



## Agenda Report

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20-230

Agenda Date: 3/4/2020

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### 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) 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