



## Agenda Report

18-160

Agenda Date: 3/20/2018

### REPORT TO COUNCIL

#### SUBJECT

Single Audit Report for Fiscal Year 2016/17

#### BACKGROUND

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. The Single Audit was performed by the City's financial statement auditor, Maze & Associates.

#### DISCUSSION

Based on their audit, Maze & Associates issued an unmodified opinion with regard to the fair presentation of the financial statements and that the City was in compliance with internal control over financial reporting. However, as part of the audit, one finding was reported related to monitoring HOME Investment Partnership Program (HOME) activities for compliance with HOME program rules and regulations. The finding related to the City committing and expending funds prior to the execution of a promissory note for a particular project. As a result, the City was required to return funds to the grantor, the Department of Housing and Urban Development (HUD), in the amount of \$82,102, and de-obligate the remaining activity funding of \$15,463. In response, staff re-evaluated all other HOME funded promissory notes and implemented a corrective plan. As part of the review of all other HOME funded promissory notes, staff found an additional \$9,820 of ineligible costs. These were also returned to HUD for a total return of grant funds of \$91,922 during fiscal year 2016-17. In addition, as part of the corrective action plan, staff documented policies and procedures to avoid this issue from re-occurring.

City staff and Maze & Associates met with the City Council Audit Committee on February 26, 2018. Present were Committee members Gillmor and Watanabe and alternate member Mahan (member Kolstad was not in attendance). During the Committee meeting, Maze & Associates gave a presentation about the audit process and scope of work, as well as the auditor's opinion. The Director of Finance and staff answered various questions with regards to the Single Audit. The Audit Committee unanimously accepted the Single Audit Report presented at the Committee meeting and will be recommending that the City Council note and file the reports at the March 20, 2018 Council meeting. After the Council meeting, the Single Audit Report will be available on the City's website.

**ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(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**

The staff and the external auditor costs associated with the audit and financial reports production are included in the FY 2017/18 Adopted Budget.

**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**

Note and file the City of Santa Clara Single Audit Report for the year ended June 30, 2017, as recommended by the Council Audit Committee.

Prepared by: David Noce, Accounting Division Manager  
Reviewed by: Angela Kraetsch, Director of Finance  
Reviewed by: Walter C. Rossmann, Chief Operating Officer  
Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Single Audit Report June 30, 2017
2. Single Audit Corrective Action Plan June 30, 2017