

City of Fresno

Fresno, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2022



City of Fresno
Single Audit and Independent Auditors' Reports
For the Year Ended June 30, 2022

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**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***

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Fresno
Fresno, 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 basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fresno, California (the "City") as of and for the year ended June 30, 2022, 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 15, 2023. Our report includes a reference to other auditors who audited the financial statements of the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund, the Low and Moderate Income Housing Asset Special Revenue Fund, the Fire and Police Retirement System Pension Trust Fund, or the Employees Retirement System Pension Trust Fund, blended component units of the City, 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

To the Honorable Mayor and Members of City Council
of the City of Fresno
Fresno, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic 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's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit 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 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.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
March 15, 2023



**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**

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Fresno
Fresno, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Fresno, California's (the "City") 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, 2022. 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.

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, 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; 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 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 generally accepted auditing standards, *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 auditing standards generally accepted in the United States of America, *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 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. 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.

To the Honorable Mayor and Members of City Council
of the City of Fresno
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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 the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. Other auditors audited the financial statements the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund, the Low and Moderate Income Housing Asset Special Revenue Fund, the Fire and Police Retirement System Pension Trust Fund, or the Employees Retirement System Pension Trust Fund, as described in our report on the City's financial statements. We issued our report thereon dated March 15, 2023, which contained unmodified opinions on those financial statements. Our audit was performed 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 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.

The PwC Group, LLP

Santa Ana, California
March 15, 2023

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City of Fresno
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass - Through Grantor/Program Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Commerce</u>				
Economic Development Cluster:				
<i>Direct Programs:</i>				
Investments for Public Works and Economic Development Facilities	11.300	EDA 07-01-07362	\$ 369,640	\$ -
COVID-19 - Economic Adjustment Assistance	11.307	EDA 07-39-02434	280,250	280,250
Revolving Loan Fund - Economic Adjustment Assistance	11.307	EDA 07-39-02434	889,649	889,649
Subtotal - Program 11.311			1,169,899	1,169,899
Total Economic Development Cluster			1,539,539	1,169,899
Total U.S. Department of Commerce			1,539,539	1,169,899
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant (CDBG) - Entitlement Grants Cluster:				
<i>Direct Programs:</i>				
Community Development Block Grant	14.218	Loan Balance	130,000	-
Community Development Block Grant	14.218	B-15-MC-06-0001	228,040	-
Community Development Block Grant	14.218	B-17-MC-06-0001	18,417	2,545
Community Development Block Grant	14.218	B-18-MC-06-0001	471,504	47,837
Community Development Block Grant	14.218	B-19-MC-06-0001	707,057	61,969
Community Development Block Grant	14.218	B-20-MC-06-0001	3,106,199	219,871
COVID-19 - Community Development Block Grant	14.218	B-20-MW-06-0001	43,738	1,495
Community Development Block Grant	14.218	B-21-MC-06-0001	1,978,880	95,040
Total CDBG - Entitlement Grants Cluster			6,683,835	428,757
COVID-19 - Emergency Solutions Grant Program	14.231	E-20-MW-06-0001	6,488,801	5,708,435
Emergency Solutions Grant Program	14.231	E-20-MC-06-0001	578,541	566,453
Emergency Solutions Grant Program	14.231	E-21-MC-06-0001	146,841	131,930
Total Emergency Solutions Grant Program			7,214,183	6,406,818
HOME Investment Partnership	14.239	M-17-MC-06-0204	312,081	275,219
HOME Investment Partnership	14.239	M-18-MC-06-0204	57,609	57,609
HOME Investment Partnership	14.239	B-21-MC-06-0204	9,221	-
HOME Investment Partnership	14.239	M-21-MC-06-0204	188,550	-
Total HOME Investment Partnership			567,461	332,828
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH17F011	10,665	10,665
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH17F011	655	-
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH18F011	31,615	31,615
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH19F011	196,375	195,247
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH20FW011	11,789	10,047
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH20F011	305,042	292,298
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	CAH21F011	1,776	-
Total Housing Opportunities for Persons with AIDS (HOPWA)			557,917	539,872
Total U.S. Housing and Urban Development			15,023,396	7,708,275
<u>U.S. Department of Justice</u>				
<i>Direct Programs:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	2019-DJ-BX-0686	132,347	-
Edward Byrne Memorial Justice Assistance Grant	16.738	2020-DJ-BX-0227	181,199	-
Total - Program 16.738			313,546	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Fresno
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2022

