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2017 MAY 11 PM 3:24

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Finance Department

SUBJECT: Single Audit Report for
Fiscal Year 2015-16

DATE: May 1, 2017

City Administrator
Approval

Date

S/10/17

RECOMMENDATION

Staff Recommends That The City Council Accept The Single Audit Report For The Year Ended June 30, 2016.

EXECUTIVE SUMMARY

The Finance Department is pleased to present to the City Council the attached Single Audit Report for the year ended June 30, 2016.

The Single Audit Report, mandated by the Federal Single Audit Act of 1984 as amended, was enacted to simplify the process of auditing federal grants administered by state, local governments, and non-profit organizations by combining all federal grants under one audit instead of each Federal Agency performing separate audits. The City's Single Audit Report includes the basic financial statements, the Schedule of Expenditures of Federal Awards ("SEFA"), and the supplemental schedules for the State of California Department of Community Service and Development ("CSD"); Community Service Block Grant ("CSBG"), and the Alameda County Awards.

The Auditor's unmodified opinion letters for the report mentioned above declared that the basic financial statements and the federal awards contained therein accurately represent the financial position of the City as of June 30, 2016.

The Single Audit Report for fiscal year ended June 30, 2016 contains one finding related to the Federal Awards. This finding has no adverse impact on the City's financial condition. The attached Single Audit Report contains the Auditor's finding, recommendations, and the City's response and corrective action plan as appropriate.

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BACKGROUND/LEGISLATIVE HISTORY

The Single Audit Act of 1984 and subsequent amendments were enacted to obtain consistency and uniformity among Federal agencies for the audit of State, local governments, and non-profit organizations expending Federal awards. The Single Audit Report is a requirement for entities that expend \$500,000 or more a year in Federal awards and is the primary mechanism used by federal agencies to ensure accountability for Federal awards. The Single Audit must be conducted in accordance with the *Government Auditing Standards* and the provisions of the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement.

As part of the annual audit process, Macias, Gini, & O'Connell, LLP (MGO) audits the City's Federal awards programs to ensure compliance with Federal requirements as specified in the Single Audit Act of 1984 as amended. Based on the audit, the auditor issues a Single Audit Report to the City Council. The attached Single Audit Report contains the auditor's findings, recommendations, and the City's response and corrective action plans as appropriate.

ANALYSIS AND POLICY ALTERNATIVES

Attached for the Finance and Management Committee review is the Single Audit Report for the year ended June 30, 2016 (**Attachment A**). The report is discussed briefly below.

Single Audit Report

Macias, Gini & O'Connell LLP audited the City's Federal award programs for the fiscal year ended June 30, 2016. The audit was conducted in accordance with *Generally Accepted Auditing Standards* and *Government Auditing Standards*. MGO reviewed the City's internal controls for compliance requirements applicable to each of its major federal programs.

The Single Audit Act requires any audit findings and/or questioned cost be incorporated into the Single Audit Report along with a corrective action plan. The Single Audit Report for fiscal year ended June 30, 2016 contains one Federal Award finding as noted on pages 135-136 of the report. Finding **2016-002 – Eligibility** is considered a material noncompliance and material weakness in internal controls.

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The auditors identified and tested the following six major programs:

Federal Program Name	CFDA No.	Total Expenditures
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,334,532
Continuum of Care Program	14.267	\$ 3,388,517
Public Safety Partnership and Community Policing Grants	16.710	\$ 5,997,299
Senior Community Service Employment Program	17.235	\$ 910,619
WIA/WIOA Cluster	17.258, 17.259, 17.278	\$ 5,191,861
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	\$ 1,321,624

Below is a Summary of findings and questioned costs for the year ended June 30, 2016, as well as a Summary of Prior Audit Findings, Year Ended June 30, 2015:

Summary of Findings and Questioned Costs for the year ended June 30, 2016

1. Finding 2016-002: Material Noncompliance and Material Weakness in Internal Controls Regarding Participant Eligibility

Federal Program: Senior Community Service Employment Program (SCSEP)

Management performed a review of all participant files during the year, identified a total of five missing participant files, and followed the notification procedures in the sponsor agreement. Auditors were able to verify eligibility for two of those participants.

