

CITY OF SACRAMENTO, CALIFORNIA

Single Audit Reports

For the Fiscal Year Ended June 30, 2022



Certified
Public
Accountants

CITY OF SACRAMENTO, CALIFORNIA
Single Audit Reports
For the Fiscal Year Ended June 30, 2022

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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*

The Honorable Mayor and Members of the
City Council of the City of Sacramento, 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 (*Government Auditing Standards*), 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, 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 December 19, 2022.

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.

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 or significant deficiencies may exist that were not identified.

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 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 19, 2022



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

Opinion on Each Major Federal Program

We have audited the City of Sacramento, California’s (City) 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 the City’s major federal programs for the fiscal 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.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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.

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.
- 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 an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

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 requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our compliance 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 fund information of the City as of and for the fiscal 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 December 19, 2022 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, 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 financial statements as a whole.

Macias Gini & O'Connell LLP

Sacramento, California

March 30, 2023, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is December 19, 2022

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Cluster Title/Federal Program Name/City Program Name	Federal Assistance Listing 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:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants				
SIM Center Signal Crossings	14.218	2018-0346	\$ 2,507	\$ -
Del Paso Road Diet Construction	14.218	2020-1406	63,151	-
Oak Park Improvement Construction	14.218	2019-1045	2,888	-
River District Basketball Court	14.218	2020-0356	272,985	-
Nielsen Park	14.218	2020-1180	37,322	-
Robla Community Park	14.218	2020-1175	98,548	-
O'Neil Park Restroom Replacement	14.218	2021-0800	29,631	-
Robertson Sports Field Improvements	14.218	2021-0441	277,146	-
Temple Avenue Park Improvements	14.218	2021-0799	139,243	-
Matsui Park Access Improvements	14.218	2021-0270	10,883	-
Franklin Blvd Complete Street	14.218	2021-0213	10,696	-
Subtotal Community Development Block Grant/Entitlement Grants			<u>945,000</u>	<u>-</u>
Subtotal CDBG - Entitlement Grants Cluster			<u>945,000</u>	<u>-</u>
Passed through Sacramento Housing and Redevelopment Agency:				
HOPE VI Cluster				
Choice Neighborhoods Implementation Grants				
Choice Neighborhood Initiative	14.889	2015-2230	1,502	-
Gateway	14.889	2015-2230	278,332	-
N 12th Street Engagement	14.889	2015-2230	190,500	-
Wayfinding	14.889	2015-2230	18,870	-
Project Administration	14.889	2015-2230	66,542	-
River District Basketball Court	14.889	2015-2230	378,876	-
Matsui Park Access Improvements	14.889	2015-2230	618,509	-
Subtotal Choice Neighborhoods Implementation Grants			<u>1,553,131</u>	<u>-</u>
Subtotal HOPE VI Cluster			<u>1,553,131</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>2,498,131</u>	<u>-</u>
United States Department of the Interior				
Direct Program:				
Central Valley Improvement Act, Title XXXIV				
Habitat and Facility Improvement American River Salmonid Spawning and Rearing Habitat Restoration	15.512	---	52,759	-
Lower American River Salmonid Habitat Improvement	15.512	---	130,783	-
Ancil Hoffman Restoration Site - Lower American River	15.512	---	943,563	-
Lower American River Salmonid Habitat Improvement: Nimbus Basin Project Design and Engineering	15.512	---	69,977	-
Mississippi Bar Rock Sorting	15.512	---	335,629	-
Lower American River Salmonid Habitat Improvement Program - Upper Riverbend Phase 1	15.512	---	9,995	-
Subtotal Central Valley Improvement Act, Title XXXIV			<u>1,542,706</u>	<u>-</u>
Direct Program:				
Central Valley Project Improvement Act (CVPIA)				
American River Juvenile Salmonid and Habitat Monitoring	15.648	---	186,963	-
Total United States Department of the Interior			<u>1,729,669</u>	<u>-</u>
United States Department of Justice				
Direct Programs:				
Public Safety Partnership and Community Policing Grants				
COPS Hiring Program - 2017	16.710	---	597,392	-
Edward Byrne Memorial Justice Assistance Grant Program				
Edward Byrne Memorial Justice Assistance Grant Program - 2018	16.738	---	42,063	-
Edward Byrne Memorial Justice Assistance Grant Program - 2019	16.738	---	207,313	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			<u>249,376</u>	<u>-</u>
Equitable Sharing Program				
Equitable Sharing Program	16.922	---	520	-
Equitable Sharing Program	16.922	---	2,433	-
Subtotal Equitable Sharing Program			<u>2,953</u>	<u>-</u>
Total United States Department of Justice			<u>849,721</u>	<u>-</u>

