



## Agenda Report

20-421

Agenda Date: 3/24/2020

### REPORT TO COUNCIL

#### SUBJECT

Action on the Single Audit Report for Fiscal Year 2018/19 [Council Pillar: Enhance Community Engagement and Transparency] Continued from March 17, 2020

#### 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.

City staff and Maze & Associates met with the City Council Audit Committee on March 4, 2020. Present were Committee members Gillmor, Hardy and Watanabe. During the Committee meeting, Maze & Associates gave a presentation about the audit process and scope of work, as well as the auditor's opinion. 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 recommended that the City Council note and file the reports at the March 17, 2020 Council meeting. After the Council meeting, the Single Audit Report will be published on the City's website.

#### 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 is in compliance with internal control over financial reporting. For Fiscal Year 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 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 annual appropriations.

**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, 2019, as recommended by the Council Audit Committee.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Single Audit Report June 30, 2019