

CITY OF SACRAMENTO, CALIFORNIA

Single Audit Reports

For the Fiscal Year Ended June 30, 2021



Certified
Public
Accountants

CITY OF SACRAMENTO, CALIFORNIA
Single Audit Reports
For the Fiscal Year Ended June 30, 2021

Table of Contents

	<i>Page</i>
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 <i>Government Auditing Standards</i>	1
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.....	3
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards.....	9
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings.....	14
Management’s Response and Corrective Action Plan.....	15



**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, 2021, 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 15, 2021.

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 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 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.

Macias Gini & O'Connell LLP

Sacramento, California

December 15, 2021



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, 2021. 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, 2021.

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 of questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding in our audit is described in the accompanying management's response and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questions costs as item 2021-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying management's response and corrective action plan. The City's response was not subjected to the 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 15, 2021, 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.



Sacramento, California
March 30, 2022

This page intentionally left blank.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

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				
Meadowview Streetscape	14.218	2018-0737	\$ 498,365	\$ -
Meadowview Streetscape Phase II	14.218	2018-0737	331,181	-
D.W Babcock School Access Improvements	14.218	2019-1894	600,000	-
Midtown Street Lighting Phase III Design	14.218	2018-1764	22,824	-
Lower Broadway Preliminary Design	14.218	2017-0171	41,482	-
SIM Center Signal Crossings	14.218	2018-0346	580,487	-
Sutterville Road Pedestrian Crossing	14.218	2018-0347	220,745	-
Del Paso Road Diet Construction	14.218	2020-1406	36,849	-
Oak Park Improvement Construction	14.218	2019-1045	220,626	-
Meadowview Park Improvements Construction	14.218	2019-1052	441,353	-
River District Basketball Court	14.218	2020-0356	54,377	-
Nielsen Park	14.218	2020-1180	17,349	-
Robla Community Park	14.218	2020-1175	101,452	-
Subtotal Community Development Block Grant/Entitlement Grants			3,167,090	-
Subtotal CDBG - Entitlement Grants Cluster			3,167,090	-
United States Department of the Interior				
Direct Programs:				
Central Valley Improvement Act, Title XXXIV				
Habitat and Facility Improvement American River Salmonid Spawning and Rearing Habitat Restoration	15.512	---	719,505	-
Central Valley Project Improvement Act (CVPIA)				
Lower American River Restoration Prioritization and Monitoring	15.648	---	5,877	-
American River Juvenile Salmonid and Habitat Monitoring	15.648	---	48,911	-
Subtotal Central Valley Project Improvement Act (CVPIA)			54,788	-
Total United States Department of the Interior			774,293	-
United States Department of Justice				
Direct Programs:				
Public Safety Partnership and Community Policing Grants				
COPS Hiring Program - 2017	16.710	---	636,670	-
Edward Byrne Memorial Justice Assistance Grant Program				
Edward Byrne Memorial Justice Assistance Grant Program - 2017	16.738	---	80,282	-
Edward Byrne Memorial Justice Assistance Grant Program - 2018	16.738	---	122,456	-
Edward Byrne Memorial Justice Assistance Grant Program - 2019	16.738	---	17,173	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			219,911	-
Equitable Sharing Program	16.922	---	41,863	-
Total United States Department of Justice			898,444	-
United States Department of Labor				
Passed through Sacramento Employment and Training Agency:				
WIOA Cluster				
WIOA Youth Activities	17.259	046301IS-19(E)	51,308	-
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)	177,925	-
Highway Planning and Construction	20.205	CML-5002 (178)	10,553	-
Highway Planning and Construction	20.205	ATPL-5002 (189)	677,332	-
Highway Planning and Construction	20.205	CML-5002 (193)	61,547	-
Highway Planning and Construction	20.205	STPCML-5002 (222)	34,448	-
Highway Planning and Construction	20.205	STPL-5002-175	33,821	-
Highway Planning and Construction	20.205	BRLS-5002 (134)	2,074,074	-
Highway Planning and Construction	20.205	BRLS-5002 (164)	327,004	-
Highway Planning and Construction	20.205	BRLS-5002 (168)	115,667	-
Highway Planning and Construction	20.205	STPL-5002 (173)	3,368,603	-
Highway Planning and Construction	20.205	STPL-5002 (174)	289,710	-
Highway Planning and Construction	20.205	ATPL-5002 (179)	384,481	-
Highway Planning and Construction	20.205	STPL-5002 (195)	718,375	-
Highway Planning and Construction	20.205	CML-5002 (190)	3,743	-
Highway Planning and Construction	20.205	CML-5002 (219)	5,706	-
Highway Planning and Construction	20.205	HSIPL-5002 (183)	99,248	-
Highway Planning and Construction	20.205	HSIPL-5002 (184)	4,319	-
Highway Planning and Construction	20.205	HSIPL-5002 (185)	378,756	-
Highway Planning and Construction	20.205	HSIPL-5002 (186)	145,831	-
Highway Planning and Construction	20.205	HSIPL-5002 (187)	158,607	-
Highway Planning and Construction	20.205	HSIPL-5002 (188)	478,747	-
Highway Planning and Construction	20.205	CML-5002 (192)	719,399	-
Highway Planning and Construction	20.205	STPL-5002 (196)	197,745	-
Highway Planning and Construction	20.205	STPL-5002 (213)	10,245	-
Highway Planning and Construction	20.205	ATPL-5002 (203)	122,382	-
Highway Planning and Construction	20.205	HSIPL-5002 (198)	86,555	-
Highway Planning and Construction	20.205	HSIPL-5002 (199)	90,148	-
Highway Planning and Construction	20.205	HSIPL-5002 (200)	97,916	-
Highway Planning and Construction	20.205	HSIPL-5002 (201)	152,371	-
Highway Planning and Construction	20.205	ATPL-5002 (204)	117,302	-

