

CITY OF MANTECA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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CITY OF MANTECA
SINGLE AUDIT REPORT
For the Year Ended June 30, 2022

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CITY OF MANTECA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Type of auditor’s report issued on compliance for major federal programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major program(s):

Assistance Listing Number(s)	Name of Federal Program or Cluster
<u>14.218</u>	<u>COVID-19 - CDBG – Entitlement Grants Cluster</u>
<u>21.027</u>	<u>COVID-19 – Coronavirus State and Local Fiscal Recovery Funds</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed significant deficiencies and material weaknesses, and instances of noncompliance material to the basic financial statements. In addition to Finding SA2022-001 below, we have also issued a separate Memorandum on Internal Control dated February 8, 2024 which is an integral part of our audits and should be read in conjunction with this report.

Finding #SA2022–001: **Schedule of Expenditures of Federal Awards (SEFA) Preparation**

Assistance Listing Number: 14.218, 16.034, 20.205, 20.600, 20.608, 20.616, 97.044, 97.083
Assistance Listing Title: COVID-19 - CDBG – Entitlement Grants Cluster, COVID-19 - Coronavirus Emergency Supplemental Funding Program, Highway Planning and Construction Cluster, Highway Safety Cluster, Minimum Penalties for Repeat Offenders for Driving While Intoxicated, Assistance to Firefighters Grant (AFG) and Staffing for Adequate Fire and Emergency Responses (SAFER)
Name of Federal Agency: Department of Housing and Urban Development, Department of Justice, Department of Transportation and Department of Homeland Security
Pass Through Entity: San Joaquin County Community Development Department, California Department of Transportation and California Office of Traffic Safety
Federal Award Identification Number: A-93-916, 2020-VD-BX-0334, STPL 5242 (031), STPL 5242 (032), HSIPL 5242(033), HSIPL 5242(034), HSIPL 5242 (035), HSIPL 5242 (036), 402PT-21, 405c TR-21, 164 AL-21, 164 AL-22, EMW-2020-FP-00553, and EMW-2018-FH-00543

Criteria: In accordance with the requirements of OMB Uniform Administrative Requirements Subpart D Section 200.302(b) (1), the City should report all Federal awards expended in the Schedule of Expenditures of Federal Awards (SEFA) each fiscal year.

Condition: During our testing of the fiscal year 2022 SEFA provided for audit we noted the following:

1. Federal expenditures for the Staffing for Adequate Fire and Emergency Responses (SAFER) grant (AL #97.083) were overstated in the amount of \$174,295. The program expenditures were overstated because the City included both federal and non-federal expenditure on the SEFA, in addition to the City not drawing down the full amount of the available grant funds. As a result, the program was originally determined to be a major (tested) program, but after the change in the federal expenditures reported, it was no longer a major (tested) program.
2. Federal expenditures for the Community Development Block Grants/Entitlement Grants (AL #14.218) understated in the amount of \$359,800. The program expenditures were understated, because COVID-19 - CDBG-CV Program Expenditures that were drawn from the grant during fiscal year 2022 had not been included on the SEFA. However, we also noted that the prior year expenditures for the program had been overstated in the amount of \$337,877, as discussed in Finding #SA2022-006.
3. Federal expenditures for the Highway Planning and Construction Grant program (AL #20.205) were overstated in the net amount of \$137. The program expenditures were understated by \$11,871, because the amounts originally provided for audit did not include City staff costs in that amount that had been charged to and drawn from the grant. The program expenditures were overstated by \$12,008, because nonfederal expenditures were included on the original SEFA provided for audit.
4. Amounts passed through to subrecipients of \$14,085 for the Community Development Block Grants/Entitlement Grants (AL #14.218) program were not included on the SEFA, but it was later determined that \$4,085 of those costs were program expenditures not related to subrecipients.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding #SA2022–001: Schedule of Expenditures of Federal Awards (SEFA) Preparation (Continued)

- 5. Assistance to Firefighters Grant (AL #97.044) federal expenditures of \$3,091 were originally labeled as the Staffing for Adequate Fire and Emergency Responses (SAFER) grant (AL #97.083) program.
- 6. COVID-19 - Coronavirus Emergency Supplemental Funding Program (AL #16.034) federal expenditures of \$57,398 were originally labeled as the Edward Byrne Memorial Justice Assistance Grant Program (AL #16.738).
- 7. The pass-through identifying numbers for the four grants under the Highway Planning and Construction Cluster (AL #20.205) were incorrect.
- 8. The State and Community Highway Safety (AL #20.600) and Selective Traffic Enforcement Program (STEP) (AL #20.608) were included together on the SEFA as if they were a cluster and direct programs, but those programs are not a cluster and are passed through the California Office of Traffic Safety. The Highway Safety Cluster includes AL #20.600 and AL #20.616 (National Priority Safety Programs).

