



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Susan Calderon, Assistant Finance Director/Controller  
Andy Cherullo, Finance Director  
**COPY:** Government Performance & Finance Committee; Joe Franco, Committee Liaison  
**PRESENTER:** Saundra Groshong, State Auditor’s Office- Audit Manager, Thuy Huyng, Audit Supervisor  
**SUBJECT:** 2021 Exit Conference - Accountability and Federal Audit  
**DATE:** February 7, 2023

**PRESENTATION TYPE:**  
Informational Briefing

**SUMMARY:**

The State Auditor’s Office is required to perform an Accountability and Federal audit each year. During the 2021 City’s Federal audit, the State Auditor’s Office (SAO) identified several organizations that provided critical services such as rental assistance and homeless sheltering on behalf of the City as having a subrecipient relationship. This caused the SAO to issue a finding and adverse audit opinion on two federal programs (American Rescue Plan Act (ARPA) and Emergency Rental Assistance). The City will also be receiving a Management letter on the Accountability Audit that relates to maintaining an updated list of cash till locations.

**BACKGROUND:**

The City is required to be audited each year by the SAO, who conducts the Financial, Accountability and Federal audits  
When the City expends Federal funds in excess of \$750,000, either directly or as a pass-through, it is required to comply with the Uniform Guidance, Title 2 U.S. Code of Federal Regulations (CFR) Part 200. During the 2021 City’s Federal audit, the SAO found several organizations that the City had identified as contractors that should have been identified as subrecipients.

When an organization has a subrecipient relationship with the City and is carrying out part of the federal program’s objectives, the City must comply with Title 2 CFR Part 200, Uniform Guidance, section 332. This section states the each agreement must be clearly identified as a subaward and include the following:

- Subrecipient name
- Subrecipient’s unique entity identifier
- Federal award identification number
- Federal award date
- Period of performance start and end date
- Budget period start and end date

In addition, the City is required to:

- Conduct subrecipient monitoring; and
- Perform a risk assessment on the organizations to assure that the organizations are complying with program requirements and are using federal funds appropriately



**ISSUE:**

Due to the fact that the City identified these vendors as contractors, the City did not follow guidance related to subrecipient awards (identification as subrecipient, monitoring, risk assessment, etc.). Given the SAO determination that these vendors should have been identified as subrecipients, the SAO issued a finding as well as an adverse opinion on two programs (ARPA and Emergency Rental Assistance). An adverse opinion is issued when an auditor has determined that there are material misstatements found or compliance requirements weren't met.

The City also received an additional finding due to not ensuring that a contractor wasn't suspended or debarred from participating in federal programs.

The City will be taking the following actions:

- Refining procedures related to identifying organizations as either contractors or subrecipients
- Performing risk assessments on the subrecipients
- Confirming the vendors were not on the federal suspended or debarred list
- Developing a plan for subrecipient monitoring going forward

**ALTERNATIVES:**

This is an information briefing only. There are no alternatives presented.

**FISCAL IMPACT:**

This is an information briefing only. There is no fiscal impact.

**RECOMMENDATION:**

This is an information briefing only. There is no recommendation.