CFDA #: 97.044
Name of Federal Agency: Department of Homeland Security

- **Name(s) of the contact person:** *Nicole Gresham, Staff Analyst*
- **Fiscal Year of Initial Finding:** *2017-2018*
- **Current Status:** *Implemented in November 2018.*

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

CFDA #: 14.239
Name of Federal Agency: Department of Housing and Urban Development

- **Name(s) of the contact person:** *Jonathan Veach, Housing and Community Services Division Manager*
- **Fiscal Year of Initial Finding:** *2016-2017*
- **Current Status:** *Implemented and in its letter dated February 22, 2019, the grantor indicated that it considers the finding closed.*



Agenda Report

20-306

Agenda Date: 3/4/2020

REPORT TO AUDIT COMMITTEE

SUBJECT

Overview of the City Auditor's Office Semi-Annual Status Report as of December 31, 2019 and the Contract Audit of the Public Affairs and Media Relation Services

BACKGROUND

Per Section 900 of the City Charter, the City Auditor's duties and responsibilities include conducting in-depth financial and performance audits, overseeing the City's performance management system, auditing and approving all bills, invoices, payrolls, demands or charges against the City government before payment and, with the advice of the City Attorney, making reports to the City Council as to the regularity, legality and correctness of such claims, demands or charges. The City Auditor's Office conduct our work under the auditing standards prescribed by the Institute of Internal Auditors (IIA). The IIA International Standards for the Professional Practice of Internal Auditing (Standards) requires the City Auditor to periodically report to the Audit Committee on the internal audit activity's performance relative to the Audit Work Plan.

In accordance with the adopted Internal Audit Charter, the City Auditor prepares an annual work plan and issues semi-annual reports to the City Council describing the status and progress towards completion of the work plan. This report summarizes reports issued, other activities, assignments in process, and the status of the work plan during the period from July 1, 2019 thru December 31, 2019.

DISCUSSION

The role of the Audit Committee (Committee) is to provide oversight of the City's financial reporting processes, internal controls, and independent auditors. The City Auditor will present the audit status report as of December 31, 2019 and the Contract Audit of the Public Affairs and Media Relation Services, which was issued in June 2019. Staff will provide an update of the audit projects within the adopted work plan.

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 2019/20 Adopted Operating Budget.

COORDINATION

This report has been coordinated with the City Manager's Office.

PUBLIC CONTACT

Public contact was made by posting the Council 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 City Auditor's Office Semi-Annual Status Report as of December 31, 2019 and the Contract Audit of the Public Affairs and Media Relation Services and recommend that the reports are forwarded for note and file to the full Council at the March 17, 2020 Council and Authorities Concurrent meeting.

Reviewed and Approved by: Linh Lam, Assistant Director of Finance/City Auditor

ATTACHMENTS

1. Semi-Annual Status Report as of December 31, 2019
2. Audit Report - Contract Audit of the Public Affairs and Media Relation Services



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Contract Audit of the Public Affairs and Media Relation Services



**Report 19-01
July 2019**

City Auditor's Office

Contract Audit of the Public Affairs and Media Relation Services

February 14, 2018 - April 3, 2019

INTRODUCTION

The City Auditor's Office, at the request of the City Manager's Office, initiated a contract audit on the Public Affairs and Media Relation Services agreement with Singer Associates, Inc. The purpose of the audit is to determine whether staff followed proper procurement and contract management processes for the Singer Associates agreement entered into with the City of Santa Clara (City) and Santa Clara Stadium Authority (Stadium Authority).

BACKGROUND

In an effort to enhance transparency, leverage media coverage, and enrich brand identity for both the City and Stadium Authority, the City and Stadium Authority contract with outside consulting firms to supplement in-house public relations activities. The previous Public Affairs and Media Relation Services agreement with Banner Public Affairs expired on December 31, 2017. On January 5, 2018, the City and the Stadium Authority issued a combined Request for Qualification (RFQ) for Public Affairs and Media Relation Services. The purpose of the RFQ was to seek a qualified and experienced firm, with knowledge of local government, to assist with public relation activities and develop and implement strategies and tools that increase the public's awareness of activities and initiatives of the City and/or Stadium Authority.

The RFQ closed on January 16, 2018 and yielded one proposer, Singer Associates, Inc. Upon reviewing the proposal and evaluating Singer Associates' experience, the City and Stadium Authority selected Singer Associates to provide the Public Affairs & Media Relation Services and entered into an agreement with the firm in February 2018. The selection was based on the extensive experience the firm has in the industry. Singer Associates was formed in 1990, and has over 28 years of experience in the public affairs industry servicing government agencies at local, regional, national and international levels. The firm provided the City with maximum flexibility with a time and material fee basis at a blended flat rate of \$250/hour for all work. The firm also waived minimum hourly requirements and travel costs (except for mileage fees for vehicles.)