Effect: Incorrect reporting not only misstates the SEFA, it also implies that the City is not in compliance with the reporting requirements of the OMB Uniform Administrative Requirements. As a result, future federal funding could be adversely affected.

Cause: Due to recent staff turnover, we understand that the fiscal year 2022 SEFA was prepared with assistance from outside consultants who were unaware of the intricacies of grant funds and what was reported in the general ledger.

Identification as a repeat finding: Yes, since 2019

Recommendation: The City must develop procedures to ensure that amounts reported on the SEFA are accurate and include all Federal awards expended each fiscal year.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with Uniform Guidance.

Finding #SA2022-002: Timely Submission of Financial and Performance Reports

Assistance Listing Number 97.083
Assistance Listing Title Staffing for Adequate Fire and Emergency Responses (SAFER)
Name of Federal Agency Department of Homeland Security
Federal Award Identification number: EMW-2018-FH-00543

Criteria: Financial and performance reports should be filed with the grantor timely. Financial reports (SF-425) are required to be submitted semi-annually within 90 days of the reporting period end and performance progress reports are required to be submitted within 30 days of the reporting period end.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #SA2022-002: Timely Submission of Financial and Performance Reports (Continued)

Condition: City staff stated that the SF-425 report for the period ending June 30, 2022 was never submitted, and the performance progress reports for the periods ending December 31, 2021 and June 30, 2022 were not submitted until February 2, 2024.

Effect: Without timely submission of reports the City is not in compliance with the reporting requirements of the grant agreement.

Cause: We understand City staff did not submit the financial and performance reports timely due to continuous staff turnover and the lack of workforce availability contributed to the shifting of grant responsibilities between different employees.

Recommendation: The City must implement procedures to ensure financial and performance reports are submitted in a timely manner in compliance with grant requirements.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

Finding #SA2022-003 Compliance with Grant Management Deadlines

Assistance Listing Number: 21.027
Assistance Listing Title: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency: Department of Treasury
Pass Through Entity: California State Water Resources Control Board
Federal Award Identification Number: 68-0281986

Criteria: California Water and Wastewater Arrearage Payment Program Guidelines Section F.2.1, *Notification of Customer Bill Credits*, requires that the City allocate Water Arrearage Program payments as bill credits to customer accounts within 60 days of receiving payment or March 17, 2022, and Appendix A, Section 6.2.1, *Notification of Customer Bill Credits*, requires that the City allocate Wastewater Arrearage Program payments as bill credits to customer accounts within 60 days of receiving payment or July 7, 2022. In addition, sections F.3 and Appendix A, 6.3, *Return of Funds Not Credited to Customers*, require that any unexpended funds are to be returned to the grantor within six months of receipt.

Condition: We understand the City calculated the customer arrearages and credits to be applied based on the total amount due from March 4, 2020 to June 15, 2021, but did not apply the water and wastewater credits to the customer accounts until dates ranging from March 30, 2022 to September 8, 2022. As noted in Finding #SA2022-006, we were not able to confirm the dates on which the credit calculations were based.

In addition, unexpended water funds were due to the grantor by July 15, 2022, but the City did not return the funds to the grantor until October 4, 2022.

Cause: We understand that the delay in posting the credits to customer accounts was caused by the adjustments being entered manually into the system by one staff member, which took much longer than anticipated. However, City staff could not provide documentation that the delay was communicated to the grantor. That delay, in turn, caused the delay in the return of unexpended funds to the grantor for the water program.

ATTACHMENT 1

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #SA2022-003 **Compliance with Grant Management Deadlines (Continued)**

Effect: The City is not in compliance with the terms and conditions of payment related to the required program deadlines of the California Arrearage Payment Programs. As a result, the City could have been required to return moneys to the grantor.

