



**SAN RAFAEL CITY COUNCIL AGENDA REPORT**

Department: Finance

Prepared by: Paul Navazio,  
Finance Director

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

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

**SUBJECT: SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2023**

**RECOMMENDATION:**

Accept the report.

**BACKGROUND:**

Federal regulations provide that any local agency receiving or expending \$750,000 or more in combined federal grant funds, directly or indirectly in a fiscal year, is subject to a separate audit on those programs. The City reached this threshold in fiscal year 2022-23; 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 2022-23.

**ANALYSIS:**

The City incurred a total of \$2,022,048 in federal expenditures during fiscal year 2022--23 that fell under the parameters of the audit. The auditor identified one major program to be audited: Disaster Grants-Public Assistance. Funds from this program supported the emergency storm damage response to protect existing residents below 70 Irwin Street.

As required under the Single Audit Act, several 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 one reported deficiency in internal control listed on the Schedule of Significant Deficiencies included as part of the Memorandum on Internal Control issued November 20, 2023, which also contains the City's response to such matters.

The noted deficiency was regarding the posting of inaccurate building permit fees on the Master Fee Schedule on the City website. This issue was remedied with the approved update of the Master Fee Schedule on December 19, 2022, and its subsequent implementation on July 1, 2023.

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**FOR CITY CLERK ONLY**

**Council Meeting:**

**Disposition:**

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

**RECOMMENDED ACTION:**

Accept the report.

**ATTACHMENT:**

1. Single Audit Report for the Year Ended June 30, 2023

**CITY OF SAN RAFAEL**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**CITY OF SAN RAFAEL**  
**SINGLE AUDIT REPORT**  
**For The Year Ended June 30, 2023**

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**CITY OF SAN RAFAEL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2023**

**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 Number(s)</b>	<b>Name of Federal Program or Cluster</b>
<u>97.036</u>	<u>Disaster Grants-Public Assistance (Presidentially Declared Disasters)</u>

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

Auditee qualified as low-risk auditee?   X   Yes        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, included as part of our separately issued Memorandum on Internal Control dated November 20, 2023, 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, 2023

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 CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants Childcare	14.218	40CDBG23CD4527	<u>\$23,000</u>
Department of Health and Human Services Passed Through from the California Health and Human Services Agency Medicaid Cluster Medical Assistance Program (Medicaid; Title XIX)	93.778	SFY 2013-14	<u>658,492</u>
Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program) Passed Through from California Department of Transportation Third Street Safety Improvement Study	20.205	HSIPL-5043(043)	<u>637,452</u>
State and Community Highway Safety Highway Safety Cluster Passed Through from California Office of Traffic Safety Selective Traffic Enforcement Program FY2022 Selective Traffic Enforcement Program FY2023	20.600 20.600	PT22127 PT23063	24,946 <u>60,951</u>
Program Subtotal			<u>85,897</u>
Total Department of Transportation			<u>723,349</u>
Department of Homeland Security Passed Through From The City and County of San Francisco, California Hazard Mitigation Grant Program	97.039	041-38364	<u>55,452</u>
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	041-68364	<u>561,755</u>
Total Department of Homeland Security			<u>617,207</u>
Total Expenditures of Federal Awards			<u><u>\$2,022,048</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**CITY OF SAN RAFAEL**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2023**

**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.

**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. The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and 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 – EXPENDITURES FROM PRIOR FISCAL YEARS**

The current year Schedule of Expenditures of Federal Awards includes expenditures spent during the period of performance for the grant of July 18, 2018 through August 16, 2021 for the Department of Homeland Security Program, Federal Assistance Listing Number 97.036. The City was not awarded the final grant funding until fiscal year ended June 30, 2023.

**INDEPENDENT AUDITOR’S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND REPORT 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Rafael (City), California, as of and for the year ended June 30, 2023, 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 20, 2023. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

***Report on 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 were not 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 that we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated November 20, 2023, which is an integral part of our audit and should be read in conjunction with this report.

***Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are listed as findings 2023-02 in our separately issued Memorandum on Internal Control dated November 20, 2023, which is an integral part of our audit and should be read in conjunction with this report.

***City’s Response to Findings***

*Government Auditing Standards* require the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in our separately issued Memorandum on Internal Control dated November 20, 2023, which is an integral part of our audit and should be read in conjunction with this report.

The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***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 results 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 20, 2023

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT 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**

***Opinion on Each Major Federal Program***

We have audited City of San Rafael's (City) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, the City complied, in all material respects, with the 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, the discretely presented component unit, each major fund, and the aggregate remaining funds information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 20, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions 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 basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.



Pleasant Hill, California  
February 10, 2024

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