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, 2021

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
Highway Planning and Construction	20.205	HSIPL-5002 (209)	\$ 20,659	\$ -
Highway Planning and Construction	20.205	HSIPL-5002 (210)	2,409	-
Highway Planning and Construction	20.205	HSIPL-5002 (211)	44,005	-
Highway Planning and Construction	20.205	HSIPL-5002 (212)	8,854	-
Highway Planning and Construction	20.205	STPL-5002 (221)	3,449	-
Subtotal Highway Planning and Construction Cluster			<u>11,221,936</u>	<u>-</u>
Passed through State of California Office of Traffic Safety:				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT20148	36,822	-
State and Community Highway Safety	20.600	PT21046	40,395	-
Subtotal Highway Safety Cluster			<u>77,217</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21046	107,160	-
Total United States Department of Transportation			<u>11,406,313</u>	<u>-</u>
United States Department of the Treasury				
Direct Programs:				
Equitable Sharing	21.016	---	7,948	-
COVID-19 Coronavirus Relief Fund	21.019	---	82,897,925	34,850,625
COVID-19 Emergency Rental Assistance Program	21.023	---	15,270,934	15,270,934
Total United States Department of the Treasury			<u>98,176,807</u>	<u>50,121,559</u>
United States Environmental Protection Agency				
Passed through California State Water Resources Control Board:				
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds				
Meter and Pipe Installation Project	66.468	3410020-034C	17,570,744	-
Direct Program:				
Brownfields Multipurpose Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements				
Assessment and Cleanup - Northeast Sacramento	66.818	---	20,349	-
Revolving Loan Fund	66.818	---	1,594	-
Subtotal Brownfields Multipurpose Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements			<u>21,943</u>	<u>-</u>
Total United States Environmental Protection Agency			<u>17,592,687</u>	<u>-</u>
United States Department of Education				
Passed through State of California Department of Education				
Twenty-First Century Community Learning Centers				
Twenty-First Century Community Learning Centers - 2015	84.287	15-14349-2192-8A	38,958	-
Twenty-First Century Community Learning Centers - 2016	84.287	16-14349-2192-8A	394	-
Twenty-First Century Community Learning Centers - 2017	84.287	17-14349-2192-8A	123,565	-
Subtotal Twenty-First Century Community Learning Centers			<u>162,917</u>	<u>-</u>
United States Department of Homeland Security				
Direct Program:				
National Urban Search & Rescue (US&R) Response System				
Urban Search and Rescue 2016	97.025	---	58,294	-
Urban Search and Rescue 2016	97.025	---	794	-
Urban Search and Rescue 2016	97.025	---	1,512	-
Urban Search and Rescue 2017	97.025	---	21,283	-
Urban Search and Rescue 2019	97.025	---	310,293	-
Urban Search and Rescue 2020	97.025	---	852,677	-
Urban Search and Rescue Florence Hurricane	97.025	---	142,598	-
Urban Search and Rescue Tropical Storm Dorian	97.025	---	161,141	-
Urban Search and Rescue Hurricane Douglas	97.025	---	226,781	-
Urban Search and Rescue Oregon Fires	97.025	---	11,322	-
Urban Search and Rescue Tropical Cyclone Laura	97.025	---	30,638	-
Subtotal National Urban Search & Rescue (US&R) Response System			<u>1,817,333</u>	<u>-</u>
Passed through California Governor's Office of Emergency Services				
Disaster Assistance - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4482-DR-CA	16,007,862	-
Homeland Security Grant Program				
Homeland Security Grant Program - 2018	97.067	2018-0054	1,730,553	766,772
Homeland Security Grant Program - 2018	97.067	2018-0054	83,779	-
Homeland Security Grant Program - 2019	97.067	2019-0035	214,240	-
Passed through the Sacramento County Office of Emergency Services				
Homeland Security Grant Program				
Homeland Security Grant Program - 2018	97.067	2018	135,199	-
Homeland Security Grant Program - 2019	97.067	2019	26,869	-
Subtotal Homeland Security Grant Program			<u>2,190,640</u>	<u>766,772</u>
Total United States Department of Homeland Security			<u>20,015,835</u>	<u>766,772</u>
Total Expenditures of Federal Awards			<u>\$ 152,245,694</u>	<u>\$ 50,888,331</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, 2021

