

CITY OF SACRAMENTO, CALIFORNIA

Single Audit Report

For the Fiscal Year Ended June 30, 2019



Certified
Public
Accountants

CITY OF SACRAMENTO, CALIFORNIA
Single Audit Report
For the Fiscal Year Ended June 30, 2019

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**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 Mayor and
Members of the City Council
City of Sacramento, California

We have audited, in accordance with 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 Sacramento, California (City), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 26, 2019.

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) to determine the 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.

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 entity'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Sacramento, California
December 26, 2019



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Honorable Mayor and
Members of the City Council
City of Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited the City of Sacramento, California's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2019.

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 of questioned costs as items 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings in our audit are described in separate corrective action plan. The City's responses was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in a separate corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 fund information of the City, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 26, 2019, which contained unmodified opinions 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 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.

Macias Gini & O'Connell LLP

Sacramento, California
March 25, 2020

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
United States Department of Housing and Urban Development				
Passed through Sacramento Housing and Redevelopment Agency:				
Community Development Block Grants/Entitlement Grants Cluster:				
Rio Linda Blvd Bridge Rehab	14.218	2011-0004-1	\$ 23,319	\$ -
Transportation Project Funding Pre-Planning and Outreach	14.218	2017-0195	39,801	-
Meadowview Streetscape	14.218	2016-0211	203,308	-
Fourth Street Pedestrian Access	14.218	2016-0201	3,805	-
North 16th Street Streetscape Design Plan	14.218	2016-0203	130,991	-
Franklin Blvd Complete Streets	14.218	2016-0202	3,545	-
Midtown Street Lighting Phase III Design	14.218	2017-0172	11,292	-
Lower Broadway Preliminary Design	14.218	2017-0171	246,018	-
24th Street Feasibility Study	14.218	2017-0174	42,467	-
SIM Center Signal Crossings	14.218	2018-0346	17,509	-
Sutterville Road Pedestrian Crossing	14.218	2018-0347	16,119	-
Subtotal Community Development Block Grants/Entitlement Grants Cluster			<u>738,174</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>738,174</u>	<u>-</u>
United States Department of the Interior				
Direct Programs:				
Central Valley Improvement Act, Title XXXIV:				
Lower American River Gravel Augmentation	15.512	-	157,713	-
Direct Programs:				
Central Valley Project Improvement Act (CVPIA):				
Anadromous Fish Restoration Program (AFRP) - Gravel Restoration	15.648	-	284,292	-
Lower American River Restoration Prioritization and Monitoring	15.648	-	136,830	-
Subtotal Central Valley Project Improvement Act (CVPIA)			<u>421,122</u>	<u>-</u>
Total United States Department of the Interior			<u>578,835</u>	<u>-</u>
United States Department of Justice				
Passed through Sacramento County Sheriff's Department:				
Internet Crimes Against Children Task Force (ICAC):				
Missing Children's Assistance	16.543	2017-1403	70,000	-
Direct Programs:				
Public Safety Partnership and Community Policing Grants:				
COPS Hiring Program - 2014	16.710	-	209,263	-
COPS Hiring Program - 2015	16.710	-	586,256	-
Subtotal Public Safety Partnership and Community Policing Grants			<u>795,519</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Grant Program:				
Edward Byrne Memorial Justice Assistance Grant Program - 2015	16.738	-	3,546	-
Edward Byrne Memorial Justice Assistance Grant Program - 2016	16.738	-	42,271	-
Edward Byrne Memorial Justice Assistance Grant Program - 2017	16.738	-	48,873	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			<u>94,690</u>	<u>-</u>
Total United States Department of Justice			<u>960,209</u>	<u>-</u>
United States Department of Labor				
Passed through Sacramento Employment and Training Agency:				
WIA/WIOA Cluster:				
WIOA Youth Activities	17.259	046301IS-16(E)	142,766	-
Total United States Department of Labor			<u>142,766</u>	<u>-</u>
United States Department of Transportation				
Passed through State of California Department of Transportation (CALTRANS):				
Highway Planning and Construction	20.205	CML-5002(155)	270,427	-
Highway Planning and Construction	20.205	CML-5002(178)	45,736	-
Highway Planning and Construction	20.205	ATPL-5002(189)	271,772	-
Highway Planning and Construction	20.205	CML-5002(193)	49,466	-
Highway Planning and Construction	20.205	STPL-5002(156)	90,289	-
Highway Planning and Construction	20.205	HP21L-5002(068)	2,004,421	-
Highway Planning and Construction	20.205	STPLR-7500(251)	20,880	-
Highway Planning and Construction	20.205	BRLS-5002(134)	270,649	-
Highway Planning and Construction	20.205	STPCML-5002(159)	810,514	-
Highway Planning and Construction	20.205	BRLS-5002(164)	555,691	-
Highway Planning and Construction	20.205	BRLS-5002(168)	71,049	-
Highway Planning and Construction	20.205	STPL-5002(172)	7,682	-
Highway Planning and Construction	20.205	STPL-5002(174)	133,299	-
Highway Planning and Construction	20.205	ATPL-5002(179)	78,854	-
Highway Planning and Construction	20.205	STPL-5002(195)	288,183	-
Highway Planning and Construction	20.205	STPL-5002(191)	98,569	-
Highway Planning and Construction	20.205	CML-5002(190)	144,356	-
Highway Planning and Construction	20.205	HSIPL-5002(183)	23,629	-
Highway Planning and Construction	20.205	HSIPL-5002(184)	30,729	-
Highway Planning and Construction	20.205	HSIPL-5002(185)	52,429	-
Highway Planning and Construction	20.205	HSIPL-5002(186)	72,116	-

