

CITY OF SOUTH SAN FRANCISCO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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CITY OF SOUTH SAN FRANCISCO

**SINGLE AUDIT REPORT
For The Year Ended June 30, 2023**

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CITY OF SOUTH SAN FRANCISCO

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023**

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? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

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)? X Yes No

Identification of major program(s):

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.218	CDBG - Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants COVID-19 - Community Development Block Grants/Entitlement Grants-CV
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Fund

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

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 27, 2023, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with Uniform Guidance.

Finding Reference Number: SA 2023-001 Cash Management

Assistance Listing Number: 14.218
Assistance Listing Title: Community Development Block Grant – Entitlement Grant
COVID-19 - Community Development Block Grants/Entitlement Grants-CV
Federal Agency: Department of Housing and Urban Development
Federal Award Identification Number: B-22-MC-06-0042
COVID-19 - B-20-MW-06-0042
CDBG Daly City Pass Through # Not Available
Name of Pass-through Entity: City of Daly City

Criteria: :24 CFR 570.902 indicates that the Department of Housing and Urban Development will review the performance of each entitlement, HUD-administered small cities, and Insular Areas recipient to determine whether each recipient is carrying out its CDBG-assisted activities in a timely manner. One of the factors in determining timeliness is the timing of the use of entitlement grant funds and the amount of undisbursed entitlement grant funds that remain in the Integrated Disbursement Information System (IDIS).

Therefore, the City should submit drawdown requests in the IDIS system throughout the fiscal year as costs are incurred. Those drawdown requests should be completed at least quarterly, depending on the volume of program activity, to improve the cash management for the program and to match expenditures with associated revenues throughout the fiscal year.

Condition: During our testing of CDBG grant drawdown requests during fiscal year 2023, we noted that a drawdown made in February 2023 was for September 2022 expenditures and an August 2023 drawdown was for February 2023 expenditures. The City submitted the drawdown requests in the IDIS well over three months after the program expenditures were incurred. We also noted that the City did not submit a drawdown for fiscal year 2023 for program expenditures we tested totaling \$121,242.

Effect: The City is not matching expenditures with associated revenues throughout the fiscal year as expenditures are incurred and is at risk of being out of compliance with the provisions of 24 CFR 570.902.

Cause: We understand that the drawdowns were delayed due to staff turnover.

Recommendation: The City should develop procedures to ensure that drawdown requests are submitted more frequently, at least on a quarterly basis, and should request reimbursement for the program expenditures noted above as soon as possible.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding Reference Number: SA2023-002 - Federal Funding Accountability and Transparency Act (FFATA) Reporting

Assistance Listing Number: 14.218

Assistance Listing Title: Community Development Block Grant – Entitlement Grant
COVID-19 - Community Development Block Grants/Entitlement Grants-CV

Federal Agency: Department of Housing and Urban Development

Federal Award Identification Number: B-22-MC-06-0042
COVID-19 - B-20-MW-06-0042
CDBG Daly City Pass Through # Not Available

Name of Pass-through Entity: City of Daly City

Criteria: Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252 that are codified in 2 CFR Part 170, direct recipients of grants are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Subawards that are entered into the FSRS System should be maintained so that any amendments to the subawards are also reflected in the system.

Condition: We selected two of the City’s subawards for testing of the reporting on the FSRS. The two subawards selected were both more than \$30,000. City staff was not able to provide documentation that the subawards were reported in the FSRS.

Cause: We understand that the FFATA reporting was not completed due to staff turnover.

Effect: The City is not in compliance with the FFATA reporting requirements.

Identification as a repeat finding: Yes, since 2022

Recommendation: The City should review all first-tier subaward agreements of \$30,000 or more to ensure that FFATA reporting is completed. In addition, the City should develop procedures to ensure that FFATA reporting is accurate at all times and reflects any contract amendments and final subaward funding amounts.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

