

Agenda Report

April 25, 2016

TO: Honorable Mayor and City Council

THROUGH: Finance/Audit Committee

FROM: Director of Finance

SUBJECT: FISCAL YEAR JUNE 30, 2015 SINGLE AUDIT REPORT

RECOMMENDATION:

It is recommended that the Single Audit Report on Federal Awards for the year ending June 30, 2015 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, 2015. This report was not available in time for presentation with the City's financial reports on March 14, 2016. A brief presentation will be made by the City's external auditors, Lance, Soll & Lunghard, LLP.

The Single Audit Act of 1984 and Single Audit Act Amendments of 1996 establish uniform audit requirements for local governments expending federal awards greater than \$500,000 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, 2015 contains two reports.

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 March 14, 2016. 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. Findings numbered 2015-001 through 2015-025 were identified as "material weaknesses". Findings 2015-026 to 2015-030 were

identified as "significant deficiencies". Finding 2015-031 identifies three lessor items related to noncompliance or other matters that are 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 OMB Circular A-133" 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 one instance of noncompliance and it is identified in Section III-Federal Award Findings and Questioned Costs as Finding 2015-032, a significant deficiency. This was the only finding which was not previously presented to the Audit Committee and City Council on March 14, 2016. As stated in Finding 2015-032, the auditors noted that there was no process for performing checks in the System for Award Management (SAM) for subrecipient or contractor suspension or debarment from federal funding. Corrective action for this finding has been implemented, by revising the City's CDBG Request for Proposals (RFP) to include, as part of the required supporting documentation, a clearance printout from the System of Award Management (SAM) to be included in submission of proposals for all eligible CDBG proposals.

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 seven programs as Major Programs and that \$29,753,279 of federal funding was expended in Fiscal Year 2015.

The last page 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 2014 there was one significant deficiency related to Annual Progress Reports being submitted late by subrecipients (more than 90 days after operating year). The City implemented corrective action and this year's audit found no instances of noncompliance.

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
Interim City Manager

Attachment:
Single Audit Report