Federal Grantor/Pass - Through Grantor/Program Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<i>Direct Programs:</i>				
Sexual Assault Kit Initiative Grant	16.833	2018-AK-BX-0034	205,991	15,468
Sexual Assault Kit Initiative Grant	16.833	2019-AK-BX-0021	388,173	242,720
Sexual Assault Kit Initiative Grant	16.833	2020-AK-BX-0002	298,768	-
Total - Program 16.883			892,932	258,188
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0206	299,836	-
Lay Enforcement Mental Health and Wellness Act (LEMHWA)	16.710	2020-MH-WX-K011	37,137	-
Equitable Sharing Program	16.922	N/A	3	-
		Total U.S. Department of Justice	1,543,454	258,188
<u>U.S. Department of Transportation</u>				
Airport Improvement Program:				
<i>Direct Programs:</i>				
Airport Improvement Program	20.106	3-06-0087-082-2018	51,629	-
Airport Improvement Program	20.106	3-06-0087-086-2020	292,881	-
Airport Improvement Program	20.106	3-06-0087-087-2021	26,104	-
COVID-19 - Airport Improvement Program	20.106	3-06-0087-088-2021-CRRSA 3-06-0087-089-2021-CRRSA	4,353,104	-
COVID-19 - Airport Improvement Program	20.106	concessions	207,022	-
Airport Improvement Program	20.106	3-06-0087-090-2021	941,263	-
Airport Improvement Program	20.106	3-06-0087-091-2021	38,840	-
Airport Improvement Program	20.106	3-06-0087-092-2021 3-06-0087-093-2021-ARPA	2,594,845	-
COVID-19 - Airport Improvement Program	20.106	concessions	828,089	-
COVID-19 - Airport Improvement Program	20.106	3-06-0088-026-2021-CRRSA	23,000	-
Airport Improvement Program	20.106	70T04020T9CAP1093	645,778	-
Total - Airport Improvement Program			10,002,555	-
Highway Planning and Construction Cluster:				
<i>Passed through the California Department of Transportation:</i>				
Highway Planning and Construction Cluster	20.205	Master Agreement 06-5060	15,451,538	-
Total Highway Planning and Construction Cluster			15,451,538	-
<i>Passed through the California High Speed Rail Authority:</i>				
ARRA - High Speed Rail (Engineering & Plan Review Contract)	20.319	HSR 11-29	53,046	-
High Speed Rail (Engineering & Plan Review Contract)	20.319	HSR 16-57	6,241,238	-
Total - Program 20.319			6,294,284	-
<i>Passed through the Fresno Council of Governments:</i>				
Technical Assistance and Workforce Development Program	20.513	CA-2018-126	4,800	-
<i>Direct Program:</i>				
Clean Fuels - FY10 Electric Circulator [5308 - Clean Fuels]	20.519	CA-58-0007	1,868,920	-
<u>U.S. Department of Transportation (Continued)</u>				
Highway Safety Cluster:				
<i>Passed through California Office of Traffic Safety:</i>				
Selective Traffic Enforcement Program (STEP) FFY2021	20.600	PT21113	24,592	-
Selective Traffic Enforcement Program (STEP) FFY2022	20.600	PT22174	101,417	-
Total Highway Safety Cluster			126,009	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program:				
<i>Passed through California Office of Traffic Safety:</i>				
Selective Traffic Enforcement Program (STEP) FFY2021	20.608	PT21113	130,280	-
Selective Traffic Enforcement Program (STEP) FFY2022	20.608	PT22174	233,279	-
Total - Program 20.608			363,559	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Fresno
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2022

