

Attachment A

Questions from the Finance and Audit Committee Members regarding the FY 2020 Audited Financials

Question 1

How much money did the general fund lose out on by not allocating overhead costs/ not charging all of the indirect it was entitled to? This is regarding the audit finding that is in its 3rd year of not being resolved.

Answer

The City is entitled to make an administrative charge against grant funds. This process allows the City to identify costs associated with administering the grant funds and general overhead costs that support those operations. The City did not actually lose any General Fund dollars as a result of not applying this administrative charge. This is because the grants we obtain are all limited in the amount awarded and all funds have been expended on direct grant eligible costs. None of the grants provide extra funds to support administrative charges. As a result, if we had charged an administrative cost to the grant, it would have directly reduced the amount available for the projects themselves. By far the largest grant the City received in the past two years was for the Potrero Interchange Project. This grant was approximately \$5 million and it was fully expended on the project itself. Had we charged indirect charges against the project, it likely would have required the City to allocate other funds to complete the project including the likely use of General Funds.

City staff remains committed to completing an update to our cost allocation plan over the next several months to address this finding and for other very important reasons. City staff will report to the Committee the status of this finding at a future meeting.