



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 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