Federal Grantor/Pass - Through Grantor/Program Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Amount Provided to Subrecipients
Federal Transit Cluster:				
<i>Direct Program:</i>				
Federal Transit Capital Investment Grants	20.500	CA-03-0821	1,839,585	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-061	66,534	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-192	12,568	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-061	577,607	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-192	23,473	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-061	47,489	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-192	183,219	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-061	185,761	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-192	32,777,619	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-061	31,674	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-192	1,373,739	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-061	77,968	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-192	22,897	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-061	7,449	-
Urban Mass Transportation Capital Planning, Operating Assistance	20.507	CA-2020-192	171,850	-
Total - Program 20.507			35,559,847	-
Bus and Bus Facilities Formula Program	20.526	CA-2016-106	177,432	177,432
Bus and Bus Facilities Formula Program	20.526	CA-2019-045	515,553	462,067
Bus and Bus Facilities Formula Program	20.526	CA-2022-079	1,144,294	-
Total - Program 20.526			1,837,279	639,499
Total Federal Transit Cluster			39,236,711	639,499
		Total U.S. Department of Transportation	73,348,376	639,499
<u>U.S. Department of Treasury</u>				
<i>Direct Program:</i>				
Coronavirus Relief Fund	21.019	N/A	3,105,822	-
State and Local Fiscal Recovery Fund	21.027	SLT-3272	19,597,099	-
Emergency Rental Assistance Program:				
<i>Direct Program:</i>				
Emergency Rental Assistance Program (ERAP)	21.023	ERAP	22,683,540	14,590,754
<i>Passed through the State of California Department of Housing and Community Development:</i>				
Emergency Rental Assistance Program (ERAP)	21.023	ERAP	12,239,896	-
Total - Program 21.023			34,923,436	14,590,754
		Total U.S. Department of Treasury	57,626,357	14,590,754
<u>Environmental Protection Agency</u>				
<i>Direct Program:</i>				
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	99T91201	158,999	158,999
<i>Direct Program:</i>				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	BF98T08001	11,978	11,978
Total Environmental Protection Agency			170,977	170,977
<u>U.S. Department of Health and Human Services</u>				
<i>Direct Program:</i>				
Equitable Community Response to COVID-19	93.137	1 CPIMP211263-01-00	945,201	-
Total U.S. Department of Health and Human Services			945,201	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Fresno
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2022

Federal Grantor/Pass - Through Grantor/Program Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Homeland Security</u>				
Homeland Security Grant Program:				
<i>Passed through the California Department of Emergency Services:</i>				
Homeland Security Grant Program (HSGP)	97.067	2019-0054	133,773	-
Homeland Security Grant Program (HSGP)	97.067	HSFP-2019-0035	77,202	-
Homeland Security Grant Program (HSGP)	97.067	HSFP-2020-xxxx	25,793	-
Homeland Security Grant Program (HSGP)	97.067	HSFP-2018-0054	826	-
<i>Direct Programs:</i>				
Homeland Security Grant Program (HSGP)	97.067	EMW-2020-FP-00206	6,720	-
Total Homeland Security Grant Program			<u>244,314</u>	<u>-</u>
<i>Direct Programs:</i>				
Staffing for Adequate Fire and Emergency Response Grant Program	97.083	EMW-2020-FF-01300	2,324,806	-
Total U.S. Department of Homeland Security			<u>2,569,120</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 152,766,420</u>	<u>\$ 8,776,939</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Fresno
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standard Board (“GASB”), consists of the primary government, which is the City of Fresno, California (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The City’s reporting entity is defined further in Note 1a to the City’s basic financial statements.

Note 2 – Basis of Accounting

Funds received under the various grant programs have been recorded within the general fund, special revenue funds and proprietary funds of the City. The City utilizes the modified accrual method of accounting for the General Fund and special revenue funds and accrual method of accounting for proprietary funds. The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the City’s basic financial statements.

Note 3 – Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California and Fresno Council of Governments, is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position, change in fund balance, or results of operations of the City.

Note 4 – Assistance Listing Numbers

The Assistance Listing Numbers (ALNs) included in the accompanying Schedule were determined based on the federal program name, review of grant contract information, and the U.S. General Services Administration’s SAM.gov website.

Note 5 – Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

Note 6 – Section 108 Loans

The City has one (1) Section 108 loan outstanding at June 30, 2022. Semi-annual payments on this Section 108 loan are made from interest earned on the restricted loan investments and from Community Development Block Grants/Entitlement Grants Program and are included in the federal expenditures for the Community Development Block Grants on the Schedule. Total principal and interest payments totaled \$132,628 for the year ending June 30, 2022, of which \$132,628 was paid from Community Development Block Grant funds.

