



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Adam Benson
Finance Director

SUBJECT: Single Audit Report
Fiscal Year 2018-19

DATE: May 28, 2020

City Administrator Approval

Date: June 10, 2020

RECOMMENDATION

Staff Recommends That The City Council Receive The Single Audit Report For The Year Ended June 30, 2019.

EXECUTIVE SUMMARY

The Single Audit Report incorporates the basic financial statements presented in the City's Comprehensive Annual Financial Report (CAFR) with the addition of the Schedule of Expenditures of Federal Awards and supplementary schedules for awards from the State of California Department of Community Services and Development and Alameda County.

Macias, Gini & O'Connell (MGO), the City's external auditor, audited the City's financial statements and supplementary schedules for the year ending June 30, 2019 (Attachment A). The auditor's unmodified opinion affirms that the basic financial statements accurately represent the financial position of the City as of June 30, 2019. The Single Audit Report for the year ended June 30, 2019 contained one finding related to the Federal Awards. This finding has no adverse impact on the City's financial condition.

BACKGROUND / LEGISLATIVE HISTORY

The Single Audit Act of 1984 and subsequent amendments were enacted to obtain consistency and uniformity among federal agencies for the audits of States, local governments, and non-profit organizations expending Federal awards. The Single Audit Act simplified the federal audit process by combining all federal grants for a single entity in one audit rather than separate audits for each federal agency. The Single Audit Report is a requirement for entities that expend \$750,000 or more a year in federal awards and is the primary mechanism used by federal agencies to ensure accountability. The Single Audit must be conducted in accordance with 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, MGO audited the City's federal awards programs to ensure compliance with federal requirements as specified in the Single Audit Act of 1984, as amended.

City Council
June 16, 2020

Based on this review, the auditor issues a Single Audit Report to the City Council. This report supplements the CAFR that was presented to the Finance & Management Committee on January 28, 2020 and received by the City Council on February 4, 2020 with the addition of information on the City's compliance with Federal program requirements, beginning on page 129. This additional information includes the auditor's findings, recommendations, and the City's response and corrective action plans as appropriate.

ANALYSIS AND POLICY ALTERNATIVES

The Single Audit addresses the City's internal controls for compliance requirements applicable to five major federal programs. FY 2018-19 expenditures for these programs are provided in **Table 1**. Expenditures for major programs represent 52 percent of the City's \$70.1 million total expenditures of Federal awards in FY 2018-19.

Table 1: Major Federal Programs

Program Title	FY 2018-19 Expenditures
Community Development Block Grants/Entitlement Grants	\$7,961,216
Home Investment Partnerships Program	\$1,150,492
Workforce Investment Opportunity Act (WIOA) Cluster	\$3,769,931
Head Start	\$16,300,537
National Urban Search and Rescue Response System	\$7,445,342
Total	\$36,627,518

The Single Audit Report for FY 2018-19 contains one Federal award finding, designated 2019-001, which is described on page 140. This finding addresses the completeness of the City's reporting on the expenditure of federal awards. The finding resulted from the auditors' determination that the City must treat pass-through reimbursements to other cities on behalf of the Federal Emergency Management Agency as expenditures of federal awards. The Oakland Fire Department is responsible for these reimbursements as the leader of Task Force 4, one of eight task forces in California participating in the National Urban Search and Rescue Response System. The expenditures in question reimbursed 14 fire departments that provided search and rescue services during recent hurricanes in Texas and Florida. The City has committed to include these pass-through payments in future Schedules of Expenditures of Federal Awards and expects to resolve this finding in its next audit. All prior year audit findings were resolved in FY 2018-19.

As illustrated in **Table 2**, City expenditures of Federal awards increased by \$3.6 million in FY 2018-19, or approximately 5%. Significant increases occurred in expenditures of awards from the Department of Homeland Security, largely due to the addition of previously excluded pass-through expenditures as noted above. This increase was partially offset by a reduction in expenditures of grants awarded by the Department of Transportation, which have been highly variable over the past several years.

Table 2: Five-Year History of Federal Awards Expenditures (\$ 000s)

Federal Department	2015	2016	2017	2018	2019
Health and Human Services	21,415	21,643	18,904	20,588	20,135
Housing and Urban Development	22,760	20,173	19,258	15,974	16,879
Transportation	1,734	1,884	17,326	19,516	16,240
Homeland Security	8,590	4,688	5,402	2,398	9,620
Labor	6,681	6,102	4,787	4,366	3,770
Justice	5,316	7,141	4,241	2,758	2,566
Agriculture	787	961	611	544	555
Corporation for National and Community Service	318	337	309	307	284
Treasury	-	-	-	-	1
Energy	-	5	-	-	-
Total	67,600	62,934	70,837	66,451	70,051

FISCAL IMPACT

This is an informational report only; there is no fiscal impact. Federal Award expenditures for FY 2018-19 totaled \$70.1 million.

PUBLIC OUTREACH/INTEREST

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

COORDINATION

This report was prepared in coordination with the Controller's Bureau.

SUSTAINABLE OPPORTUNITIES

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

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

Race & Equity: There are no race or equity opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive The Single Audit Report For The Year Ended June 30, 2019.

For questions regarding this report, please contact Stephen Walsh, Controller, at (510) 238-4906.

Respectfully submitted,



ADAM BENSON
Director of Finance

Prepared by:
Stephen Walsh
Controller

Attachment:

Attachment A: Single Audit Report for the Year Ended June 30, 2019

Link: <https://www.oaklandca.gov/documents/2019-single-audit-report>