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, 2022

Federal Grantor/Pass-Through Grantor/Cluster Title/Federal Program Name/City Program Name	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
United States Department of Transportation				
Passed through State of California Department of Transportation (CALTRANS):				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	CML-5002(155)	\$ 175,694	\$ -
Highway Planning and Construction	20.205	CML-5002(178)	64	-
Highway Planning and Construction	20.205	ATPL-5002(189)	778,592	-
Highway Planning and Construction	20.205	CML-5002(193)	50,563	-
Highway Planning and Construction	20.205	STPCML-5002(222)	166,645	-
Highway Planning and Construction	20.205	STPL-5002-175	45,013	-
Highway Planning and Construction	20.205	BRLS-5002(134)	99,944	-
Highway Planning and Construction	20.205	BRLS-5002(164)	2,975,848	-
Highway Planning and Construction	20.205	BRLS-5002(168)	224,893	-
Highway Planning and Construction	20.205	STPL-5002(173)	156,598	-
Highway Planning and Construction	20.205	STPL-5002(174)	27,590	-
Highway Planning and Construction	20.205	ATPL-5002(179)	2,473,519	-
Highway Planning and Construction	20.205	STPL-5002(195)	602,988	-
Highway Planning and Construction	20.205	CML-5002(219)	18,105	-
Highway Planning and Construction	20.205	HSIPL-5002(183)	11,433	-
Highway Planning and Construction	20.205	HSIPL-5002(185)	25,876	-
Highway Planning and Construction	20.205	HSIPL-5002(187)	65,443	-
Highway Planning and Construction	20.205	HSIPL-5002(188)	630,569	-
Highway Planning and Construction	20.205	STPL-5002(213)	28,297	-
Highway Planning and Construction	20.205	ATPL-5002(203)	588,646	-
Highway Planning and Construction	20.205	HSIPL-5002(198)	2,251,080	-
Highway Planning and Construction	20.205	HSIPL-5002(199)	153,488	-
Highway Planning and Construction	20.205	HSIPL-5002(200)	92,772	-
Highway Planning and Construction	20.205	ATPL-5002(204)	232,698	-
Highway Planning and Construction	20.205	HSIPL-5002(209)	36,049	-
Highway Planning and Construction	20.205	HSIPL-5002(210)	35,089	-
Highway Planning and Construction	20.205	HSIPL-5002(211)	60,756	-
Highway Planning and Construction	20.205	HSIPL-5002(212)	67,781	-
Highway Planning and Construction	20.205	STPL-5002(221)	25,444	-
Highway Planning and Construction	20.205	BRLS-5002(220)	33,633	-
Highway Planning and Construction	20.205	STPL-5002(221)	1,038	-
Highway Planning and Construction	20.205	STPL-5002(224)	7,658	-
Subtotal Highway Planning and Construction			12,143,806	-
Subtotal Highway Planning and Construction Cluster			12,143,806	-
Passed through State of California Office of Traffic Safety:				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT20148	572	-
State and Community Highway Safety	20.600	PT21046	38,838	-
Subtotal State and Community Highway Safety			39,410	-
Subtotal Highway Safety Cluster			39,410	-
Passed through State of California Office of Traffic Safety:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21046	32,201	-
Total United States Department of Transportation			12,215,417	-
United States Department of the Treasury				
Direct Programs:				
Equitable Sharing Program	21.016	---	10,479	-
COVID-19 Coronavirus Relief Fund	21.019	---	164,102	49,899
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	---	112,313,331	-
COVID-19 Emergency Rental Assistance Program	21.023	---	14,478,565	14,478,565
Passed through State of California Department of Housing and Community Development:				
COVID-19 Emergency Rental Assistance Program	21.023	20-ERAP-00025	18,212,687	18,212,687
COVID-19 Emergency Rental Assistance Program	21.023	21-ERAP-00025	14,325,541	14,325,541
Subtotal COVID-19 Emergency Rental Assistance Program			47,016,793	47,016,793
Total United States Department of the Treasury			159,504,705	47,066,692
United States Environmental Protection Agency				
Passed through California State Water Resources Control Board:				
Drinking Water State Revolving Fund (DWSRF) Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	3410020-034C	979,056	-