AUDIT OBJECTIVE

The objective of this audit was to determine if the City Manager's Office's (CMO) contract activities for Public Affairs & Media Relation Services with Singer Associates assure compliance with the City and Stadium Authority's procurement requirements and ensure accountability for goods and services provided.

AUDIT SCOPE AND METHODOLOGY

The scope of this audit focused on the CMO's procurement and contract management processes for the Public Affairs & Media Relation Services contract entered into with Singer Associates, Inc. in February 2018. It included a review of the terms of the agreement with the City (effective February 15, 2018 through June 30, 2019) and Stadium Authority (February 14, 2018 through March 30, 2019). We also reviewed invoice and payment backups for all expenses incurred from February 14, 2018 through April 3, 2019 for both the City and Stadium Authority to

Contract Audit of the Public Affairs and Media Relation Services

February 14, 2018 - April 3, 2019

ensure that they are in compliance with the terms and conditions of the agreement and that proper internal controls are in place.

To address the audit objectives, we conducted the following procedures:

1. Reviewed applicable statutes, administrative rules, and procurement policies and procedures to identify guidance available to department staff.
2. Examined department procurement file documentation related to the type of procurement method used, specifications required, and the criteria used to evaluate bids and proposals for the contract.
3. Reviewed proposals and contract file documentation, evaluation of contractor performance, contract renewals, and communication with vendors.
4. Examined invoices submitted to the department for contracted services to ensure that they are billed according to the terms of the agreement.
5. Reviewed the charges and payments to ensure that they are paid in a timely manner, in conformance with Section 1 – Compensation and Payment of the signed agreement.
6. Recalculated the charges on the invoice and ensured that they were properly approved before payments were made.

CONCLUSION

Based on our review, we believe the City and Stadium Authority are in compliance with the significant terms of the service agreements with Singer Associates. We only identified one opportunity for management to strengthen some of its monitoring controls to ensure a proper contract is in place before acquiring the service.

The following Other Observation and Findings and Recommendations, which are based on industry best practices, will provide additional controls designed to provide guidance to employees on proper contract monitoring.

With regards to compliance with the procurement policy, we determined that the City and Stadium Authority complied with the policy.

OTHER OBSERVATION

Observation 1: Review of Contract Extension is Needed

During our review of the Public Affairs and Media Relation Services agreement for the City and Stadium Authority as of April 3, 2019, we noted the City and Stadium Authority's agreements with Singer Associates expires/expired on June 30, 2019 and March 30, 2019, respectively. We recommend the CMO reassess whether the City and the Stadium Authority will continue to need public affairs and media relation services. If so, then the CMO should consider (1) extending the Singer Associates contract or (2) start the solicitation process for the public affairs and media relation services soon. Additionally, the CMO should ensure that the cost of service was budgeted for in the City and Stadium Authority's fiscal year 2019/20 budget before procuring for this service.

Management Response:

Contract Audit of the Public Affairs and Media Relation Services

February 14, 2018 - April 3, 2019

Management agrees with the recommendation. We will issue a Statement of Qualifications to solicit services for the Public Affairs and Media Relation Services before the contract expires and ensure that the costs are properly appropriated for before procuring for the service.

FINDINGS AND RECOMMENDATIONS

Finding 1: Contract Work Started Prior to Contract Execution

Of the 11 invoices selected for detailed testing on the City's contract, we noted one invoice had work performed prior to the contract being executed. The consultant provided half an hour of service to the City seven days before the contract was executed. Although the amount is immaterial, staff should refrain from soliciting the service from the consultant until the contract is fully signed by both parties.

Recommendation:

We recommend that the City Manager reiterate in a memo to Department Directors and City staff the importance of not starting work on an expenditure contract prior to the contract being executed. In addition, the City Manager should consider adding specific contract language to the contract boilerplate to discourage this practice among contractors.

Management Response:

Management agrees with the recommendation. Department Directors were notified in the Executive Leadership Team meeting to stop the practice and ensure contracts are in place prior to the work start date. An inventory of all contracts and end dates was completed for all departments to manage existing contracts and their expiration dates. Specific to the public affairs and media relation services contract, the half an hour work performed was deemed low risk due to the fact that the contract was signed by the vendor and in the process of obtaining final signatures from City representative.



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Semi-Annual Audit Status Report as of December 31, 2019

City Auditor's Office



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Semi-Annual Audit Status Report – Fiscal Year 2019/20 (July thru December 2019)

OVERVIEW

The mission of the City Auditor's Office is to promote honest, efficient, effective and fully accountable city government through accurate, independent and objective audits. We conduct performance audits and reviews of City departments, programs and services. We provide oversight of external auditors regarding the City's annual financial audit, single audit, annual compliance review with the City's Investment Policy, performance audits and related financial audits. Furthermore, the City Auditor's Office is responsible for the Stadium Authority's annual financial audit.