Recommendation: Although it does not appear that the grantor disallowed any of the program costs, the City must develop procedures to ensure compliance with grant award terms and conditions of payment, including timely use of grant funds. In the event the City encounters delays that affect timely compliance, the City should communicate with the grantor and retain documentation of any such communications to show that they occurred timely and the grantor was aware of the delay.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

Finding #SA2022-004 **Compliance with Grant Reporting Deadlines**

Assistance Listing Number: 21.027
Assistance Listing Title: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency: Department of Treasury
Pass Through Entity: California State Water Resources Control Board
Federal Award Identification Number: 68-0281986

Criteria: The award terms and conditions of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) agreement with the Department of the Treasury requires that the City “agrees to comply with any reporting obligations established by Treasury as they relate to this award”. The SLFRF Compliance and Reporting Guidance require the filing of a quarterly Project and Expenditure Report that is due by the end of the month following each quarter.

Condition: We selected the Q1 2022 (Jan-Mar 2022) and Q2 2022 (April-June 2022) Project and Expenditure Reports for testing of timely filing and noted the Q1 2022 report was filed timely on April 28, 2022 but the Q2 2022 report was not filed until September 1, 2022.

Cause: Due to staffing shortages, the City was not able to complete reporting timely.

Effect: The City is not in compliance with the award terms and conditions of the CSLFRF program.

Recommendation: The City must develop procedures to ensure compliance with the timely reporting provisions of the grant award terms and conditions and the SLFRF Compliance and Reporting Guidance.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #SA2022-005 **Suspension and Debarment Documentation for Contracts and Subcontracts**

Assistance Listing Number: 21.027
Assistance Listing Title: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency: Department of Treasury
Pass Through Entity: California State Water Resources Control Board
Federal Award Identification Number: 68-0281986

Criteria: The award terms and conditions of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) agreement with the Department of the Treasury requires that the City comply with OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement), 2 C.F.R. Part 180, including the requirement to include a term or condition in all lower tier covered transactions (contracts and subcontracts described in 2 C.F.R. Part 180, subpart B) that the award is subject to 2 C.F.R. Part 180 and Treasury’s implementing regulation at 31 C.F.R. Part 19.

In addition, the OMB Compliance Supplement for the Program requires that prior to entering into subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded pursuant to 31 CFR section 19.300.

Condition: The City was unable to provide support showing that suspension and debarment checks were completed during the fiscal year and prior to disbursement to the vendors. We did note that the two vendors we selected for testing were not listed as suspended or debarred on the SAM.gov system as of July 7, 2024.

Cause: Due to turnover in staffing, the City was not able to provide support showing that the City was in compliance with the requirement to verify the status of contractors prior to entering into agreements with the entities.

Effect: The City is not in compliance with the award terms and conditions and the OMB Compliance Supplement requirements of the CSLFRF program.

Recommendation: The City must develop procedures to ensure compliance with debarment and suspension provisions of the grant award terms and conditions and the OMB Compliance Supplement of the CSLFRF program prior to expending additional funds.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

ATTACHMENT 1

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #SA2022-006 Compliance with Grant Documentation Requirements

Assistance Listing Number: 21.027
Assistance Listing Title: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Name of Federal Agency: Department of Treasury
Pass Through Entity: California State Water Resources Control Board
Federal Award Identification Number: 68-0281986

Criteria: The California Water and Wastewater Arrearage Payment Program Guidelines include the following requirements:

- Section F.2.1, *Notification of Customer Bill Credits*, and Appendix A, Section 6.2.1, *Notification of Customer Bill Credits* require that the City notify water and wastewater customers, respectively, in writing of the amount credited. The acknowledgement must state that the credited amount is being provided through the California Water and Wastewater Arrearage Payment Program through funding from the State Water Resources Control Board using federal ARPA funds.
- Section F.2.2, *Payment Plans*, requires that the City offer any residential and commercial water customers with remaining balances after the credits have been applied the option to enroll in a payment plan. The notice offering the payment plan must provide the customer with 30 days to enroll in the plan from the date of the notice.

