



**TOWN OF LOS GATOS  
CORRECTIVE ACTION PLAN**

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**SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2021  
CORRECTIVE ACTION PLAN**

**FINANCIAL STATEMENT FINDINGS - CURRENT YEAR**

**Finding Reference Number: 2021-001      General Fund Financial Position (Material Weakness)**

Name(s) of the contact person:      Stephen Conway, Director of Finance

Corrective Action Plan:      Based on the Town's understanding of the initial guidance released April 22, 2020 regarding CARES act eligible uses, rent forgiveness support was classified as eligible under the Small business assistance category of expenditures. As such, the Town Council opted to assist certain Town lessees by forgiving their rent (a voluntary write-off of rents due to the Town) to support these entities during the height of the pandemic.

If the Federal government subsequently determines that this cost were to be disallowed, the Town has significant other qualifying expenditures in categories such as payroll for public safety that could be substituted for the small business rental assistance.

In response to the questioned finding on waivers of rent, staff received approval from the State of California Department of Finance to re-allocate the questioned costs amount of \$94,988 from business support (rent waivers) to public safety payroll. The department reviewed the Town's submittal and on June 1, 2022 the Town received the department's approval of the re-allocation as corrected in the State's Corona Virus Fund Reporting worksheet.



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Anticipated Completion Date:

Because of significant other CARES act qualifying expenditures that can be substituted for the questioned cost, effective immediately the Town of Los Gatos will refrain from claiming the Town Council approved expense write-offs of rental revenues due to the Town from lessees as an eligible use of Federal funds. This decision was made under the advice from the Town's independent auditor and staff's review of the updated discussion of eligible expenditures and eligibility of lost revenues as was recently released in the January 15, 2021 Federal Register Department of the Treasury Corona Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments.