



**SAN RAFAEL CITY COUNCIL AGENDA REPORT**

**Department: Finance**

**Prepared by: Nadine Atieh Hade,  
Finance Director**

**City Manager Approval:** \_\_\_\_\_

**TOPIC: ANNUAL AUDIT OF FEDERAL GRANT EXPENDITURES**

**SUBJECT: SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2021**

**RECOMMENDATION: ACCEPT REPORT**

**BACKGROUND:** Federal regulations provide that any local agency receiving or expending \$750,000 or more in combined federal grant funds, either directly or indirectly in a fiscal year, is subject to a separate audit on those programs. This threshold was reached in fiscal year 2020-2021 and, therefore, a separate (Single Audit) report was required. The firm of Maze and Associates Accountancy Corporation, who also performed the City’s financial audit, conducted the Single Audit for fiscal year 2020-2021.

**ANALYSIS:** The City incurred a total of \$8,206,522 in federal expenditures during fiscal year 2020-2021 that fell under the parameters of the audit. The auditor identified one major program to be audited, Highway Planning and Construction (Federal-Aid Highway Program). Funds from this program supported the Southern Heights bridge replacement, Third Street at Hetherton intersection improvements, Francisco Boulevard East sidewalk improvements, the Third Street safety improvement study, and the Innovative Deployments to Enhance Arterials (IDEA) project.

As required under the Single Audit Act, a number of separate reports are contained within this document. Most of these reports comment on either compliance with Federal assistance regulations or recommendations regarding the City’s accounting practices. The auditor issued the reports with an unmodified opinion and certain reported deficiencies in internal control listed on the Schedule of Significant Deficiencies included as part of the Memorandum on Internal Control issued November 15, 2021, which also contains the City’s response to such matters.

Noted deficiencies included inaccurate building permit fees on the Master Fee Schedule posted to the City website and incorrect preparation of the Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2020. Both issues have been adequately addressed and remedies have been implemented.

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**FOR CITY CLERK ONLY**

**Council Meeting:**

**Disposition:**

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One other finding relating to the timeliness of a payment was noted on the Accounting Issues Memo. An invoice dated September 28, 2020, was not paid until January 12, 2021, following complications related to the corresponding purchase order. The finding at hand was anomalous and not indicative of any larger issue.

**FISCAL IMPACT:** There is no fiscal impact resulting from the acceptance of this report.

**RECOMMENDED ACTION:** Accept Report.

**ATTACHMENT:** Single Audit Report for the Year Ended June 30, 2021

**CITY OF SAN RAFAEL**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF SAN RAFAEL**  
**SINGLE AUDIT REPORT**  
**For The Year Ended June 30, 2021**

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**CITY OF SAN RAFAEL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2021**

**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?   X   Yes        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?        Yes   X   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)?        Yes   X   No

Identification of major program(s):

<b>Assistance Listing #(s)</b>	<b>Name of Federal Program or Cluster</b>
<u>20.205</u>	<u>Highway Planning and Construction (Federal-Aid Highway Program)</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Our audit disclosed significant deficiencies, but no material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 15, 2021, 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 did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.



CITY OF SAN RAFAEL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures
Department of Housing and Urban Development Program Passed Through from County of Marin, California Community Development Block Grants/Entitlement Grants Childcare	14.218	40CDBG21CD4527	<u>\$21,500</u>
Department of Health and Human Services Passed Through from the California Health and Human Services Agency Medical Assistance Program (Medicaid; Title XIX) Department of Health Care Services - Ground Emergency Medical Transportation	93.778	SFY 2013-14	<u>118,007</u>
Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program) Passed Through from State of California Department of Transportation			
Southern Heights Bridge Replacement	20.205	BRLO-5043(038)	2,006,782
Third St at Hetheron Intersection Improvement	20.205	HSIPL-5043(040)	205,243
Francisco Blvd East Sidewalk Improvements	20.205	ATPL-5043(042)	4,136,701
Third Street Safety Improvement Study	20.205	HSIPL-5043(043)	176,538
Passed Through from Metropolitan Transportation Commission Innovative Deployments to Enhance Arterials (IDEA)	20.205	STPLNI-6084(227)1842	<u>708,146</u>
Program Subtotal			<u>7,233,410</u>
State and Community Highway Safety Passed Through from California Office of Traffic Safety			
Selective Traffic Enforcement Program FY2020	20.600	PT20162	26,094
Selective Traffic Enforcement Program FY2021	20.600	PT21141	<u>56,638</u>
Program Subtotal			<u>82,732</u>
Total Department of Transportation			<u>7,316,142</u>
Department of Homeland Security Passed Through from the City and County of San Francisco, California Homeland Security Grant Program			
Bay Area Urban Areas Security Initiative (UASI)	97.067	075-95017	<u>12,428</u>
Department of the Treasury Passed Through from the State of California COVID-19 -Coronavirus Relief Fund	21.019	281	<u>738,445</u>
Total Expenditures of Federal Awards			<u><u>\$8,206,522</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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**CITY OF SAN RAFAEL**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2021**

**NOTE 1 – REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of San Rafael, California and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the San Rafael Sanitation District (District). Federal awards expended by this entity, 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 are accounted for using the modified accrual basis of accounting. All proprietary funds and fiduciary 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.

**NOTE 4 – CORONAVIRUS RELIEF PROGRAM (AL# 21.019)**

The Schedule for the year ended June 30, 2021 includes expenditures for the Coronavirus Relief Program (AL# 21.019) for the period of March 1, 2020 to December 31, 2020. The period of performance for the grant was March 1, 2020 to December 31, 2020, but to receive the funding, the City was required to file a certification with the State Department of Finance by July 10, 2020 that the City will use the funds consistent with federal requirements, adhere to health orders and directives, return unspent funds, and repay any disallowed costs, among other compliance certifications. The City's certification was filed on July 7, 2020.

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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 San Rafael, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2021. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, the San Rafael Sanitation District, as described in our report on City's financial statements. This report does not include 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. Our report also included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

***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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We identified certain deficiencies in internal control as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated November 15, 2021, which is an integral part of our audit and should be read in conjunction with this report that we consider to be significant deficiencies.

### ***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 financial statements. 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***City's Response to Findings***

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated November 15, 2021, which is an integral part of audit and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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  
November 15, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND 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 San Rafael, California

***Report on Compliance for Each Major Federal Program***

The City of San Rafael's basic financial statements include the operations of the discretely presented component unit, the San Rafael Sanitation District, which is not included in the Schedule during the year ended June 30, 2021. Our audit, described below, did not include the operations of the San Rafael Sanitation District, because the District engaged other auditors and the District did not expend federal awards for the year ended June 30, 2021.

We have audited the City'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, 2021. 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 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 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, 2021.

### ***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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 15, 2021, which contained an unmodified opinion on those financial statements. Our report includes a reference to other auditors who audited the discretely presented component unit financial statements of the San Rafael Sanitation District as of and for the year ended June 30, 2021, as described in our report on the City's financial statements. Our report, in so far as it relates to the results of the other auditors, is based solely on the report of the other auditors. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. 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 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Mane & Associates*

Pleasant Hill, California  
February 4, 2022

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