Condition: We selected forty-one customer credits (water and wastewater) for testing of the documentation of the date the credit was calculated and whether the notification included the required elements noted in the Guidelines. Although we understand the City calculated the customer arrearages and credits to be applied based on the total amount due from March 4, 2020 to June 15, 2021, City staff was unable to locate documentation to show the actual dates the credits were calculated for each customer and how the credits applied were calculated. We did note that the customers we tested had amounts due during the eligible period in excess of the credits applied.

As for the notifications to the customers, City staff could not provide the notifications sent to the customers selected for testing. City staff did provide an example notification for a different water customer credit dated April 28, 2022 that included the required Notification and Payment Plan elements noted above.

Cause: We understand that the documentation of how the customer credits were calculated, including the period covered by the credit, could not be located due to staff turnover and due to the approach of the adjustments being entered manually into the system by one staff member. In addition, we understand the notification letters to the individual customers were not retained – only the one example letter was retained in the City’s files.

Questioned Costs: We question costs of \$735,218, which consists of the amounts charged to the Arrearage Program, because we were unable to verify the dates the credits were calculated.

Effect: The City is not in compliance with the terms and conditions of the California Arrearage Payment Programs related to Notification of Customer Credits and Payment Plans.

Recommendation: The City should determine if reports can be generated from the utility billing system to show the amounts due from the customers during the eligible period of March 4, 2020 to June 15, 2021 and how the customer credits were calculated. In addition, the City must develop procedures to ensure compliance with all grant award terms and conditions and retain documentation to demonstrate such compliance until the grantor has closed-out the grant award program.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**Finding #SA2022-007: Cash Management**

Assistance Listing Number: 14.218
Assistance Listing Title: COVID-19 - Community Development Block Grants/Entitlement Grants
Name of Federal Agency: Department of Housing and Urban Development
Pass Through Entity: San Joaquin County Community Development Department
Federal Award Identification Number: A-93-916

Criteria: The City should submit drawdown requests to San Joaquin County throughout the fiscal year as costs are incurred. Those drawdown requests should be completed at least quarterly, depending on the volume of program activity, to improve the cash management for the program and to match expenditures with associated revenues throughout the fiscal year. In addition, since the grant is on a reimbursement basis, expenditures should generally be incurred prior to requesting reimbursement from the County, unless specifically authorized by the grantor, and costs reported on the SEFA should be the same as those included in requests for reimbursement.

Condition: The City reported expenditures under the COVID-19 - CDBG-CV Program totaling \$378,077 in fiscal year 2021. As noted in prior year finding SA2021-005, the City had not requested reimbursement for all of those costs during fiscal year 2021 or subsequent to fiscal year 2021. When we began our work on the fiscal year 2022 single audit, we noted that the COVID-19 - CDBG-CV Program was not included on the SEFA. The grant award was for \$400,000 and we inquired about whether the remaining funding of \$21,923 had been expended or reimbursed during the fiscal year 2022. In response to that question, City staff provided the grant drawdown information which totaled to \$400,000, but only \$40,200 of those costs had been included on the prior year SEFA. The remaining costs drawn down from the grant during fiscal year 2022 of \$359,800 were different costs than were incurred during fiscal year 2021.

Effect: The City is not matching expenditures with associated grant revenues throughout the fiscal year as expenditures are incurred and is at risk of filing a reimbursement request after the filing deadlines of the County. In addition, when the City reports costs on the SEFA that are different from the costs requested for reimbursement from the grantor, it not only misstates the SEFA, but it could also mean ineligible costs are reported.

Cause: We understand that the program is currently administrated by different departmental staff than the staff during fiscal year 2022 and staff turnover led to the late preparation of reimbursements and the inclusion of project expenditures on the reimbursement request that were different from those reported on the prior year SEFA.

Identification as a repeat finding: Yes, since 2021

Recommendation: The City must develop procedures to ensure that all grant-funded expenditures are included on drawdown requests and those requests should be prepared at least quarterly throughout the fiscal year. In addition, City staff should ensure that program costs incurred are properly reported on the annual SEFA.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**Finding #SA2022-008: Accurate Review and Payment of Vendor Reimbursement Requests**

Assistance Listing Number: 14.218
Assistance Listing Title: COVID-19 - Community Development Block Grants/Entitlement Grants
Name of Federal Agency: Department of Housing and Urban Development
Pass Through Entity: San Joaquin County Community Development Department
Federal Award Identification Number: A-93-916

Criteria: Reimbursement requests received by the City from a vendor should be reviewed in detail to ensure that reimbursable expenditures are supported by documentation that is complete and clearly readable in order to ensure that any costs that will be reimbursed and charged to the grant are considered supported and allowable. In addition, the payment to the vendor should agree to the amount of eligible costs that are to be reimbursed.