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Highway Planning and Construction	20.205	HSIPL-5002(187)	88,676	-
Highway Planning and Construction	20.205	HSIPL-5002(188)	63,741	-
Highway Planning and Construction	20.205	CML-5002(192)	93,723	-
Highway Planning and Construction	20.205	STPL-5002(196)	59,797	-
Highway Planning and Construction	20.205	HSIPL-5002(198)	69,441	-
Highway Planning and Construction	20.205	HSIPL-5002(199)	45,124	-
Highway Planning and Construction	20.205	HSIPL-5002(200)	52,372	-
Highway Planning and Construction	20.205	HSIPL-5002(201)	12,376	-
Subtotal Highway Planning and Constructions Cluster			5,875,990	-
Passed through Sacramento Area Council of Governments:				
Federal Transit Cluster:				
Federal Transit - Capital Investment Grants:				
Streetcar Toolkit	20.500	2016-0750	5,173	-
Highway Safety Cluster:				
Passed through State of California Office of Traffic Safety:				
State and Community Highway Safety	20.600	PT18072	107,593	-
State and Community Highway Safety	20.600	PT19103	137,858	-
State and Community Highway Safety	20.600	PS18013	19,106	-
State and Community Highway Safety	20.600	PS18024	85,669	-
Subtotal Highway Safety Cluster			350,226	-
Passed through State of California Office of Traffic Safety:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18072	64,205	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19103	79,627	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			143,832	-
Total United States Department of Transportation			6,375,221	-
United States Environmental Protection Agency				
Passed through California State Water Resources Control Board:				
Capitalization Grants for Drinking Water State Revolving Funds:				
Meter and Pipe Installation Project	66.468	3410020-034C	9,648,594	-
Direct Programs:				
Brownfields Assessment and Cleanup Cooperative Agreements:				
Revolving Loan Fund	66.818	-	8,315	-
Assessment and Cleanup - Northeast Sacramento	66.818	-	96,850	-
Revolving Loan Fund	66.818	-	994	-
Subtotal Brownfields Assessment and Cleanup Cooperative Agreements			106,159	-
Total United States Environmental Protection Agency			9,754,753	-
United States Department of Health and Human Services				
Passed through State of California Department of Education:				
Child Care Development Fund Cluster:				
Child Care and Development Block Grant	93.575	CCTR-8180	141,970	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-8180	69,641	-
Subtotal Child Care Development Fund Cluster			211,611	-
Total United States Department of Health and Human Services			211,611	-
United States Department of Homeland Security				
Direct Programs:				
National Urban Search and Rescue (US&R) Response System:				
Urban Search and Rescue 2015	97.025	-	75,513	-
Urban Search and Rescue 2016	97.025	-	33,597	-
Urban Search and Rescue 2017	97.025	-	373,616	-
Urban Search and Rescue 2018	97.025	-	772,852	-
Urban Search and Rescue Harvey Hurricane	97.025	-	17,645	-
Urban Search and Rescue Maria Hurricane	97.025	-	25,091	-
Urban Search and Rescue Lane Hurricane	97.025	-	11,556	-
Urban Search and Rescue Olivia Hurricane	97.025	-	20,427	-
Urban Search and Rescue Florence Hurricane	97.025	-	32,694	-
Subtotal National Urban Search & Rescue (US&R) Response System	97.025	-	1,362,991	-
Federal Emergency Management Agency:				
Assistance to Firefighters Grant				
Assistance to Firefighters Grant	97.044	EMW-2016-FO-03798	448,913	-
Federal Emergency Management Agency:				
Staffing for Adequate Fire and Emergency Response (SAFER)				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2010-FH-00609	2,549	-

