



Legislation Details (With Text)

**File #:** 13-0800      **Version:** 1      **Name:** FM - Separately Issued Financial Statements (CAFR)  
**Type:** Agenda Item      **Status:** Approved  
**File created:** 9/3/2013      **In control:** City Council  
**On agenda:** 9/17/2013      **Final action:** 9/17/2013  
**Title:** Recommendation to receive and file Separately Issued Financial Statements, the Federal Single Audit, and the Auditor's Communication with Those Charged with Governance for the Fiscal Year Ended September 30, 2012. (Citywide)  
**Sponsors:** Financial Management  
**Indexes:**  
**Code sections:**  
**Attachments:** 1. 091713-C-12sr&att.pdf

Date	Ver.	Action By	Action	Result
9/17/2013	1	City Council	approve recommendation	Pass

Recommendation to receive and file Separately Issued Financial Statements, the Federal Single Audit, and the Auditor's Communication with Those Charged with Governance for the Fiscal Year Ended September 30, 2012. (Citywide)

**Separately Issued Financial Reports and Statements**

Certain City funds, joint powers authorities, and other subsidiary entities are also required to submit audited annual financial statements under separate cover, including the Water Department and Aquarium of the Pacific Financial Statements. These separate reports are enclosed and are issued annually to meet distinct legal and financial requirements.

**Federal Single Audit**

Also attached is the Federal Single Audit required by the Federal Office of Management and Budget (OMB) for municipalities receiving over \$500,000 annually in federal funds. The Federal Single Audit, covering 12 major programs, resulted in seven findings and \$31,814 in questioned costs. No material weaknesses were identified. A finding represents any lack of compliance with OMB grant operating and/or reporting requirements. The findings are reported whether they are significant or not. A finding may also identify an amount of questioned costs that could, but are not be likely to, result in the repayment of amounts to the granting agencies. In general, this is an improvement over the audit of the previous fiscal year that resulted in two significant deficiencies, five findings, and \$173,190 in questioned costs.

Findings and questioned costs were identified in the following areas:

<u>Area</u>	<u>Questioned Costs</u>
1. Blood tests not completed within 90 days of enrollment	\$ 156
2. Did not obtain appraisal within required time limitation	0

3. Did not abate HAP within require time limitations	1,893
4. Did not submit monthly reimbursement requests	0
5. Did not provide Construction Management Program to Grantor	0
6. Final project reports were not submitted within specified limitations	0
7. Did not obtain required performance bonds	29,765

The City has taken steps to address these findings. However, because of the timing of when an audit is received, the issue causing the finding may not be resolved in time to prevent it from occurring in a subsequent year.

### **The Auditor's Communications with Those Charged with Governance**

The City's external auditor (KPMG) is required to prepare and submit the Auditor's Communication with Those Charged with Governance in accordance with Statement of Auditing Standards 114 (SAS 114). "Those charged with governance" refers to the person or persons responsible for the strategic direction of the entity and the obligations relative to the accountability of such entity, including oversight of the financial reporting process. KPMG is required to communicate with those charged with governance those matters related to the financial statement audit that are, in KPMG's professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

### **Management Letter**

KPMG has also provided a separately issued Management Letter that provides comments, findings and recommendations related to internal controls as well as other operational matters. No findings or material weaknesses were identified. City management has reviewed KPMG's recommendations and Management's response to each recommendation is included in the letter.

Action on this item is not time critical.

There is no fiscal or local job impact associated with this action.

Approve recommendation.

STEPHEN W. HANNAH  
CITY CONTROLLER

JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST  
CITY MANAGER