Condition: In our testing of expenditures related to the CDBG-CV grant we noted the following:

- The City was invoiced for costs in the amount of \$56,662, however the supporting documentation provided by the vendor totaled to \$55,890 and the City issued a check to the vendor in the amount of \$56,232, which did not agree to either the invoiced amount or the amount provided as support for the invoice.
- The City was invoiced for the gross amount of payroll costs incurred by the vendor’s employees, however, the support provided for each of the invoices included the employee payroll checks which were net of the related payroll taxes. The City was unable to provide support to show that the vendor paid the payroll taxes to the applicable taxing entities. City staff determined that total gross payroll costs reimbursed to the vendor for fiscal year 2022 were \$216,224 and supporting documentation for the net payroll totaled to only \$178,538. The difference between the gross amount of payroll charged to the City by the vendor and the net amount of payroll support that was provided was \$37,686.
- One of the invoices included pages of support that were not readable with costs that totaled \$347. We could not determine what the expenditures were for due to the condition of the scans of the supporting documentation.
- The support for some of the payroll costs that were being charged to the grant by the vendor included timesheets that were not readable and therefore we could not agree the hours charged from the timesheet to the hours paid in the employees’ paycheck.

Effect: Incorrect payments made to vendors or payments made with incomplete supporting documentation or based on documents that are not legible increases the risk that unallowable costs could be charged to the grant.

Cause: We understand that the program is currently administrated by different departmental staff than the staff during fiscal year 2022 and staff turnover led to inaccurate reviews of reimbursements and payments to the vendor. In addition, City staff had noticed that some of the documentation was illegible or missing, but did not request the information from the vendor.

Questioned Costs: We question costs of \$38,033, which consist of \$37,686 of payroll taxes paid for which support was not provided and the \$347 that was supported by illegible documentation.

Recommendation: The City should implement processes to ensure the review of any invoices or requests for reimbursement undergo a detailed review to ensure that all expenditures are supported by clearly legible documentation and that when payment is made to a vendor, the amount of the payment made agrees to the allowable and supported amount being requested by the vendor.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

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ATTACHMENT 1

CITY OF MANTECA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Housing and Urban Development Pass-Through Program From:				
San Joaquin County Community Development Department				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants				
Program Expenditures	14.218	A-93-916	\$10,000	\$529,042
COVID-19 - CDBG-CV Program Expenditures (NOTE 5)	14.218	Not Available		359,800
Total Department of Housing and Urban Development			<u>10,000</u>	<u>888,842</u>
Department of Justice Direct Programs				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034			53,798
Edward Byrne Memorial Justice Assistance Grant Program				29,993
Justice Assistance Grant	16.738			<u>29,993</u>
Total Department of Justice				<u>83,791</u>
Department of Transportation Direct Programs				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit-Formula Grants (Urbanized Area Formula Program)				1,664,024
Operating Assistance	20.507			<u>1,664,024</u>
Department of Transportation Pass-Through Programs From:				
State of California Department of Transportation				
Highway Planning and Construction Cluster				
Main Street - Yosemite to Atherton	20.205	STPL 5242 (032)		51,832
Retroreflective Traffic Sign Project	20.205	HSIPL 5242(033)		4,133
Traffic Signal Update	20.205	HSIPL 5242(034)		3,214
Main Street: Northgate to Alameda	20.205	HSIPL-5242(035)		2,818
Yosemite: Walnut to Main	20.205	HSIPL-5242(036)		<u>2,805</u>
Program Subtotal				<u>64,802</u>
State of California Office of Traffic Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	402PT-21		19,298
State and Community Highway Safety	20.600	402PT-22		18,527
National Priority Safety Programs	20.616	405c TR-21		<u>40,192</u>
Highway Safety Cluster Program Subtotal				<u>78,017</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
Selective Traffic Enforcement Program (STEP)	20.608	164 AL-21		32,568
Selective Traffic Enforcement Program (STEP)	20.608	164 AL-22		<u>23,650</u>
Program Subtotal				<u>56,218</u>
Total Department of Transportation				<u>1,863,061</u>
Department of Treasury				
Direct Program				
COVID 19 - State and Local Fiscal Recovery Funds	21.027			2,387,019
Pass-Through Program from:				
California State Water Resources Control Board				
COVID 19 - State and Local Fiscal Recovery Funds				735,218
California Water and Wastewater Arrearage Payment Program	21.027	68-0281986		<u>735,218</u>
Total Department of Treasury				<u>3,122,237</u>
Department of Homeland Security Direct Program				
Assistance to Firefighters Grant (AFG)				
2020 Fire Prevention and Safety (FPS)	97.044			3,091
Staffing for Adequate Fire and Emergency Responses (SAFER)	97.083			<u>146,104</u>
Total Department of Homeland Security				<u>149,195</u>
Total Expenditures of Federal Awards			<u><u>\$10,000</u></u>	<u><u>\$6,107,126</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF MANTECA**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022****NOTE 1 – REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Manteca, California, and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUND PROGRAM
(AL# 21.027)**