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, 2021. 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 POLICIES

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 Services 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, 2021

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 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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction Cluster:
21.019	Highway Planning and Construction
21.023	Coronavirus Relief Fund
	Emergency Rental Assistance Program

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, 2021

Section II Financial Statement Findings

No matters were reported.

Section III Federal Awards Findings

Reference Number:	2021-001
Category of Finding:	Subrecipient Monitoring
Type of Finding:	Significant Deficiency and Instance of Noncompliance
Federal Agency:	U.S. Department of the Treasury
Federal Assistance Listing Number:	21.019
Federal Program Title:	COVID-19 Coronavirus Relief Fund
Federal Award Year:	2020

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 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, Subrecipient Monitoring and Management, §200.332 Requirements for pass-through entities (2 CFR 200.332):

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2021

All pass-through entities must:

- (b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
 - (1) The subrecipient's prior experience with the same or similar subawards;
 - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F of this part, and the extent to which the same or similar subaward has been audited as a major program;
 - (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
 - (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

- (c) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
 - (1) Reviewing financial and performance reports required by the pass-through entity.
 - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.
 - (3) Issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
 - (4) The pass-through entity is responsible for resolving audit findings specifically related to the subaward and not responsible for resolving crosscutting findings. If a subrecipient has a current Single Audit report posted in the Federal Audit Clearinghouse and has not otherwise been excluded from receipt of Federal funding (e.g., has been debarred or suspended), the pass-through entity may rely on the subrecipient's cognizant audit agency or cognizant oversight agency to perform audit follow-up and make management decisions related to cross-cutting findings in accordance with section §200.513(a)(3)(vii). Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward.

- (d) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
 - (1) Providing subrecipients with training and technical assistance on program-related matters; and
 - (2) Performing on-site reviews of the subrecipient's program operations;
 - (3) Arranging for agreed-upon-procedures engagements as described in §200.425.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2021

Condition:

While the City has a process in place to perform risk assessments and monitor subrecipients, there was no formal documentation of these activities being performed. Out of 22 subrecipients tested, there were nine instances in which evidence of a risk assessment and/or the monitoring of subrecipients was not available.

Cause:

Through inquiry of City personnel, City management communicated to project managers, whom are responsible for conducting subrecipient risk assessments and performing monitoring procedures, the importance of retaining evidence of the risk assessments and monitoring. However, although project managers performed the required risk assessment and monitoring, evidence of the actual work performed was not consistently retained.

Effect:

In the absence of a formally documented risk assessment and monitoring process for determining appropriate monitoring procedures, including document retention, sufficient and effective monitoring may not occur for those subrecipients most at risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

Questioned Costs:

No questioned costs were identified.

Context:

Disbursements to subrecipients for the Coronavirus Relief Fund program for the fiscal year ended June 30, 2021, totaled \$34,850,625. The total amount passed through to the 22 subrecipients tested was \$19,599,318.

Recommendation:

City departments that pass through federal funds to subrecipients should have a formally documented process for performing risk assessments over its subrecipients, including document retention, which guides the frequency and extent of monitoring activities to be performed.

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, 2021

Finding Number	Federal Program Title	Assistance Listing Number	Compliance Requirement	Status
2018-004	Homeland Security Grant Program	97.067	Subrecipient Monitoring	Partially corrected - expected to be remediated in fiscal year 2021/2022.
2019-002	National Urban Search and Rescue (US&R) Response System	97.025	Reporting	Fully corrected.

CITY OF SACRAMENTO, CALIFORNIA
Management's Response and Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

FINDING 2021-001

Management's or Department's Response:

We concur.

Views of Responsible Officials and Corrective Action:

The City agrees that the absence of a formally documented risk assessment and monitoring process poses a risk of subrecipient noncompliance with federal statutes, regulations, and terms and conditions of the subaward. Moving forward, the City will develop and document a formal process for performing risk assessment and monitoring over subrecipients, including documentation requirements. The City will continue to educate project managers and emphasize the importance of documentation retention as procedures are performed.

Note, that the City has spent all remaining Coronavirus Relief Fund program funding as of March 2022. No expenditures related to subrecipients were incurred for this program for fiscal year 2022.

Implementation Date: March 2022

Name of Responsible Person: Ash Roughani