City of Fresno
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2022

Note 6 – Section 108 Loans (Continued)

A summary of the Section 108 loan outstanding as of June 30, 2022, is as follows:

Project Name	Assistance Listing Number	Unspent Loan Proceeds as of June 30, 2022	Outstanding Loan Balances as of June 30, 2022
Section 108 Note - Neighborhood Streets/Parks	14.218	\$ -	\$ 130,000
		\$ -	\$ 130,000

Note 7 – State Revolving Loan Funds

Beginning in fiscal year 2007, the City received Federal cross-cut revolving grant funds from the State in the form of loans from the U.S. Environmental Protection Agency, Office of Water, passed through the California State Water Resources Control Board and the California Department of Public Health, under Capitalization Grants for Clean Water State Revolving Funds (Assistance Listing Number 66.458) and Capitalization Grants for Safe Drinking Water State Revolving Funds (Assistance Listing Number 66.468). The purpose of the grants/loans is to assist in financing the construction of projects that will enable the City to comply with statutory clean and safe drinking standards. The City received funds under seven grants/loans. The terms of the grants/loans and the outstanding balances as of June 30, 2022, are as follows:

Grant Fiscal Year	Agreement Number	Description	Project Number	Not to Exceed	Interest Rate and Term	Outstanding Loan Balances as of June 30, 2022
2007	SRF06CX150	Wellsite Chlorination Project	10100007-004	\$ 2,210,000	2.2923% / 20 yrs*	\$ 1,036,699
2009	SRF08SWX101	Enterprise/Jefferson Canal Project	10100007-011	1,968,136	2.2923% / 20 yrs*	662,361
2011	SFR11CX104	Residential Water Meter Project	10100007-026C	51,405,432	0.0000% / 20 yrs*	30,843,259
2015	14-817-550	Wastewater Tertiary Plant	C-067893-110	33,138,638	1.00-1.70% / 30 yrs*	27,333,300
2016	D15-01011	Recycled Water Distribution Southwest	C-068061-110	52,475,049	1.00% / 30 yrs*	68,322,664
2016	D15-02012	Southeast Surface Water Treatment Facility	10100007-028C	195,489,000	1.663% / 30 yrs*	159,013,039
2016	D15-02040	Friant-Kern Canal Raw Water Pipeline	10100007-029C	26,520,000	1.6% / 30 yrs*	19,105,044
2016	D15-02042	Kings River Pipeline	10100007-031C	75,165,000	1.6% / 30 yrs*	51,607,187
2017	D16-02031	Regional Transmission Mains	10100007-030C	75,900,000	1.6% / 30 yrs*	62,976,858
2018	D18-02014	Northeast Surface Water Treatment Facility	10100007-032C	14,000,000	1.8% / 30 yrs*	4,440,873
						<u>\$ 425,341,284</u>

* Term begins at completion of project.

These loans are not considered to have continuing compliance requirements under Title 2 CFR Part 200, and, therefore, are only reported on the Schedule in the year in which funds are expended and drawn. The City expended \$0 in federal funds under the loans during fiscal year ended June 30, 2022.

Note 8 – Prior Year Expenditures included in the Schedule of Expenditures of Federal Awards

The Schedule includes the following expenditures that were incurred in the prior year:

The City incurred costs totaling \$228,289 under the Airport Improvement Program (AIP) during the year ended June 30, 2022, for which no funding was approved in fiscal year 2022. The City incurred pre-award costs as follows: \$317,863 under the FY19 Urban Mass Transportation Capital, Planning, Operating Assistance Grant, and \$386,045 under the FY20 Urban Mass Transportation Capital, Planning, Operating Assistance Grant under the ALN 20.507 during the year ended June 30, 2022, prior to receiving the official grant awards.

City of Fresno
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2022

Note 9 – Economic Development Assistance Revolving Loan Fund (RLF) Calculation

The amount reported on the Schedule for expenditures related to the Economic Adjustment Assistance Revolving Loan Fund (RLF) Grant ALN 11.307 is calculated using various criteria as defined by Title 2 CFR Part 200. The calculation for the year ended June 30, 2022, is as follows:

	EDA Program Revolving Loan Fund
Grant Award Number	07-39-02434
Balance of RLF loans outstanding at June 30, 2022	\$ 740,525
Cash and investment balance in the RLF at June 30, 2022	101,898
Administrative expenses paid out of RLF income during the fiscal year ended June 30, 2022	32,228
Write offs during the fiscal year ended June 30, 2022	-
Subtotal	874,651
Federal share (calculated grant rate)	100%
Economic Adjustment Assistance RLF Grant federal award expenditures for the fiscal year ended June 30, 2022	\$ 874,651

Note 10 – Nonfederal Awards Listed Separately as Required by the Grantor

The following is a list of nonfederal (state and local) award expenditures that are required to be listed separately by the Grantor:

State or Local Grantor/Pass - Through Grantor/Program Title	State Agency	Pass-through Grantor	Grant Identification Number	State or Local Expenditures
<u>California State Department of Finance</u>				
<i>CA Division of Mass Transportation - Direct Program:</i>				
Prop 1B-FAX	DOF		Prop 1B	\$ 1,273,712
	Total California State Department of Finance			1,273,712
<i>Caltrans - Pass-Through Program:</i>				
2023 SB1 - State of Good Repair Program	DOT	Fresno Council	SB1_FAX	55,232
SB1 - State of Good Repair Program	DOT	of Governments	SB1_FAX	24,758
	Total California State Department of Transportation			79,990
<u>California State Water Resources Control Board</u>				
<i>Division of Financial Assistance - Direct Program:</i>				
Clean Water State Revolving Fund - Southwest Recycled Water Distribution System	CSWRCB		C-06-8061-110	645,069
Capitalization Grants for Drinking Water State Loan - Northeast Surface Water Treatment Facility	CSWRCB		D18-0201401	4,520,433
Total Division of Financial Assistance - Direct Program				5,165,502
<i>Office of Water - Direct Program:</i>				
Capitalization Grant GroundWater Constructio/Implementation - PCE P117	CSWRCB		PCE-D181252400	2,254,040
Capitalization Grant GroundWater Planning - TCP	CSWRCB		TCP-D1712521	505,786
Total Office of Water - Direct Program				2,759,826
	Total California State Water Resources Control Board			7,925,328
	Total Expenditures of State and Local Awards			\$ 9,279,030

City of Fresno
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? 2022-001
2022-002

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster	Expenditures
14.218	CDBG - Entitlement Grants Cluster	\$ 6,683,835
14.231	Emergency Solutions Grant Program	7,214,183
20.106	Airport Improvement Program	10,002,555
200.500/507/526	Federal Transit Cluster	39,236,711
21.019	Coronavirus Relief Fund	3,105,822
21.023	Emergency Rental Assistance Program	34,923,436
21.027	State and Local Fiscal Recovery Fund	19,597,099
	Total Expenditures of All Major Federal Programs	<u>\$ 120,763,641</u>
	Total Expenditures of Federal Awards	<u>\$ 152,766,420</u>
	Percentage of Total Expenditures of Federal Awards	<u>79.05%</u>

Dollar threshold used to distinguish between type A and type B program \$3,000,000

Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520? No

City of Fresno
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement Audit

Finding 2022-001 Internal Control Over Financial Reporting

Criteria:

Management is responsible for designing, implementing, and maintaining appropriate internal control over financial reporting and compliance. Management is also responsible for the accuracy of the financial statements including disclosures.

The internal control should include establishing or enhancing guidance in the following areas:

- *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- *Risk assessment* is the entity’s identification and analysis of relevant risks to achievement of its objectives, forming a basis for developing appropriate risk responses.
- *Control activities* are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.
- *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.
- *Monitoring* consists of activities management establishes and operates to assess the quality of performance over time.

Conditions:

During the audit, as discussed in Note 15 to the basic financial statements, the City restated its beginning net position/fund balance of the government-wide governmental activities, the governmental funds and the custodial funds, in order to correct the previously reported financial statements to comply with the GASB Statement No. 84, *Fiduciary Activities*, that was required to be implemented as of the year ended June 30, 2021. The governmental activities beginning net position was restated by \$3.9 million.

Cause:

The City did not properly implement the new Government Accounting Standards Board (GASB) Statement 84, *Fiduciary Activities*, as required for the year ended June 30, 2021.

Repeat Finding:

No

Effect or Potential Effect:

Restatements of beginning balance as of July 1, 2021 for both the government-wide financial statements and certain individual fund financial statements.

Recommendation:

The City should include in its year-end closing process the review of the effective date of new and upcoming GASB statements to determine which statements are required to be implemented during each fiscal year.

City of Fresno
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit (Continued)

Finding 2022-001 Internal Control Over Financial Reporting (Continued)

Management View and Corrective Action Plan:

Management agrees with this recommendation and will take steps to ensure that future Government Accounting Standards Board (GASB) statements are implemented in the year in which they go into effect and will be proactive in identifying future GASB statement implementations moving forward so that management has sufficient time to incorporate these new GASB statements for financial reporting purposes. Management will attend trainings pertaining to new GASB implementations, work with outside stakeholders, if needed, and work with the external auditors to ensure that GASB compliance is met for all future GASB statement implementations and that the financial reporting captures all required GASB statements.