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CITY OF SOUTH SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Housing and Urban Development				
Direct Program:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$90,133	\$318,921
COVID-19 - Community Development Block Grant/Entitlement Grants-CV	14.218		70,744	95,922
Pass-Through Program From:				
City of Daly City				
Community Development Block Grants/Entitlement Grants	14.218	Not Available		6,943
Program Subtotal			160,877	421,786
Pass-Through Program From:				
County of San Mateo				
Home Investment Partnerships Program	14.239	Not Available		15,460
Total Department of Housing and Urban Development			160,877	437,246
Department of Agriculture Pass-Through Program From:				
California Department of Education				
Child and Adult Care Food Program (CACFP)	10.558	Not Available		20,978
Department of Commerce - Economic Development Administration Direct Program				
Economic Development Cluster:				
Economic Adjustment Assistance	11.307			276,125
Department of Justice Direct Program:				
Equitable Sharing Program - Narcotics Task Force	16.922			128,438
Department of Labor Direct Program:				
Community Project Funding / Congressionally Directed Spending				
Economic Advancement Center - Workforce Development	17.289			38,788
Department of Transportation Pass Through Program From:				
California State Department of Transportation				
Highway Planning and Construction (Federal-Aid Highway Program)				
Grand Blvd Project Phase 3	20.205	CML-5177 (040)		141,545
Commercial and Spruce Signalized Intersection	20.205	HSIPL-5177 (041)		55,197
Pedestrian Improvements, 3 Intersections	20.205	HSIPL-5177 (043)		18,401
E101 Transit Shelter and Bulb Turnout	20.205	CRRSAL-5177 (047)		5,467
Program Subtotal				220,610
California Office of Traffic Safety				
Highway Safety Cluster:				
State and Community Highway Safety				
FY 2022/23 OTS STEP Grant	20.600	PT23180		55,523
Total Department of Transportation				276,133
Department of the Treasury Direct Program				
Equitable Sharing Program				
Narcotics Task Force - Asset Forfeiture Fund	21.016			237,555
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027			1,995,741
Total Department of Treasury				2,233,296
Department of Aging Pass-Through Program From:				
County of San Mateo				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for				
Supportive Services and Senior Centers				
Adult Day Care	93.044	57000-FY23-R078984J		33,007
Transportation	93.044	57000-FY23-R078984J		11,068
Special Programs for the Aging, Title III, Part C, Nutrition Services				
Congregate Nutrition	93.045	57000-FY23-R078984J		25,000
Total Department of Aging				69,075

(Continued)

CITY OF SOUTH SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Homeland Security Pass-Through Program From:				
City and County of San Francisco				
Homeland Security Grant Program				
Urban Area Security Initiative				
USAR Response Vehicle Equipment Upgrades	97.067	FY 2021 UASI - SSFFD		19,969
Total Expenditures of Federal Awards			<u>\$160,877</u>	<u>\$3,500,048</u>
California Department of Aging GrantAward (Non-Federal)				
OAA Title III C1 CongregateNutrition		57000-FY23-R078984J		<u>\$5,000</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and California Department of Aging Award

CITY OF SOUTH SAN FRANCISCO

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
CALIFORNIA DEPARTMENT OF AGING AWARD
For the Year Ended June 30, 2023**

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of South San Francisco, California, and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the South San Francisco Conference Center Authority (Authority). Federal awards expended by this entity, if any, are excluded from the Schedule and are subject to a separate Single Audit performed by other auditors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – CALIFORNIA DEPARTMENT OF AGING FUNDED EXPENDITURES

During the fiscal year ended June 30, 2023, the City received the following grant from the State of California Department of Aging:

	<u>State Funded Expenditures</u>
Title III C1 - Congregate Nutrition State #57000-FY23-R078984J	\$5,000

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the City Council
City of South San Francisco, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South San Francisco as of and for the year ended June 30, 2023, 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 27, 2023. Our report includes a reference to other auditors who audited the financial statements of the South San Francisco Conference Center Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report also included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

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 City'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*.

We have also issued a separate Memorandum on Internal Control dated December 27, 2023, which is an integral part of our audit and should be read in conjunction with this report.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mary & Associates". The script is cursive and fluid, with the first letters of "Mary" and "Associates" being capitalized and prominent.

Pleasant Hill, California
March 28, 2024

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the City Council
City of South San Francisco, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South San Francisco's 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 year ended June 30, 2023. 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.

The City of South San Francisco's basic financial statements include the operations of the South San Francisco Conference Center Authority, which received no federal awards during the year ended June 30, 2023. Our audit, described below, did not include the operations of the Authority, because the Authority engaged other auditors to perform an audit of compliance.

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, 2023.

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 instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items SA2023-001 and SA2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the noncompliance findings 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items SA2023-001 and SA2023-002, to collectively be significant deficiencies.

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 require the auditor to perform limited procedures on the City's response to the internal control over compliance findings 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, the discretely presented component unit, each major fund, and the aggregate remaining funds information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 27, 2023, which contained an unmodified opinion on those financial statements. Our report includes a reference to other auditors who audited the discretely presented component unit financial statements of the South San Francisco Conference Center Authority, as of and for the year ended June 30, 2023, as described in our report on the City's financial statements. Our report, in so far as it relates to the results of the other auditors, is based solely on the report of the other auditors. 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.



Pleasant Hill, California
March 28, 2024