Management's Response and Corrective Action Plan:

Management acknowledges that its policies and procedures for file access for the ASSETS Senior Employment Opportunities Program were inadequate in reducing all risks associated with data breaches of personally identifiable information and missing files. To strengthen its policy, only authorized City staff is granted access to the file cabinets. All ASSETS' SCSEP participant staff must get approval by authorized City staff and sign out a file cabinet key with the ASSETS Outreach Developer. The Outreach Developer monitors file cabinet key access via a sign out log. In addition to this new file cabinet access monitoring system, anyone checking out a file must sign it out on a tracking card located in the file cabinet drawer as established in the prior policy. Any and all staff, whether City or SCSEP participant, found to be in possession of a file without authorization or not having signed the appropriate file logs, will face disciplinary action. SCSEP participant staff in violation of this policy will immediately be put on approved leave of absence and transitioned to a new host agency upon successful completion of an interview.

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Summary of Prior Audit Findings, Year Ended June 30, 2015

1. Finding 2015-001: Monitoring of Subrecipients

Federal Program: Community Development Block Grants / Entitlement Grants

During the audit of CDBG program administered by the Department of Housing and Community Development, Auditor selected six of the 25 subrecipients for the program and noted that the City did not perform monitoring for one subrecipient during the year.

Management Response and Corrective Action:

Corrective action has been implemented

2. Finding 2015-002: Request for Reimbursement

Federal Program: Staffing for Adequate Fire and Emergency Response

The City improperly claimed \$286,334 of indirect costs that are not included in the grant budget for reimbursement.

Management Response and Corrective Action:

Corrective action has been implemented

3. Finding 2015-003: Submission of Required Reports

Federal Program: Community Development Block Grants / Entitlement Grants

As a prime grantee of federal awards under the Community Development Block Grants/Entitlement Grants (CDBG Program), the City is required to comply with FFATA reporting requirements. The City's Department of Housing and Community Development (HCD) did not submit the required reports for sub-awards with obligation dates of September 15, 2014 until November 5, 2015. As such, the City did not submit the reports by within the prescribed timeline.

Management Response and Corrective Action:

Corrective action has been implemented.

Schedule of Expenditures of Federal Awards (SEFA):

The following is a brief analysis of the schedule of expenditures of federal awards between FY 2015 and FY 2016.

Schedule of Expenditures of Federal Awards (SEFA)				
	FY 2015	FY 2016	Decrease	% Decrease
Federal Award Expenditure	\$ 67,600,085	\$ 62,933,619	\$ 4,666,466	6.9%

The major activities of the Federal award expenditures over last fiscal year are as follows:

- \$3.9 million decrease in US Department of Homeland Security funds
- \$2.59 million decrease in US Department of Housing and Urban Development funds, mostly due to a \$2.41 million decrease in Home Investment Partnerships Program funding
- \$1.8 million increase in US Department of Justice funds, including a \$2.2 million increase in Public Safety Partnership and Community Policing Grants funding

Independent Auditor's Report to the Committee

MGO audited the City's basic financial statements for the fiscal year ended June 30, 2016 in accordance with generally accepted auditing standards and issued their opinion that the financial statements were presented fairly in conformity with generally accepted accounting principles. The financial statements and the independent auditor's communication to council report were presented to the Committee at its February 28, 2017 meeting and subsequently accepted by the City Council on March 21, 2017.

During the course of the audit, MGO conducted limited procedures of the City's internal control and management practices during the audit of the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The independent auditor looked for material weakness or significant deficiencies that would require immediate disclosure to the City Council in accordance with generally accepted auditing standards. The independent auditor's report for the City's fiscal year 2015-16 CAFR submitted to the City Council on February 28, 2017 for the fiscal year ended June 30, 2016 contains no findings.

FISCAL IMPACT

This is an informational report only and there is no fiscal impact. However, the Federal Award expenditures for FY 2015-2016 totaled \$62.9 million.

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PUBLIC OUTREACH/INTEREST

This item did not require any additional public outreach other than the required posting on the City's website.

COORDINATION

This report was prepared in coordination with the Controller's Bureau and the City Attorney's Office.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with this report.

Environmental: There are no environmental opportunities associated with this report.

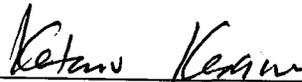
Social Equity: There are no social equity opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council accept the Single Audit Report for the year ended June 30, 2016.

For questions regarding this report, please contact Kirsten LaCasse, Finance Director/Controller at (510) 238-6776.

Respectfully submitted,



KATANO KASAINÉ
Finance Director
Finance Department

Prepared by:
Kirsten LaCasse
Controller
Finance Department (*Controller's Bureau*)

Attachments

- **Attachment A: Single Audit Report for the Year Ended June 30, 2016**
- **Link:** <http://www.oaklandnet.com/government/fwawebsite/accounting/CAFR.htm>

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ATTACHMENT A

Due to the size of the Single Audit, please view on the City of Oakland website using the following link:

<http://www.oaklandnet.com/government/fwawebste/accounting/CAFR.htm>