Finding 2022-002 Internal Control Over Preparation of Schedule of Expenditures of Federal Awards

Criteria:

2 CFR 200.302(b)(1) states that the nonfederal entity must identify in its accounts all federal awards received and expended, as well as the federal programs under which they were received. Federal program and award identification must include, as applicable, the assistance listing title and number, the federal award identification number and year, the name of the federal agency, and the name of the pass-through entity, if any. This information enables the auditee to reconcile amounts presented in the financial statements to related amounts in the schedule of expenditures of federal awards.

Pursuant to Code of Federal Regulation §200.510 Financial statements:

All auditees must:

(b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(3) Provide total Federal awards expended for each individual Federal program and the assistance listing number or other identifying number when the assistance listing number information is not available. For a cluster of programs also provide the total for the cluster.

Pursuant to Code of Federal Regulation §200.514 Scope of audit:

(b) Financial statements. The auditor must determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles. The auditor must also determine whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the auditee's financial statements as a whole.

City of Fresno
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statement Audit (Continued)

2022-002 Internal Control over Preparation of Schedule of Expenditures of Federal Awards (Continued)

Condition:

During our review of the Schedule of Expenditures of Federal Awards (“Schedule”) provided by the City, we noted the City federal expenditures for the Emergency Rental Assistance Program, passed through the State of California in the amount of \$12,239,896 were excluded in the schedule. We also noted federal expenditures in the schedule for the State and Local Fiscal Recovery Fund were understated by \$14,391,754.

Cause:

There was insufficient communication between the Finance Department and project manager overseeing the federal program and inadequate training to correctly identify funding sources.

Repeat Finding:

No

Effect or Potential Effect:

The federal expenditure amounts, funding agreements number and grantor information provided to federal audit clearinghouse may be inaccurate, leading to potential noncompliance with reporting requirements and incorrect identification of major programs.

Recommendation:

We recommend frequent communication between Finance Department and other departments in identifying federal programs. In addition, we recommend the City provide more training to both grant management staff and finance staff to enhance the skill in identifying pass through programs and ensure the accuracy and completeness of the Schedule.

Management View and Corrective Action Plan:

The City agrees with this recommendation and has created a Grants Management Unit in the Finance Department that is responsible for tracking federal expenditures to ensure compliance with Uniform Guidance. The Grants Management Unit will be responsible with preparing an accurate Schedule of Expenditures of Federal Awards (SEFA). In addition, the Grants Management unit will work with all City departments in identifying eligible expenditures that can be charged to federal programs and the Grants Management team will work with the Accounting and Budget units to ensure these expenses are charged to the appropriate general ledger account.

B. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the City’s major federal programs for the year ended June 30, 2022.

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PRIOR AUDIT FINDINGS STATUS

City of Fresno
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Reference Number: **Financial Statement Finding 2021-001 (Significant Deficiency)**

Audit Finding: The City’s current Internal Audit Department consists of three individuals. Due to continued budget cuts, the department has not grown to allow for the hiring of additional staff to meet the demands of the City. While internal audit developed a work plan during the year based on a risk assessment plan, several audits that were scheduled to occur in fiscal year 2020 were delayed. Additionally, due to receiving significant funding under the CARES Act, and the need for additional staff to assist with ensuring compliance with the grant requirements, the internal audit team shifted focus to assist with compliance with the CARES Act, which contributed to additional delays in conducting follow-up audits during the year and audits that were scheduled to commence as part of the audit work plan.

Furthermore, the City’s Audit Committee continues to be dormant as there have not been any meetings held on a regular basis. As such, the work plan developed during the year was not approved by the Audit Committee and audit reports issued recently were also not presented to the Audit Committee.

Status of Management’s
Corrective Action: Implemented.

Reference Number: **Financial Statement Finding 2021-002 (Significant Deficiency)**

Audit Finding: During our review of documentation provided and inquires made over various accounts receivable, we noted certain accruals in the General Fund were overlooked during the year end closing. This resulted in a material adjustments that were made after the trial balance was provided.

Status of Management’s
Corrective Action: Implemented.