The Audit Committee and City Council approved the Audit Work Plan for fiscal year 2018/19 (midyear) and 2019/20 in 2019. This Semi-Annual Audit Status Report summarizes reports issued, other activities, assignments in process, and the status of the work plan during the period from July 1, 2019 thru December 31, 2019.

ACTIVITY HIGHLIGHTS DURING THE PERIOD:

- The Office issued the ***Contract Audit of the Public Affairs and Media Relation Services*** (July 2019).
- The Office completed 5 of the 13 items in the FY 2018/19 (midyear) and FY 2019/20 Work Plan, with a total of 7 of the 13 items either completed or in process as of December 31, 2019.
- The Office completed three new contracted projects and one new in-house audit that were not in the Work Plan.
- The City Council approved a new job classifications and specifications for the Performance Auditor series in 2019.
- The Office will start recruiting for the two vacancies (e.g. Management Analyst and Senior Performance Auditor) after receiving approval from the City Council on the Internal Audit Service Model in February 2020.

Audit Status Report – Fiscal Year 2019/20 (July thru December 2019) (continued)

ASSIGNMENTS COMPLETED

The following table lists all Assignments Completed as of December 31, 2019 for the FY 2019-20 Audit Work Plan:

Project Name	Project Description	Status	Projected Issuance / Completion Date
1. Internal Audit Charter	The purpose of the Charter, which requires City Council approval, is to formally authorize internal audit staff access to records, personnel and physical properties so they can perform their audit tasks. It also defines the internal audit division's purpose, authority and responsibility within the City. The City Auditor will start to formally provide periodic updates to City Council after the adoption of this charter.	Completed	July 2019
2. Semi-Annual Audit Status Report	The City Auditor's Office prepares and issues semi-annual status and progress update reports on the approved audit assignments in the audit work plan. The staff also reports on any changes (e.g. assignment addition or deletion) to the audit work plan.	Completed	July 2019
3. Contract Audit of the Public Affairs and Media Relation Services (NEW)	The City Auditor's Office, at the request of the City Manager's Office, initiated a contract audit on the Public Affairs and Media Relation Services agreement with Singer Associates, Inc. The purpose of the audit is to determine whether staff followed proper procurement and contract management processes for the City of Santa Clara and Santa Clara Stadium Authority.	Completed	July 2019
4. Audit of the Stadium Manager's Delegated Procurement Authority (NEW – contracted service)	The City Auditor's Office, at the request of the Executive Director's Office, initiated a review of the Stadium Manager's Procurement Authority over its contract process. The Office contracted with JS Held (formerly known as HSNO), an accounting and consulting firm, to perform an audit of the Stadium Manager's Delegated Procurement Authority. The purpose of the audit is to determine whether the Stadium Manager was procuring in accordance to the Stadium Authority's Procurement Policy.	Completed	July 2019

Audit Status Report – Fiscal Year 2019/20 (July thru December 2019) (continued)

Project Name	Project Description	Status	Projected Issuance / Completion Date
5. Annual Cash Disbursement Audit	The City Charter requires the City Auditor to audit and approve bills, invoices, payrolls, demands or charges against the City before payment.	Completed	August 2019
6. Annual External Financial Audit for the Stadium Authority (<i>contracted audit service</i>)	The Santa Clara Stadium Authority (Stadium Authority), the Stadium Funding Trust, and Goldman Sachs Bank USA entered into a Credit Agreement on June 19, 2013 to finance the stadium. Section 5.1(a) of the Credit Agreement requires that the Stadium Authority Annual Financial Statements be audited by independent certified public accountants within 180 days after the end of each fiscal year.	Completed	August 2019
7. Annual External Financial Audit and Single Audit for the City (<i>contracted audit service</i>)	The City Charter requires an annual external audit of the City's financial transactions to be performed by an independent certified public accountant (currently Maze & Associates). This includes audits of the Comprehensive Annual Financial Reports (CAFRs) and the Single Audit.	Completed	December 2019 (CAFR) and March 2020 (Single Audit)
8. Annual Compliance Reviews of the City's Investment Program (NEW - <i>contracted audit service</i>)	The City's investment policy requires annual compliance review to determine whether the investments in the City's pooled portfolio are in compliance with the City's investment policy, internal controls, and department procedures. Maze & Associates will conduct the agreed-upon procedures as of June 30, 2019.	Completed	December 2019
9. Analysis of the NEx System Procurement Process (NEW – <i>contracted service</i>)	The City Auditor's Office, at the request of the Executive Director's Office and General Counsel, initiated a detailed review of the NEx System Procurement process. The Office contracted with JS Held (formerly known as HSNO), an accounting and consulting firm, to perform an analysis on the timeline of events for the procurement process of the NEx System contract.	Completed	January 2020

