

CITY OF SOUTH SAN FRANCISCO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2024

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CITY OF SOUTH SAN FRANCISCO

**SINGLE AUDIT REPORT
For the Year Ended June 30, 2024**

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CITY OF SOUTH SAN FRANCISCO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

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? X Yes No
- Significant deficiency(ies) identified? X Yes 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? Yes X 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)? Yes X No

Identification of major program(s):

Assistance Listing Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction (Federal-Aid Highway Program)
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

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 disclose significant deficiencies, material weaknesses and instances of noncompliance material to the basic financial statements. In addition to Finding SA2024-001 below, we have also issued a separate Memorandum on Internal Control dated December 19, 2024, which is an integral part of our audits and should be read in conjunction with this report.

Finding Reference Number: SA2024-001 - Schedule of Expenditures of Federal Awards (SEFA) Preparation

Assistance Listing Number: 20.205, 93.044, 93.045, 97.067

Assistance Listing Title: Highway Planning and Construction (Federal-Aid Highway Program)
Aging Cluster, Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
Aging Cluster, Special Programs for the Aging, Title III, Part C, Nutrition Services

Name of Federal Agency: Homeland Security Grant Program

Department of Transportation

Department of Aging

Department of Homeland Security

Federal Award Identification Number: BPMP-5177(039), CML-5177 (040), HSIPL-5177 (041),
HSIPL-5177(043), CRRSAL-5177 (047)
57000-FY23-R078984J

13121 - FY22 UASI, FY 2021 UASI -SFFD

Name of Pass-through Entity: State of California Department of Transportation

County of San Mateo

City and County of San Francisco

Criteria: In accordance with Uniform Guidance Section 200.358, Auditee Responsibilities, and Section 200.510(b), Schedule of Expenditures of Federal Awards, the City should report all Federal awards expended each fiscal year for each individual Federal program and for Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included in the Schedule of Expenditures of Federal Awards (SEFA).

Condition: During our testing of the fiscal year 2024 SEFA provided for audit we noted the following:

1. Federal expenditures for the Highway Planning and Construction Program (AL#20.205) were overstated by \$1,402,731 as follows:
 - a. \$688,120 due to the City including life to date project expenditures for three projects (BPMP-5177(039), HSIPL-5177 (041) and HSIPL-5177(043)) that had been reported on prior year SEFAs.
 - b. \$714,611 due to the City including all expenditures incurred on one project (CML-5177 (040)), rather than the actual eligible costs that had been charged to the grant and drawn from the grantor. Some of the excess costs included expenditures that were not eligible for reimbursement from the grantor.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding Reference Number: SA2024-001 - Schedule of Expenditures of Federal Awards (SEFA) Preparation (Continued)

2. Federal expenditures for the Aging Cluster, Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (AL#93.045) were overstated in the amount of \$12,011 and the Special Programs for the Aging, Title III, Part C, Nutrition Services (AL#93.045) were overstated in the amount of \$172 due to the inclusion of non-federal expenditures.
3. Federal expenditures for the Homeland Security Grant Program - Urban Area Security Initiative (AL #97.067) totaled to \$100,000 and the full grant was listed as being passed through to subrecipients, but there were no subgrants under the program during fiscal year 2024.
4. Various pass-through grants did not include the correct pass-through agency or pass-through identifying number.

Effect: Overstating annual program expenditures from the SEFA or incorrect reporting not only misstates the SEFA, it results in noncompliance with the requirements of individual grant agreements and Uniform Guidance Section 200.358, Auditee Responsibilities, and Section 200.510(b), Schedule of Expenditures of Federal Awards. As a result, future federal funding could be adversely affected.

Cause: The City's grant application, monitoring and reporting system is decentralized by department. Once the grant amounts reported by the different departments are reconciled to the accounting records maintained by the Finance Department, adjustments are needed to report the correct amounts.

Recommendation: The City must develop procedures and policies to centralize the reporting of grant activity to ensure that all data is readily available when year-end grant activity reporting is necessary. These procedures should facilitate the preparation of the SEFA so that annual expenditures for all grant programs are accurately included on the SEFA. In addition, City staff, including those in departments other than Finance that manage grants, must familiarize themselves with the guidelines for determining federal awards expended that are contained in the Uniform Guidance to ensure that only eligible federal expenditures are reported in the SEFA and prior year expenditures are not duplicated in annual reporting.

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

Our audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.

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CITY OF SOUTH SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2024

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 Agriculture Pass-Through Program From:				
California Department of Education				
Child and Adult Care Food Program (CACFP)	10.558	Not Available		\$34,593
Department of Commerce - Economic Development Administration Direct Program				
Economic Development Cluster:				
Economic Adjustment Assistance	11.307			324,695
Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Direct Program:				
Community Development Block Grants/Entitlement Grants	14.218		\$58,397	125,523
Pass-Through Program From:				
City of Daly City				
Community Development Block Grants/Entitlement Grants	14.218	Not Available		18,351
CDBG - Entitlement Grants Cluster Subtotal			58,397	143,874
Pass-Through Program From:				
County of San Mateo				
Home Investment Partnerships Program	14.239	Not Available	14,971	14,971
Total Department of Housing and Urban Development			73,368	158,845
Department of Justice Direct Program:				
Equitable Sharing Program - Narcotics Task Force	16.922			559,651
Department of Labor Direct Program:				
Community Project Funding / Congressionally Directed Spending				
Economic Advancement Center - Workforce Development	17.289			41,359
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)		955,411
E101 Transit Shelter and Bulb Turnout	20.205	CRRSAL-5177 (047)		388,998
Program Subtotal				1,344,409
California Office of Traffic Safety				
Highway Safety Cluster:				
State and Community Highway Safety				
OTS STEP Grant	20.600	PT23180		79,865
Total Department of Transportation				1,424,274
Department of the Treasury Direct Program				
Equitable Sharing Program				
Narcotics Task Force - Asset Forfeiture Fund	21.016			1,431
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027			4,988,611
Total Department of Treasury				4,990,042

(Continued)

CITY OF SOUTH SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2024

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 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		31,236
Special Programs for the Aging, Title III, Part C, Nutrition Services Congregate Nutrition	93.045	57000-FY23-R078984J		28,103
Total Department of Aging				<u>59,339</u>
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	13121 - FY22 UASI		100,000
Station 61, Emergency Operations Center, Fire Administration Site Security Upgrades	97.067	FY 2021 UASI -SFFD		55,000
Total Department of Homeland Security				<u>155,000</u>
Total Expenditures of Federal Awards			<u>\$73,368</u>	<u>\$7,747,798</u>
California Department of Aging Grant Award (Non-Federal)				
OAA Title III C1 Congregate Nutrition		57000-FY23-R078984J		<u>\$4,577</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, 2024**

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, 2024, 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	\$4,577

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND REPORT 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2024. Our report includes a reference to other auditors who audited the financial statements of 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.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items SA2024-001 to be material weaknesses.

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. We consider the deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated December 19, 2024 to be significant deficiencies, which is an integral part of our audit and should be read in conjunction with this report.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item SA2024-001.

City's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in our separately issued Memorandum on Internal Control dated December 19, 2024, which is an integral part of our audit and should be read in conjunction with this report, and 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 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 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.



Pleasant Hill, California

December 19, 2024, except for finding SA2024-001, as to which the date is March 28, 2025

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL 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 City of 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, 2024. 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, 2024. 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, 2024.

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.

Report on 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 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2024, 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, 2024, 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, 2025

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