Reference Number: **Federal Award Finding 2021-003 (Significant Deficiency)**

Audit Finding: During our testing of compliance with the subrecipient monitoring requirement, we noted the City did not have formal, written subrecipient monitoring policies or procedures in place during FY 2021. In addition, the preliminary SEFA provided by the City overstated the amounts passed through to subrecipients by \$5,048,975. Furthermore, the City did not clearly identify to the subrecipients the Federal award information required under §200.332(a).

Status of Management’s
Corrective Action: Not Implemented. The City put in place a formal Subrecipient Monitoring policy (effective July 1, 2022). The City created this policy to identify and administer subawards consistent with the requirements established by Office of Management and Budget (OMB) in the section federal regulation 2 CFR part 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.”

City of Fresno
Summary Schedule of Prior Audit Findings (Continued)
For the Year Ended June 30, 2022

Reference Number:

Financial Statement Finding 2021-004 (Significant Deficiency)

Audit Finding:

During our testing of compliance with the subrecipient monitoring requirement, the City noted that this requirement was not applicable during FY 2021.

Status of Management's
Corrective Action:

Not Implemented. The City put in place a formal Subrecipient Monitoring policy (effective July 1, 2022). The City created this policy to identify and administer subawards consistent with the requirements established by Office of Management and Budget (OMB) in the section federal regulation 2 CFR part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

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Finance Department

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Fresno, California 93721-3622

www.fresno.gov

Santino Danisi
Finance Director/City Controller

CITY OF FRESNO CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2022

The City of Fresno, California respectfully submits the following corrective action plan for the reported findings for the fiscal year ended June 30, 2022.

The findings are numbered consistently with numbers assigned in the June 30, 2022 Single Audit Report.

FINANCIAL STATEMENT FINDINGS

Finding 2022-001 Internal Control Over Financial Reporting

Criteria:

Management is responsible for designing, implementing, and maintaining appropriate internal control over financial reporting and compliance. Management is also responsible for the accuracy of the financial statements including disclosures.

The internal control should include establishing or enhancing guidance in the following areas:

- *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- *Risk assessment* is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for developing appropriate risk responses.
- *Control activities* are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.
- *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.
- *Monitoring* consists of activities management establishes and operates to assess the quality of performance over time.

Conditions:

During the audit, as discussed in Note 15 to the basic financial statements, the City restated its beginning net position/fund balance of the government-wide governmental activities, the governmental funds and the custodial funds, in order to correct the previously reported financial statements to comply with the GASB Statement No. 84, *Fiduciary Activities*, that was required to be implemented as of the year ended June 30, 2021. The governmental activities beginning net position was restated by \$3.9 million.

Cause:

The City did not properly implement the new Government Accounting Standards Board (GASB) Statement 84, *Fiduciary Activities*, as required for the year ended June 30, 2021.

Repeat Finding:

No

Effect or Potential Effect:

Restatements of beginning balance as of July 1, 2021 for both the government-wide financial statements and certain individual fund financial statements.

Recommendation:

The City should include in its year-end closing process the review of the effective date of new and upcoming GASB statements to determine which statements are required to be implemented during each fiscal year.

Corrective Action Plan:

Management agrees with this recommendation and will take steps to ensure that future Government Accounting Standards Board (GASB) statements are implemented in the year in which they go into effect and will be proactive in identifying future GASB statement implementations moving forward so that management has sufficient time to incorporate these new GASB statements for financial reporting purposes. Management will attend trainings pertaining to new GASB implementations, work with outside stakeholders, if needed, and work with the external auditors to ensure that GASB compliance is met for all future GASB statement implementations and that the financial reporting captures all required GASB statements.

Anticipated Completion date: June 30, 2023

Name of Contact Person: Santino Danisi, City Controller/Finance Director

Finding 2022-002 Internal Control Over Preparation of Schedule of Expenditures of Federal Awards

Criteria:

2 CFR 200.302(b)(1) states that the nonfederal entity must identify in its accounts all federal awards received and expended, as well as the federal programs under which they were received. Federal program and award identification must include, as applicable, the assistance listing title and number, the federal award identification number and year, the name of the

federal agency, and the name of the pass-through entity, if any. This information enables the auditee to reconcile amounts presented in the financial statements to related amounts in the schedule of expenditures of federal awards.

Pursuant to Code of Federal Regulation §200.510 Financial statements:

All auditees must:

(b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(3) Provide total Federal awards expended for each individual Federal program and the assistance listing number or other identifying number when the assistance listing number information is not available. For a cluster of programs also provide the total for the cluster.