The Schedule for the year ended June 30, 2022 includes expenditures for the American Rescue Plan Coronavirus State and Local Fiscal Recovery Fund Program (AL# 21.027) for the period of March 3, 2021 to June 30, 2022. The period of performance for the grant began on March 3, 2021.

NOTE 5 – PRIOR YEAR ADJUSTMENT

The current year Schedule of Expenditures of Federal Awards includes expenditures of \$359,800 for the Department of Housing and Urban Development – CDBG – Entitlement Grants Cluster, COVID-19 - CDBG-CV Program. The City had included expenditures in the amount of \$378,077 in the fiscal year 2021 SEFA, but during fiscal year 2022 it was determined that only \$40,200 of those costs drawn from the grant during fiscal year 2022 should have been included in the prior year SEFA. Different project costs totaling \$359,800 were expended during fiscal year 2022 and drawn from the grant.

**INDEPENDENT AUDITOR’S 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***

To the Honorable Members of the City Council
City of Manteca, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manteca as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 8, 2024. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control, we consider to be material weaknesses as listed item SA2022-001 on Section II – Financial Statement Findings of the Schedule of Findings and Questioned Costs and other instances of material weaknesses listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated February 8, 2024, which is an integral part of our audits and should be read in conjunction with this report.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated February 8, 2024 to be significant deficiencies, which is an integral part of our audit and should be read in conjunction with this report.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City’s Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in Section II – Financial Statement Findings of the Schedule of Findings and Questioned Costs and in our separately issued Memorandum on Internal Control dated February 8, 2024, which is an integral part of our audit and should be read in conjunction with this report. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California

February 8, 2024, except for finding SA2022-001, as to which the date is July 11, 2024

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the City Council
City of Manteca, California

Report on Compliance for Each Major Federal Program

Qualified Opinions

We have audited the City's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on COVID 19 - State and Local Fiscal Recovery Funds (AL#21.027) Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on COVID 19 - State and Local Fiscal Recovery Funds (AL#21.027) Program for the year ended June 30, 2022.

Qualified Opinion on COVID 19 - Community Development Block Grants/Entitlement Grants (AL#14.218) Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on COVID 19 - Community Development Block Grants/Entitlement Grants (AL#14.218) Program for the year ended June 30, 2022.

Basis for Qualified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on COVID 19 - State and Local Fiscal Recovery Funds (AL#21.027) Program

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding the COVID 19 - State and Local Fiscal Recovery Funds (AL#21.027) Program for allowable costs as described in finding number SA2022-006.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Matters Giving Rise to Qualified Opinion on COVID 19 - Community Development Block Grants/Entitlement Grants (AL#14.218) Program

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding the COVID 19 - Community Development Block Grants/Entitlement Grants (AL#14.218) Program for allowable costs as described in finding number SA2022-008.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

ATTACHMENT 1

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items SA2022-002 to SA2022-005 and SA2022-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items SA2022-003, SA2022-005, SA2022-006, SA2022-007 and SA2022-008 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items SA2022-002 and SA2022-004 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds information of the City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 8, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.



Pleasant Hill, California
July 11, 2024