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OFFICE OF THE CITY CLERK
OAKLAND

2012 APR 26 AM 10:00 **AGENDA REPORT**

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Osborn K. Solitei

SUBJECT: Single Audit Report for
Fiscal Year 2010-11

DATE: April 10, 2012

City Administrator
Approval

Date

4/25/12

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council accept the Single Audit Report for the year ended June 30, 2011 as issued by Macias Gini & O'Connell LLP (MGO), the City's external auditor.

EXECUTIVE SUMMARY

The Finance and Management Agency is pleased to present to the City Council the attached Single Audit Report for the year ended June 30, 2011.

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 unqualified 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, 2011.

The Single Audit Report for fiscal year ended June 30, 2011 contains two findings related to the Federal Award and Questioned Costs. These findings have no adverse impact on the City's financial condition. The attached Single Audit Report contains the auditor's findings, recommendations and the City's response and corrective action plans as appropriate.

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OUTCOME

This informational report is being presented in compliance with the Federal Single Audit Act of 1984 as amended.

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 *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*.

As part of the annual audit process Macias, Gini & O'Connell LLP 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

Attached for the Finance and Management Committee review is the Single Audit Report for the year ended June 30, 2011. The report is discussed briefly below.

Single Audit Report

Macias, Gini & O'Connell (MGO) LLP audited the City's federal award programs for the fiscal year ended June 30, 2011. 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. No material weaknesses were identified.

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 audit found no questioned costs for both programs tested. The Single Audit Report for fiscal year ended June 30, 2011 contains two findings as noted on pages 131-134 in the report. City management has established a corrective

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action plan for each finding and its responses to the findings are included in the report. The Single Audit Act also requires a status update on any prior year findings, which is also included in the current Single Audit Report.

The Schedule of Expenditures of Federal Awards (SEFA):

The following is a brief analysis of the schedule of expenditures of federal awards:

Schedule of Expenditures of Federal Awards (SEFA)				
	FY 2010	FY 2011	Increase	% Increase
Federal Award Expenditure	74,982,689	101,143,478	26,160,789	34.89%
Home Investment Partnerships Program – Prior Year Loans	55,167,506	59,058,221	3,890,715	7.05%
Total SEFA	130,150,195	160,201,699	30,051,504	23.09%

The primary increase of the federal award expenditures over last fiscal year are as follows:

- \$8.5 million increase in the American Recovery and Reinvestment Act (ARRA) funds from \$14.0 million to \$22.5 million.
- \$9.7 million in new loans issued in the Home Investment Partnership Program
- \$2.2 million increase in the Neighborhood Stabilization Program (NSPI)
- \$6.1 million increase in the U.S. Dept. of Transportation/Caltrans - Highway Planning and Construction (HPC).

Independent Auditor's Report to the Committee

MGO audited the City's basic financial statements for the fiscal year ended June 30, 2011 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 14, 2012 meeting and subsequently accepted by the City Council on February 21, 2012.

During the course of the audit, MGO conducted limited procedures of the City's internal control and management practices. The independent auditor looked for material weakness or significant

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deficiencies that would require immediate disclosure to the City Council in accordance with generally accepted auditing standards. The independent auditor's report to the Committee for fiscal year ended June 30, 2011 contains no findings.

Finally, the independent auditor's report also contains a status report of prior year findings. No prior year findings were reported.

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 routed to the City Attorney and Budget Office for review.

COST SUMMARY/IMPLICATIONS

FISCAL IMPACT:

This is an informational report only; there is no fiscal impact.

SUSTAINABLE OPPORTUNITIES

Economic: No direct economic opportunities have been identified.

Environmental: No environment opportunities have been identified.

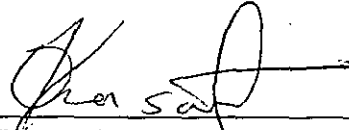
Social Equity: No social equity opportunities have been identified.

CEQA

This report is not a project under CEQA.

For questions regarding this report, please contact OSBORN K. SOLITEI, CONTROLLER, at (510) 238-3809.

Respectfully submitted,



OSBORN SOLITEI
Office of the Controller, Controller

Attachments

- *Single Audit Report for the Year Ended June 30, 2011*
- *Link: <http://www.oaklandnet.com/government/fwawebsite/accounting/CAFR.htm>*

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