

CITY OF MANTECA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

This Page Left Intentionally Blank

CITY OF MANTECA
SINGLE AUDIT REPORT
For The Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Findings and Questioned Costs.....	1
Section I – Summary of Auditor’s Results	1
Section II – Financial Statement Findings	2
Section III – Federal Award Findings and Questioned Costs.....	2
Schedule of Expenditures of Federal Awards.....	4
Notes to the Schedule of Expenditures of Federal Awards	5
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7
Independent Auditor's 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	9

This Page Left Intentionally Blank

CITY OF MANTECA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020**

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? 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):

CFDA #(s)	Name of Federal Program or Cluster
<u>20.205</u>	<u>Highway Planning and Construction</u>
<u>20.507</u>	<u>Federal Transit Administration - Federal Transit-Formula Grants (Urbanized Area Formula Program)</u>

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 disclosed significant deficiencies and material weaknesses, but no instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated March 10, 2022 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 #SA2020-001: **Support for Payroll Costs Charged to Grant**

CFDA Number: 20.507
CFDA Title: Federal Transit – Formula Grants (Urbanized Area Formula Program)
Name of Federal Agency: Department of Transportation - Federal Transportation Administration
Federal Award Identification Number: CA-2016-104-02, CA-2020-005-00

Criteria: 2 CFR Part 200.430(i), “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” requires that grantees adhere to the following, “Payroll systems must be based on records that accurately reflect the work performed” and “be supported by a system of internal controls that provides reasonable assurances that charges are accurate, allowable, and properly allocated...” The payroll records must be a part of the official record, reflect the employee’s total activity and show if the specific activity of the person is being paid by more than one federal award.

Section 200.430(i)(viii) indicates that budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that the system for establishing the estimates produces reasonable approximations of the activity actually performed, among other requirements.

Condition: We noted that the payroll costs for one employee were charged to the program based on a flat rate of 24.7% and 22.5% of the payroll costs, rather than based on the actual hours worked. Payroll costs, including salary and benefits, charged to the program during fiscal year 2020 totaled \$28,863.

Questioned Costs: We question costs of \$21,032, which consists of the payroll and fringe benefits charged to the grant for the employee based on the flat percentages of pay and benefits for the full fiscal year of \$28,863, less additional eligible costs the City identified during our audit of \$7,831.

Effect: The City is not in compliance with the payroll documentation requirements set forth in 2 CFR Part 200.430(i).

Cause: We understand that grant program staff were not aware of the payroll documentation requirement and due to staff turnover, Finance staff cannot determine whether any such documentation exists.

Identification as a repeat finding: Yes, since 2019

Recommendation: The City should establish procedures to ensure that payroll costs charged to the program are documented in accordance with 2 CFR Part 200.430 for the Federal Transit-Formula Grants program and all federal grant programs.

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 #SA2020-002: **Timely Submission of Invoices to Grantor or Filing of Required Written Communication**

CFDA Number: 20.205
CFDA Title: Highway Planning and Construction
Name of Federal Agency: Department of Transportation
Name of Pass-Through Agency: California Department of Transportation
Federal Award Identification Number: STPL-5242 (031), STPL-5242 (032)

Criteria: Provision 1E of the Special Covenants or Remarks to the grant Program Supplement Agreements for STPL-5242 (031) and STPL-5242 (032) require that the City submit invoices at least once every six months. If no costs have been invoiced for a six-month period, the City agrees to submit a written explanation of the absence of project activity along with a target billing date and target billing amount. In addition, the grantor reserves the right to suspend future authorizations/obligations for Federal aid projects, or encumbrances for State funded projects, as well as suspend invoice payments for any ongoing or future project, if project costs have not been invoiced by the City for a six-month period.

Condition: We noted that for STPL-5242 (031), reimbursement #7 was filed on May 19, 2019, #8 was filed on April 17, 2020, and #9 (final) was filed on November 19, 2020. For STPL-5242 (032), reimbursement #8 (included expenditures through June 20, 2019) was filed on April 17, 2020, #9 was filed on December 8, 2020, and #10 (final) was filed on July 27, 2021. Although the City did receive reimbursement from the grantor related to these requests, we understand the City did not file the required written explanations when invoices were not filed at least every six months.

Effect: The City is not in compliance with provision 1E of the Special Covenants or Remarks to the grant Program Supplement Agreements.

Cause: We understand that grant program staff were transitioning from one department to another and were unable to prepare the reimbursement requests timely.

Identification as a repeat finding: No

Recommendation: The City should establish procedures to ensure that reimbursement requests are prepared and filed with the grantor at least every six months for all projects, and in the event an invoice is not prepared timely, the required written explanation is filed with the grantor.

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

CITY OF MANTECA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Housing and Urban Development Pass-Through Program From: San Joaquin County Community Development Department Community Development Block Grants/Entitlement Grants Program Expenditures	14.218	A-93-916	\$210,485	\$413,710
Department of Justice Direct Programs Edward Byrne Memorial Justice Assistance Grant Program 2018 Justice Assistance Grant	16.738			16,199
Department of Transportation Direct Programs Federal Transit Administration Federal Transit-Formula Grants (Urbanized Area Formula Program) Operating Assistance	20.507			815,921
Department of Transportation Pass-Through Program From: State of California Department of Transportation Highway Planning and Construction Yosemite Avenue - Main to Cottage Main Street - Yosemite to Atherton Retroreflective Traffic Sign Project Traffic Signal Update Main Street: Northgate to Alameda Yosemite: Walnut to Main	20.205 20.205 20.205 20.205 20.205 20.205	STPL 5242 (031) STPL 5242 (032) HSIPL 5242(033) HSIPL 5242(034) HSIPL 5242(035) HSIPL 5242(036)		1,340,979 825,908 6,935 29,478 640 810
Program Subtotal				2,204,750
State of California Office of Traffic Safety Highway Safety Cluster State and Community Highway Safety National Priority Safety Programs	20.600 20.616	PT20077 PT20077		4,568 13,920
Cluster Subtotal				18,488
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Selective Traffic Enforcement Program (STEP)	20.608	PT20077		22,248
Total Department of Transportation				3,061,407
Department of Homeland Security Direct Program Staffing for Adequate Fire and Emergency Responses (SAFER)	97.083			54,936
Total Expenditures of Federal Awards			\$210,485	\$3,546,252

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF MANTECA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020**

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Manteca, California, and its component units as disclosed in the notes to the Basic Financial Statements.

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. All governmental funds and fiduciary funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using 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.

This Page Left Intentionally Blank

**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 Manteca, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manteca as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2022. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

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) to determine the 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 identified certain deficiencies in internal control, we consider to be material weaknesses as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated March 10, 2022, which is an integral part of our audits and should be read in conjunction with this report.

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 identified certain deficiencies in internal control, we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control date March 10, 2022, which is an integral part of our audits and should be read in conjunction with this report.

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 determination of financial statement amounts. 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*, described as Item #2020-005 in the separate Memorandum on Internal Control dated March 10, 2022, which is an integral part of our audit and should be read in conjunction with this report.

City's Response to Findings

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated March 10, 2022, which is an integral part of our audits and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

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 result 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
March 10, 2022

**INDEPENDENT AUDITOR'S 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**

To the Honorable Members of the City Council
City of Manteca, California

Report on Compliance for Each Major Federal Program

We have audited City of Manteca's 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, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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 SA2020-001 and SA2020-002. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item SA2020-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit are described in the Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 10, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 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.

Maye & Associates

Pleasant Hill, California
November 1, 2022

This Page Left Intentionally Blank