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Passed through State of California Governor's Office of Emergency Services:				
Homeland Security Grant Program	97.067	2016-0102	611,283	231,199
Homeland Security Grant Program	97.067	2017-0083	381,717	93,443
Passed through the Sacramento County Office of Emergency Services:				
Homeland Security Grant Program	97.067	2016	25,000	-
Homeland Security Grant Program	97.067	2016	52,532	-
Homeland Security Grant Program	97.067	2017	21,160	-
Subtotal Homeland Security Grant Program			<u>1,091,692</u>	<u>324,641</u>
Total United States Department of Homeland Security			<u>2,906,145</u>	<u>324,641</u>
Total Expenditures of Federal Awards			<u>\$ 21,667,714</u>	<u>\$ 324,641</u>

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Sacramento, California (City) under programs of the federal government for the fiscal year ended June 30, 2019. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental funds and the full accrual basis for proprietary funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown if any in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in the accompanying Schedule were determined based on the program name, review of grant contract information, and the U.S. General Services Administration’s Catalog of Federal Domestic Assistance.

NOTE 4 – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance Section 2 CFR 200.414.

NOTE 5 – SCHEDULE OF SACRAMENTO EMPLOYMENT AND TRAINING AGENCY (SETA) EXPENDITURES

The following represents expenditures of the grant received from the Sacramento Employment and Training Agency for the fiscal year ended June 30, 2019:

CFDA Number	Subgrant Number	Federal Expenditures		
		Personnel Service	Other	Total
17.259	04630IIS-16(E)	\$ 141,328	\$ 1,438	\$ 142,766

CITY OF SACRAMENTO, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2019

NOTE 6 – CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS (CFDA NO. 66.468)

The City has reported federal award expenditures of \$9,648,594 in the SEFA under the Drinking Water State Revolving Fund (DWSRF). Authorized in May 2017, the DWSRF has agreed to fund the City's Accelerated Meter Installation and Pipe Replacement Program. Under the agreement, the City is to pay for project costs upfront and the DWSRF is to reimburse the City with loan amounts not to exceed \$173,142,000. The total amount owed by the City as of June 30, 2019 was \$17,704,000.

CITY OF SACRAMENTO, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2019

Section I Financial Statement Findings

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditor’s report issued on compliance for the major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

CFDA Number	Name of Federal Program
66.468	Capitalization Grants for Drinking Water State Revolving Funds
93.575	Child Care Development Fund Cluster: Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
97.025	National Urban Search and Rescue (US&R) Response System

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

Federal Award Findings and Questioned Costs

Reference Number:	2019-001
Type of Finding:	Significant Deficiency and Instance of Noncompliance
Federal Program Title:	Child Care and Development Fund Cluster
Federal Catalog Number:	93.575 and 93.596
Passed-Through Entity:	State of California Department of Education
Federal Award Number and Year:	CCTR-8180; 2018-19
Federal Agency:	United States Department of Health and Human Services
Category of Finding:	Eligibility

