

CITY OF ELK GROVE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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CITY OF ELK GROVE
SINGLE AUDIT REPORT
For the Year Ended June 30, 2022

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CITY OF ELK GROVE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

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? X Yes 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)? X Yes No

Identification of major program(s):

Assistance Listing Number(s)	Name of Federal Program or Cluster
<u>20.205</u>	<u>Highway Planning and Construction</u>
<u>21.027</u>	<u>COVID-19 - Coronavirus State and Local Fiscal Recovery Funds</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. We have also issued a separate Memorandum on Internal Control dated March 2, 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

Finding Reference Number: SA2022-001 Charging Eligible Program Costs to the Correct Category
Assistance Listing Number: 21.027
Assistance Listing Title: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency: Department of the Treasury
Federal Award Identification Number: SLFRP2014

Criteria: The award terms and conditions of the Coronavirus State and Local Fiscal Recovery Funds agreement with the Department of the Treasury indicate that as the recipient, the City “understands and agrees that the funds disbursed under this award may only be used in compliance with sections 602(c) and 603(c) of the Social Security Act (the Act) and Treasury’s regulations implementing that section and guidance. Under that guidance, the City may expend funds under five specific categories, including support public health expenditures, address negative economic impacts caused by the public health emergency, replace lost public sector revenue, provide premium pay to essential workers, and invest in water, sewer and broadband infrastructure.

Condition: We selected forty services and supplies disbursements charged to the program and noted one disbursement in the amount of \$249,999 for a Police Department taser certification plan was included in the “address negative economic impacts caused by the public health emergency” category in the quarterly Project and Expenditure Report filed with the Department of the Treasury, which does not appear to be an allowable cost under that program category. Although this program cost appears to be allowable under the revenue loss category, the City should not have charged it to the “address negative economic impacts” category.

Questioned Costs: We are not questioning the costs, because the costs are eligible expenditures under the provision of government services of the “replace lost public sector revenue” category and we understand the City is able to correct the reporting during the next reporting window on the Department of the Treasury reporting portal.

Cause: We understand that City staff tried to select an appropriate category when coding the costs in the Project and Expenditure Report, using the descriptions available in the system, but should have included the costs in the “replace lost public sector revenue” category.

Effect: The City is not in compliance with the award terms and conditions of the Coronavirus State and Local Fiscal Recovery Funds program.

Recommendation: The City should develop procedures to ensure that costs charged to the Coronavirus State and Local Fiscal Recovery Funds program are eligible costs and that those costs are reported in the correct category when reporting to the Department of the Treasury.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding Reference Number: SA2022-002 Suspension and Debarment Documentation for Contracts and Subcontracts
Assistance Listing Number: 21.027
Assistance Listing Title: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency: Department of the Treasury
Federal Award Identification Number: SLFRP2014

Criteria: The award terms and conditions of the Coronavirus State and Local Fiscal Recovery Funds agreement with the Department of the Treasury requires that the City comply with OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement), 2 C.F.R. Part 180, including the requirement to include a term or condition in all lower tier covered transactions (contracts and subcontracts described in 2 C.F.R. Part 180, subpart B) that the award is subject to 2 C.F.R. Part 180 and Treasury’s implementing regulation at 31 C.F.R. Part 19.

In addition, the OMB Compliance Supplement for the Program requires that prior to entering into subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded pursuant to 31 CFR section 19.300.

Condition: We selected forty-two transactions for testing and although some were exempt from the suspension and debarment procurement requirements, and we noted thirty-three contracts and two subrecipient agreements did not include a term or condition related to compliance with debarment and suspension compliance provisions. We also understand that the City did not verify that the contractors and subrecipient were not suspended, debarred, or otherwise excluded prior to entering into the agreements. We did note that as of March 29, 2023, none of the entities were included on the exclusions list on SAM.gov.

Cause: We understand that staff was not aware of the requirement to include the debarment and suspension provisions in the contracts and the requirement to verify the status of contractors or subrecipients prior to entering into agreements with the entities.

