



# Agenda Report

May 14, 2018

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance/Audit Committee

**FROM:** Director of Finance

**SUBJECT: FISCAL YEAR JUNE 30, 2017 SINGLE AUDIT REPORT**

**RECOMMENDATION:**

It is recommended that the Single Audit Report on Federal Awards for the year ending June 30, 2017 be received by the City Council.

**BACKGROUND:**

This action is to receive and file the City's Single Audit Report on Federal Awards for the fiscal year ended June 30, 2017. This report was not available in time for presentation with the City's financial reports on January 22, 2018.

The Single Audit Act of 1984, Single Audit Act Amendments of 1996 and more recent Uniform Guidance or "2 CFR Part 200" establish uniform audit requirements for local governments expending federal awards greater than \$750,000 a year. The audit is on an "entity-wide" basis and imposes additional requirements in relation to testing of, and reporting on, internal control and compliance with laws and regulations. The Single Audit Report for Fiscal Year ended June 30, 2017 contains two reports and three schedules.

The first report is a restatement of the "Independent Auditors' 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*" which was presented to the Audit Committee and City Council on January 22, 2018. When presented as part of the Single Audit, this report adds numbering to each of the findings and shows them in Section II-Financial Statement Findings. The audit identified no material weaknesses. Findings numbered 2017-001 through 2017-02 were identified as "significant

deficiencies.” Finding 2017-03 identified one instance of noncompliance that is reportable under *Government Auditing Standards*.

The second report entitled “Independent Auditors’ Report on Compliance For Each Major Program and on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance” found that the City complied in all material respects with the requirements that have a direct and material effect on each of the City’s major federal programs.

Additionally, the audit did not identify any deficiencies in internal control over compliance that would be material weaknesses; however, the auditing procedures performed disclosed four instances of noncompliance which are identified in Section III-Federal Award Findings and Questioned Costs as Findings 2017-04 to 2017-07, all significant deficiencies. In each of these findings the following details are provided.

- Federal Award Information
- Criteria or Specific Requirement
- Condition
- Cause of the Condition
- Effect or Possible Effect
- Questioned Costs (if any)
- Context
- Repeat Finding (or new finding)
- Recommendation
- Management Response

Two of the four findings are new findings and two are repeat findings. It should be noted that the repeat findings were corrected shortly after being advised of them. They are repeat findings because the fiscal year 2016 Single Audit was not wrapped up until March of 2017, overlapping into the fiscal year 2017 Single Audit period.

The Single Audit Report also contains a summary of all federally funded activity of the City in the Schedule of Expenditures of Federal Awards (SEFA). The SEFA identifies ten programs as Major Programs and that \$33,963,780 of federal funding was expended in Fiscal Year 2017. We are also disclosing \$38,071,592 of federal loan balances with continuing compliance requirements.

The last schedule, Section IV of the report, discloses the status of the prior year findings and questioned costs and the results of the auditors required review of all prior year findings. In fiscal year 2016, there were two material weaknesses and eight significant deficiencies reported. All ten of these findings were reviewed and determined to be “resolved” with corrective actions taken.

**COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the receipt and review of these reports.

**FISCAL IMPACT:**

There is no fiscal impact as a result of this action nor will it have any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action.

Respectfully submitted,

  
MATTHEW E. HAWKESWORTH  
Director of Finance

Prepared by:

  
Robert S. Ridley  
Controller

Approved by:

  
STEVE MERMELL  
City Manager

Attachment: (1)  
1) Single Audit Report