Audit Status Report – Fiscal Year 2019/20 (July thru December 2019) (continued)

ASSIGNMENTS IN PROCESS:

The following table lists all Assignments in Process as of December 31, 2019 for the FY 2019-20 Audit Work Plan:

Project Name	Project Description	Status	Projected Issuance / Completion Date
10. Review of Financial Procedures and Controls for the Santa Clara Stadium Authority (<i>contracted service</i>)	Review past Construction Fund and Public Safety transactions and provide feedback on the allocation of staff charges.	In Process	June 2020
11. Audit of the 2019 College Football Playoff National Championship Game (NEW – contracted service)	An analysis of the revenue and expense classification and review of the completeness of the supporting documents for the 2019 College Football Playoff game.	In Process	June 2020
12. Fraud, Waste, and Abuse Reporting Policy (Fraud Policy)	<p>The Fraud, Waste, and Abuse Reporting Policy (Fraud Policy) sets out policies and procedures to encourage and facilitate the reporting of fraud or abuse and questionable accounting practices.</p> <p>The City Auditor's Office plans to bring this policy to the City Council for approval in 2020 after the division is fully staffed.</p>	In Process	August 2020

ASSIGNMENTS NOT YET STARTED:

The following table lists all Assignments Not Yet Started as of December 31, 2019 for the FY 2019-20 Audit Work Plan:

Project Name	Project Description	Status	Projected Issuance / Completion Date
13. Review of Financial Procedures and Controls for the Santa Clara Stadium Authority (<i>contracted service</i>)	<p>Staff has asked the City Auditor's Office to provide advice on several policies, procedural and internal control issues for the Stadium Authority. Proposed reviews include:</p> <ul style="list-style-type: none"> Analyzing the Stadium Authority's review procedures for Non-NFL Events' revenues and provide feedback on procedure and control issues, if any. 		

Audit Status Report – Fiscal Year 2019/20 (July thru December 2019) (continued)

Project Name	Project Description	Status	Projected Issuance / Completion Date
	<ul style="list-style-type: none"> Reviewing the Stadium Authority Financial Reporting Policy with staff and external auditors and providing feedback on best practices. <p>This advisory service has been deferred until the Stadium Authority implements the new financial management system.</p>		
14. Fraud, Waste, and Abuse Hotline Monitoring & Audit	<p>The City does not currently have a Whistleblower Hotline to provide individuals a way to confidentially report evidence of fraud, waste or abuse involving employees or operations. The City Auditor's Office plans to implement such hotline for the City through an outsourced third-party service and provide continuous monitoring and investigations.</p> <p>This project will start after the Fraud Policy is formally adopted by the City Council.</p>		
15. Performance Audit of Vendor Master File and 1099 Reporting (contracted service)	<p>The purpose of this audit is to assess and evaluate whether the City has adequate controls regarding its master vendor file setup and if the City is effectively monitoring and maintaining its vendor information.</p> <p>This audit has been deferred to year 2020 due to staffing shortage in Accounting, Purchasing and Audit divisions. We will also co-source this audit with an external CPA firm.</p>		
16. Citywide Fraud Risk Assessment (contracted service)	<p>This is a citywide fraud risk assessment for all the departments including utility departments.</p> <p>This assignment will start after the Vendor Master File Audit project.</p>		

Audit Status Report – Fiscal Year 2019/20 (July thru December 2019) (continued)

Project Name	Project Description	Status	Projected Issuance / Completion Date
17. Annual Audit Recommendation Status Report	<p>The City Auditor's Office tracks audit recommendations and issues reports on the implementation status of all open audit recommendations. The staff also meets with the auditee to discuss the progress of the audit recommendations.</p> <p>This assignment has been deferred until the end of the year due to staffing shortage.</p>		
18. Annual Risk Assessment	<p>The City Auditor's Office performs an annual risk assessment as required by internal audit standards to identify and prioritize the potential audit subjects for the Audit Work Plan.</p> <p>This assignment has been deferred until the end of the year due to staffing shortage.</p>		
19. Internal Audit Annual Work Plan	<p>The City Auditor is responsible for developing an annual internal audit work plan based on the results of an annual citywide risk assessment designed to improve the effectiveness of risk management, internal controls, and governance processes.</p> <p>This assignment has been deferred until the end of the year due to staffing shortage. The Office will continue to advance the projects in the current year's Audit Work Plan.</p>		