



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Finance Director
DATE: April 11, 2022
SUBJECT: FY2021 Single Audit Report

Background and Analysis:

All public entities that expend more than \$750,000 in Federal funds are required to have a single audit. The single audit reviews the expenditure of the Federal funds and evaluates the internal controls of the public entity that are designed to ensure expenditures are handled appropriately and in compliance with both City policies and with internal control standards.

The audit, performed by the firm of Rogers, Anderson, Malady & Scott, LLP does not express an opinion on the effectiveness of the City's internal control. The report does provide the results of internal control testing and the findings from that process. These findings were highlighted for the Finance and Audit Committee on January 10, 2022, when the draft Report of Internal Control Over Financial Reporting for FY2021 was reviewed and received. All the internal control findings were presented during that meeting and are also included in this single audit report. There are no additional findings that were not addressed during the January 10, 2022, meeting.

Definition of Deficiency, Significant Deficiency or Material Weakness

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 combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. 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.

Internal Control Findings

The audit did not identify any material weaknesses but did identify two significant deficiencies that were new findings and one repeat significant deficiency.

- Overhead Cost Allocation – identification of the lack of a formalized plan to capture overhead costs for grant administration – older finding from FY2018, FY2019 and FY2020.
- Billings – lack of segregation of duties related to the cash receipt billing process – new finding for FY2021, and
- Adherence to Investment Policy – not reporting quarterly reports to City Council – new finding for FY2021.

City staff has fully implemented corrective action on all findings noted by the auditors except for the overhead cost allocation finding. The City is currently in the process of a cost allocation and fee study and is scheduled to have results by July 2022.

The single audit report and detail of each of these internal control deficiencies is included as Attachment A.

Recommended Action:

Receive and file the Single Audit Report for FY2021.

Attachments:

- A. Single Audit Report for FY2021