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, 2022

Federal Grantor/Pass-Through Grantor/Cluster Title/Federal Program Name/City Program Name	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Direct Program:				
Brownfields Assessment and Cleanup Cooperative Agreements				
Assessment and Cleanup - Northeast Sacramento	66.818	---	\$ 22,818	\$ -
Revolving Loan Fund	66.818	---	968	-
Subtotal Brownfields Assessment and Cleanup Cooperative Agreements			<u>23,786</u>	<u>-</u>
Total United States Environmental Protection Agency			<u>1,002,842</u>	<u>-</u>
United States Department of Homeland Security				
Direct Programs:				
National Urban Search & Rescue (US&R) Response System				
Urban Search and Rescue 2016	97.025	---	3,965	-
Urban Search and Rescue 2017	97.025	---	70,249	-
Urban Search and Rescue 2018	97.025	---	14,340	-
Urban Search and Rescue 2020	97.025	---	300,357	-
Urban Search and Rescue Florence Hurricane	97.025	---	129,078	-
Urban Search and Rescue Tropical Storm Dorian	97.025	---	100,052	-
Urban Search and Rescue Hurricane Douglas	97.025	---	62,382	-
Urban Search and Rescue Hurricane Michael	97.025	---	20,950	-
Subtotal National Urban Search & Rescue (US&R) Response System			<u>701,373</u>	<u>-</u>
Assistance to Firefighters Grant				
Assistance to Firefighters Grant - 2016	97.044	EMW-2016-FO-03798	7,032	-
Passed through California Governor's Office of Emergency Services:				
Disaster Assistance - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4482-DR-CA CalIOES ID 067-64000	34,876	-
Passed through State of California Office of Emergency Services:				
Homeland Security Grant Program				
Homeland Security Grant Program - 2018	97.067	2018-0054	163,905	-
Homeland Security Grant Program - 2019	97.067	2019-0035	2,440,422	1,393,694
Homeland Security Grant Program - 2019	97.067	2019-0035	10,873	-
Subtotal Homeland Security Grant Program			<u>2,615,200</u>	<u>1,393,694</u>
Total United States Department of Homeland Security			<u>3,358,481</u>	<u>1,393,694</u>
Total Expenditures of Federal Awards			<u>\$ 181,158,966</u>	<u>\$ 48,460,386</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, 2022

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, 2022. 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.

As a result of the COVID-19 pandemic, many new federal programs have been established and funding has been added to existing federal programs. Expenditures funded from the following acts are denoted by the prefix COVID-19 in the federal program title in the Schedule:

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Expenditures reported in the accompanying Schedule are presented using 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 – ASSISTANCE LISTING NUMBERS (ALN)

The ALNs included in the accompanying Schedule were determined based on the program name, review of grant contract information, and the U.S. General Service Administration's [SAM.gov](https://www.sam.gov) website.

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.

CITY OF SACRAMENTO, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Fiscal 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?	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 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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
14.889	Choice Neighborhoods Implementation Grants
21.023	Emergency Rental Assistance Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B program:	\$3,000,000
Auditee qualified as a low-risk auditee?	Yes

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2022

Section II Financial Statement Findings

No matters were reported.