Criteria (Continued):

Pursuant to Code of Federal Regulation §200.514 Scope of audit:

(b) Financial statements. The auditor must determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles. The auditor must also determine whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the auditee's financial statements as a whole.

Condition:

During our review of the Schedule of Expenditures of Federal Awards (“Schedule”) provided by the City, we noted the City federal expenditures for the Emergency Rental Assistance Program, passed through the State of California in the amount of \$12,239,896 were excluded in the schedule. We also noted federal expenditures in the schedule for the State and Local Fiscal Recovery Fund were understated by \$14,391,754.

Cause:

There was insufficient communication between the Finance Department and project manager overseeing the federal program and inadequate training to correctly identify funding sources.

Repeat Finding:

No

Effect or Potential Effect:

The federal expenditure amounts, funding agreements number and grantor information provided to federal audit clearinghouse may be inaccurate, leading to potential noncompliance with reporting requirements and incorrect identification of major programs.

Recommendation:

We recommend frequent communication between Finance Department and other departments in identifying federal programs. In addition, we recommend the City provide more training to both grant management staff and finance staff to enhance the skill in identifying pass through programs and ensure the accuracy and completeness of the Schedule.

Management View and Corrective Action Plan:

The City agrees with this recommendation and has created a Grants Management Unit in the Finance Department that is responsible for tracking federal expenditures to ensure compliance with Uniform Guidance. The Grants Management Unit will be responsible with preparing an accurate Schedule of Expenditures of Federal Awards (SEFA). In addition, the Grants Management unit will work with all City departments in identifying eligible expenditures that can be charged to federal programs and the Grants Management team will work with the Accounting and Budget units to ensure these expenses are charged to the appropriate general ledger account.

Anticipated Completion date: June 30, 2023

Name of Contact Person: Santino Danisi, City Controller/Finance Director

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The City of Fresno, California respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

Audit period: The findings below were reported in the June 30, 2021 reporting period.

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

Reference Number: **Financial Statement Finding 2021-001 (Significant Deficiency)**

Audit Finding:

The City's current Internal Audit Department consists of three individuals. Due to continued budget cuts, the department has not grown to allow for the hiring of additional staff to meet the demands of the City. While internal audit developed a work plan during the year based on a risk assessment plan, several audits that were scheduled to occur in fiscal year 2020 were delayed. Additionally, due to receiving significant funding under the CARES Act, and the need for additional staff to assist with ensuring compliance with the grant requirements, the internal audit team shifted focus to assist with compliance with the CARES Act, which contributed to additional delays in conducting follow-up audits during the year and audits that were scheduled to commence as part of the audit work plan.

Furthermore, the City's Audit Committee continues to be dormant as there have not been any meetings held on a regular basis. As such, the work plan developed during the year was not approved by the Audit Committee and audit reports issued recently were also not presented to the Audit Committee.

Status of Management's
Corrective Action:

Implemented.

Reference Number: **Financial Statement Finding 2021-002 (Significant Deficiency)**

Audit Finding:

During our review of documentation provided and inquires made over various accounts receivable, we noted certain accruals in the General Fund were overlooked during the year end closing. This resulted in a material adjustments that were made after the trial balance was provided.

Status of Management's
Corrective Action: Implemented.

Reference Number: **Federal Award Finding 2021-003 (Significant Deficiency)**

Audit Finding: During our testing of compliance with the subrecipient monitoring requirement, we noted the City did not have formal, written subrecipient monitoring policies or procedures in place during FY 2021. In addition, the preliminary SEFA provided by the City overstated the amounts passed through to subrecipients by \$5,048,975. Furthermore, the City did not clearly identify to the subrecipients the Federal award information required under §200.332(a).

Status of Management's
Corrective Action: Not Implemented. The City put in place a formal Subrecipient Monitoring policy (effective July 1, 2022). The City created this policy to identify and administer subawards consistent with the requirements established by Office of Management and Budget (OMB) in the section federal regulation 2 CFR part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

Reference Number: **Financial Statement Finding 2021-004 (Significant Deficiency)**

Audit Finding: During our testing of compliance with the subrecipient monitoring requirement, the City noted that this requirement was not applicable during FY 2021.

Status of Management's
Corrective Action: Not Implemented. The City put in place a formal Subrecipient Monitoring policy (effective July 1, 2022). The City created this policy to identify and administer subawards consistent with the requirements established by Office of Management and Budget (OMB) in the section federal regulation 2 CFR part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."