Criteria:

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 45 – Public Welfare, Subtitle A – Department of Health and Human Services – Part 98, Child Care and Development Fund – Subpart C – Eligibility for Services – §98.20 – A Child’s Eligibility for Child Care Services:

- (a) To be eligible for services under §98.50, a child shall, at the time of eligibility determination or redetermination:

- (1) (i) Be under 13 years of age; or,

- (ii) At the option of the Lead Agency, be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision;

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Condition:

The Child Development Program (Program) did not stop providing subsidized child care and development program services to children who reached their thirteenth birthday, and the Program continued to certify and recertify children over thirteen at initial certification or recertification date.

Cause:

The Program has an internal policy to provide subsidized care for children up to the age of 14 or youth in sixth grade, despite their age.

Effect:

Providing subsidized child care services to ineligible children can result in improper attendance information, program income, and program expenses.

Questioned Costs:

Questioned costs were not identified.

Context:

During our review of the family data files for determining eligibility, we noted two out of the 15 children selected for testing, had reached their thirteenth birthday before the recertification date, but were still determined by the Program to be eligible for subsidized care and there were no exceptional needs identified.

Recommendation:

We recommend the Program consider changing its policy related to subsidized child care services to stop providing benefits to children who have reached the age of thirteen, except those children with exceptional needs, at initial certification or recertification in accordance with the Uniform Guidance requirements.

Management's Response and Corrective Action Plan:

Refer to the separate corrective action plan.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Reference Number: 2019-002
Type of Finding: Significant Deficiency
Federal Program Title: National Urban Search and Rescue (US&R)
Response System
Federal Catalog Number: 97.025
Pass-Through Entity: None
Federal Award Number and Year: G12501500; 2015-16
G12501501; 2015-16
G12501600; 2016-17
G12501601; 2016-17
G12501700; 2017-18
G12501800; 2018-19
G12703100; 2017-18
G12703300; 2017-18
G12703500; 2018-19
G12703600; 2018-19
G12703700; 2018-19
Federal Agency: United States Department of Homeland Security
Category of Finding: Reporting

Criteria:

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter II - Office of Management and Budget Guidance, Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D - Post Federal Award Requirements, Standards for Financial and Program Management, §200.303 Internal controls (2 CFR 200.303):

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The National Urban Search and Rescue Response Program (Program) did not have proper segregation of duties in place to either prevent and/or detect the risk of noncompliance as it relates to the reporting compliance requirement.

Cause:

The Program experienced high turnover during the fiscal year and did not have sufficient staffing to properly segregate the preparation and review of the quarterly SF-425 financial reports.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Effect:

The Program may not be able to properly prevent or detect the risk of material noncompliance without proper segregation of duties between the preparation and review of financial reports. This lack of segregation of could result in the inaccurate or incomplete reporting of required data elements, such as Federal expenditures, recipient share of expenditures, and unobligated balance for each individual grant.

Questioned Costs:

N/A

Context:

During our review of the SF-425 financial reports, we noted three out of the five reports were prepared and submitted without a person independent of the preparation process reviewing the reports for accuracy and completeness.

Recommendation:

Where there is a lack of department resources, the Program could cross-train employees in the Department of Finance to perform an independent review of the SF-425 quarterly financial report.

Management's Response and Corrective Action Plan:

Refer to the separate corrective action plan.

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Summary Schedule of Prior Year Findings

For the Fiscal Year Ended June 30, 2019

Finding No.	Program	CFDA No.	Compliance Requirement	Status
2018-001	Capitalization Grants for Drinking Water State Revolving Funds	66.468	Procurement and Suspension and Debarment	Implemented
2018-002	Capitalization Grants for Drinking Water State Revolving Funds	66.468	Cash Management	Implemented
2018-003	Capitaliation Grants for Drinking Water State Revolving Funds	66.468	Reporting	Implemented
2018-004	Homeland Security Grant Program	97.067	Subrecipient Monitoring	Partially Implemented – Policy was finalized in June 2019, however, the City did not provide any federal funds to subrecipients during FY18/19