Effect: The City is not in compliance with the award terms and conditions and the OMB Compliance Supplement requirements of the Coronavirus State and Local Fiscal Recovery Funds program.

Recommendation: The City should develop procedures to ensure compliance with debarment and suspension provisions of the grant award terms and conditions and the OMB Compliance Supplement of the Coronavirus State and Local Fiscal Recovery Funds program.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

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CITY OF ELK GROVE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Housing and Urban Development Direct Program:				
Community Development Block Grants (CDBG) /Entitlement Grants	14.218			
Community Development Block Grant - 2016				\$3,026
Community Development Block Grant - 2017				30,000
Community Development Block Grant - 2018				184,203
Community Development Block Grant - 2019				121,627
Community Development Block Grant - 2020			\$9,088	326,953
COVID-19 - Community Development Block Grant-CV - 2020			203,929	203,929
Community Development Block Grant - 2021			87,531	361,552
Neighborhood Stabilization Program				61,538
Total Department of Housing and Urban Development			<u>300,548</u>	<u>1,292,828</u>
Department of Justice Direct Programs:				
Domestic Cannabis Eradication/Suppression Program (DCESP)	16.U01			8,340
Edward Byrne Memorial Justice Assistance Grant Program - Justice Assistance Grant (JAG)	16.738			32,704
Equitable Sharing Program	16.922			118,766
Total Department of Justice				<u>159,810</u>
Department of Transportation Pass-Through Programs From:				
California Department of Transportation				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205			
Laguna Creek Trail and West Stockton Blvd. Multi Modal Improvements		STPL-5479(068)		92,325
The Pedestrian Crossing Upgrades		HSIPL-5479(063)		21,361
Elk Grove Creek Trail Gap Closure		CML-5479(065)		94,182
Guardrail Replacement		HSIPL-5479(062)		30,477
Laguna Creek Train - Lewis Stein to Bruceville		CML-5479(053)		11,796
Elk Grove Blvd. from School Street to Waterman Road		STPL-5479(048)		5,362
Arterial Roads Rehabilitation and Bicycle Lane		STPCML-5479(060)		3,887
Kammerer Road Two - Lane Extension I-5 to Bruceville		034H8200S		1,000,000
Program subtotal				<u>1,259,390</u>
State of California Office of Traffic Safety				
National Highway Traffic Safety Administration				
State and Community Highway Safety	20.600			
Selective Traffic Enforcement Program (STEP) 20-21		PT21138		10,927
Selective Traffic Enforcement Program (STEP) 21-22		PT22167		24,596
Program subtotal				<u>35,523</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608			
Selective Traffic Enforcement Program (STEP) 20-21		PT21138		17,325
Selective Traffic Enforcement Program (STEP) 21-22		PT22167		80,129
Program subtotal				<u>97,454</u>
Total Department of Transportation				<u>1,392,367</u>
Department of the Treasury Direct Programs:				
Equitable Sharing Program	21.016			28,273
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		1,636,000	4,806,685
Total Department of the Treasury			<u>1,636,000</u>	<u>4,834,958</u>
Total Expenditures of Federal Awards			<u>\$1,936,548</u>	<u>\$7,679,963</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF ELK GROVE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022**

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Elk Grove, California, and its component units as disclosed in the notes to the Basic Financial Statements.

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.

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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 Elk Grove, 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 of Elk Gove as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 2, 2023. Our report included an emphasis of 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 March 2, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

We have also issued a separate Memorandum of Internal Control dated March 2, 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 March 2, 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 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
March 2, 2023

**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 Elk Grove, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Elk Gove's 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 30,2022. 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, 2022.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items SA2022-001 and SA2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying *Schedule of Findings and Questioned Costs*. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items SA2022-001 and SA2022-002, to be significant deficiencies.

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.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 funds information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 2, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted 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.

Maye & Associates

Pleasant Hill, California
March 30, 2023