

CITY OF MCFARLAND
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2022



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**INDEPENDENT AUDITORS' 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**

Honorable City Council
City of McFarland
McFarland, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of McFarland (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 8, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of McFarland'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 of McFarland's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of McFarland'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-003, 2022-004 and 2022-005 that we consider to be material weaknesses.

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*.

The City of McFarland’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of McFarland’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of McFarland’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Roseville, California
June 8, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Honorable City Council
City of McFarland
McFarland, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of McFarland, California's (the 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 year ended June 30, 2022. The City's major federal programs are identified in the summary of auditors' 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 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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of McFarland 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.

Auditors' 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 2022-006. 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 Auditors' 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 certain deficiency in internal control over compliance that we consider to be a 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 2022-006, 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 findings identified in our 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 of McFarland as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of McFarland's basic financial statements. We have issued our report thereon, dated June 8, 2023, 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 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 basic financial statements as a whole.



CliftonLarsonAllen LLP

Roseville, California
July 11, 2023

**CITY OF MCFARLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/Program/Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Agriculture</u>				
Direct Programs:				
Community Facilities Direct Loan and Grant Program	10.766		\$ 664,188	\$ -
Subtotal - Community Facilities Loans and Grant Cluster			<u>664,188</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>664,188</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed-through State of California Department of Housing and Community Development:				
COVID-19 Community Development				
Block Grants/Entitlement Grants (CDBG)	14.228	20-CDBG-CV2-3-00001	\$ 401,973	\$ -
Subtotal - CDBG Entitlement Grants Cluster			<u>401,973</u>	<u>-</u>
HOME Investment Partnership Program (Outstanding Loans)	14.239		\$ 709,906	\$ -
Total U.S. Department of Housing and Urban Development			<u>1,111,879</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Public Safety Partnership and Community Policing Grants	16.710		779,696	-
Total U.S. Department of Justice			<u>779,696</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed-through the State Department of Transportation:				
Highway Planning and Construction	20.205	CMAQ-8405	234,022	-
Subtotal - Highway Planning and Construction Cluster			<u>234,022</u>	<u>-</u>
Total U.S. Department of Transportation			<u>234,022</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
Passed-through the State Department of Finance				
COVID-19 Coronavirus				
State and Local Fiscal Recovery Funds	21.027		345,295	-
Subtotal - Assistance Listing Number 21.027			<u>345,295</u>	<u>-</u>
Total U.S. Department of Treasury			<u>345,295</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,135,080</u>	<u>\$ -</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF MCFARLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal awards programs of the City of McFarland (the City) for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 ASSISTANCE LISTING NUMBERS

The program titles and Assistance Listing Numbers were obtained from the federal or pass-through grantor.

NOTE 4 INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

NOTE 5 PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

**CITY OF MCFARLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

NOTE 6 LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS

The City offers property rehabilitation and first-time home buyer loans to eligible individuals as part of its HOME program. The loans have continuing compliance requirements and therefore the outstanding balances are reflected on the Schedule. No new loans were issued during the fiscal year ended June 30, 2022.

Assistance Listing Number	Federal Program	Outstanding Loans	Loans with Continuing Compliance Requirements
10.766	Community Facilities Direct Loan and Grant Program	\$ 664,188	\$ 664,188
14.239	Home Investment Partnership Program	709,906	709,906

NOTE 7 COPS UNIVERSAL HIRING GRANT PRIOR YEAR EXPENDITURES

The City had federal expenditures in the amount of \$268,503 for the COPS Universal Hiring Grant that were not included on the SEFA in a prior year. These amounts have been reported in the current year SEFA in addition to the \$511,193 of current year expenditures.

**CITY OF MCFARLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? x yes none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	COVID -19 Coronavirus State and Local Fiscal Recovery Funds
14.228	COVID -19 Community Development Block Grants
16.710	Public Safety Partnership and Community Policing Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes x no

**CITY OF MCFARLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022 – 001 Year-End Closing and Account Reconciliations

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The City did not have adequate design of internal controls over significant processes such as performing monthly reconciliations of accounts, including cash, receivables and long-term liabilities.

Furthermore, this year's closing process was delayed because some important procedures were not performed on time while others were performed too early in the process. The results were delays in producing closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.

Criteria or Specific Requirement: A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Effect: Certain accounts were misstated at year-end, requiring material adjustments.

Cause: The City did not allocate sufficient resources to the accounting function.

Repeat Finding: This is a repeat finding from the prior year (2021-001).

Recommendation: We recommend the City establish procedures for reconciling the general ledger accounts for cash, receivables, accounts payable, to supporting documentation monthly. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

We further recommend that the finance department prepare a year-end closing schedule and include all tasks that are necessary to close the year-end. Such a list should include, at a minimum, the following: a list of year-end tasks, due date of each task, and the responsible employee and management reviewer of each task.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with this finding. The Finance Department will establish written procedures for reconciliations of all major accounts which are to be completed the end of each month and fiscal year.

**CITY OF MCFARLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022 – 002 Cash Reconciliations

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: During our audit, we noted the cash reconciliations provided were completed much later than periods being reconciled.