Section III Federal Awards Findings

Reference Number:	2022-001
Category of Finding:	Procurement and Suspension and Debarment
Type of Finding:	Significant Deficiency and Instance of Noncompliance
Federal Agency:	U.S. Department of Housing and Urban Development
Federal Assistance Listing Number:	14.889
Federal Program Title:	Choice Neighborhoods Implementation Grants
Federal Award Number and Year:	CA9G007CNG114; 2015

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 and the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 - Grants and Agreements, Subtitle A - Office of Management and Budget Guidance for Grants and Agreements, Chapter I - Office of Management and Budget Governmentwide Guidance for Grants and Agreements, Part 180 – OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Non-procurement), Subpart C – Responsibilities of Participants Regarding Transactions Doing Business With Other Persons §180.300 (2 CFR 180.300):

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom they intend to do business is not excluded or disqualified. You may do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or a condition to the covered transaction with that person.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2022

Condition:

While the City has a process in place for verifying that the person is not excluded or disqualified, we noted that two out of the three contract agreements reviewed did not include a suspension and debarment certification clause indicating the contractor was not suspended or debarred from participation in federally funded contracts. There was no other documentation available to demonstrate that the verification of suspension and debarment was performed prior to entering into the covered transactions. Based on subsequent review of the System for Award Management (SAM) exclusions, the two contractors were not suspended or debarred.

Cause:

Through inquiry of City personnel, the department responsible for administering the program does not regularly handle federally funded programs and were not made aware of the suspension and debarment requirements.

Effect:

Failure to verify suspension and debarment results in noncompliance with 2 CFR §180.300, as well as a risk that federal funds could be used to pay subrecipients and vendors that are suspended or debarred.

Questioned Costs:

No questioned costs were identified.

Context:

The federal funds disbursed to vendors for the fiscal year ended June 30, 2022 totaled \$1,486,507. Three vendor contracts were selected for testing. Disbursements made under the three vendor contracts totaled \$1,389,548. For two of the three vendor contracts, there was no evidence that verification of suspension and debarment was performed prior to entering into the covered transactions. Total disbursements made associated with the two vendor contracts was \$392,500 for the fiscal year ended June 30, 2022.

Recommendation:

We recommend that when the City enters into arrangements involving federal funds and the administration of federal programs, departments and the personnel responsible for carrying out the objectives of the programs are trained and knowledgeable of the laws, regulations, terms and conditions governing the federal program.

Furthermore, we recommend that prior to entering into covered transactions with vendors involving federal funds, the City should establish a process for verifying through SAM whether the vendors are suspended or debarred, maintaining of the verification documentation, or adding a clause into the vendor contract providing for the vendor certification of their suspension or debarment status.

Views of Responsible Officials and Corrective Action Plan:

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

CITY OF SACRAMENTO, CALIFORNIA
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2022

Finding Number	Federal Program Title	Assistance Listing Number	Compliance Requirement	Status
2018-004	Homeland Security Grant Program	97.067	Subrecipient Monitoring	Fully corrected.
2021-001	Coronavirus Relief Fund	21.019	Subrecipient Monitoring	Fully corrected.

CITY OF SACRAMENTO, CALIFORNIA
Management's Response and Corrective Action Plan
For the Fiscal Year Ended June 30, 2022

FINDING 2022-001

Management's or Department's Response:

We concur.

Views of Responsible Officials and Corrective Action:

Due to the finding that Convention and Cultural Services Department agreements did not contain a certification clause indicating the contractor was not suspended or debarred and other documentation was lacking to demonstrate verification had been obtained prior to performance of an agreement, the Convention and Cultural Services Department will develop procedures outlining the requirement to use the SAM.gov (excluded Parties List System) database, require the vendor to provide proper certification, or include specific language in agreements to verify that any vendors who may be awarded a contract or submit invoices for federal grant-funded activities have not been debarred or suspended.

Implementation Date: April 2023

Name of Responsible Person: Donald Gensler, APP Project Manager, Office of Arts + Culture