During much of the year, the operating bank account reconciliations appeared to be not completed at the end of each month. Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements.

Criteria or Specific Requirement: Year-end and monthly reconciliations and adjustments will ensure meaningful and accurate financial statements.

Effect: Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

Cause: Management did not perform the cash reconciliations on a monthly basis to confirm the amounts agreed to the general ledger during the fiscal year.

Repeat Finding: This is a repeat finding from the prior year (2021-002).

Recommendation: We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the finance department. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with this finding. The Finance Department will establish written procedures for reconciliations of all major accounts which are to be completed the end of each month and fiscal year.

**CITY OF MCFARLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022 – 003 Accounts Receivable

Type of Finding: Material Weakness

Condition: Accounts receivable and revenue were understated by \$2,817,488 in the General Fund for conditional use permits and engineering fees. Accounts receivable and revenue were also understated by \$23,701 in the road fund for road rehabilitation funding.

Criteria or specific requirement: Accounts receivable and the associated revenues should be recorded in the period they are determined to be recognizable in accordance with generally accepted accounting principles (GAAP).

Effect: The following are misstatements detected as a result of audit procedures that are within the City's financial statements:

Accounts receivable and revenues were understated by \$2,817,448 in the General Fund for conditions use permits and engineering fees.

Accounts receivable and revenues were understated by \$23,701 in the Road Fund for road rehabilitation funding.

Cause: Certain accruals were not identified and captured as part of the year end close process.

Repeat Finding: This is not a repeat finding.

Recommendation: The City should provide additional training to departments and staff on revenue recognition in accordance with GAAP and include additional procedures during the year end closing process to capture all year end accruals.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with this finding. The Finance Department will establish written procedures for reconciliations of all major accounts which are to be completed the end of each month and fiscal year.

**CITY OF MCFARLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022 – 004 Vacation Liability

Type of Finding: Material Weakness

Condition: During our audit we noted the City had recorded accrued vacation liabilities in the General Fund overstating the liability for accrued salaries and benefits in the fund statements.

Criteria or specific requirement: Transactions should only be recorded in the General Fund on the modified accrual basis. As such long term liabilities for accrued vacation should only be recorded in the government wide statements on the full accrual basis.

Effect: Accrued salaries and benefits was overstated by \$54,229 in the General Fund.

Cause: The City treated accrued vacation like a short term liability rather than a long term liability and recorded it in the general fund.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the City only record accrued vacation liabilities in the government wide financial statements as part of their year end GASB conversion entries.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with this finding. The Finance Department will establish written procedures for reconciliations of all major accounts which are to be completed the end of each month and fiscal year.

**CITY OF MCFARLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings (Continued)

2022 – 005 SEFA Preparation

Type of Finding: Material Weakness

Condition: The City made adjustments to the SEFA for the following program: ALN #16.710 Public Safety Partnership and Community Policing Grants.

Criteria or specific requirement: The Auditee's responsibility per the Uniform Guidance, Section 200.508 Part B, is to "prepare appropriate financial statements, including the Schedule of Expenditures of Awards". This includes determining the correct amount of expenditures that need to be reported for the Schedule of Expenditures of Federal Awards.

The SEFA, while not part of the Basic Financial Statements, is audited in relation to the basic financial statements, in accordance with the requirements of the Uniform Guidance. The Uniform Guidance requires auditors to determine major programs and perform risk assessments based on information reported on the SEFA.

Effect: During our review of the preliminary SEFA and testing over the major programs, we noted the City omitted the entire Public Safety Partnership and Community Policing Grants Program from the SEFA which amounted to \$511,193 in federal expenditures.

Cause: The city has had staffing issues and high turnover in grant personnel resulting in the program being excluded from the initial SEFA provided.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the City provides additional training to the departments to understand their grant reporting requirements.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with this finding. The City will provide additional training to individuals responsible for grant reporting requirements.

**CITY OF MCFARLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022 – 006

Federal agency: U.S. Department of Treasury

Federal program title: Covid -19 Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Federal Award Identification Number and Year: QCFVLPC1QNF1, FY 2021-2022

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Award Period: July 1, 2021, to June 30, 2022

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matter

Condition: We noted three vendors received disbursements of Federal Funding without going through the bid process. In addition, debarment checks for two vendors were not performed.

Criteria or Specific Requirement: Recipients may use award funds to enter into contracts with vendors who are not debarred to procure goods and services necessary to implement eligible purposes which are outlined by Treasury's Interim Final Rule.

Effect: Without checking debarment before engaging services, the City could have entered into an agreement with a vendor that was disbarred from receiving federal funding.

Context: Two of the four items tested did not have debarment procedures performed prior to the commencement of work. In addition the bid process wasn't followed for three of the items tested because expenditures had been previously approved within the City budget.

Cause: State and Local Fiscal Recovery Funds related to the coronavirus relief funding was received in advance as emergency funding. The City did not follow all required compliance in using the funding in response to the emergency.

Repeat Finding: This is not a repeat finding.

Recommendation: CLA recommends that City implement procedures to ensure that federal guidance is followed relating to procurement and debarment.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with this finding. The City will provide additional training to individuals responsible for procurement and related debarment requirements.



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