



Legislation Text

File #: 15-0801, Version: 1

Recommendation to receive and file the 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, 2014. (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. The Aquarium of the Pacific audited financial statements 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 five major programs, as well as all American Recovery and Reinvestment Act (ARRA) grant funds, resulted in one finding in the Surface Transportation program, one material weakness and zero dollars in questioned costs. 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 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 findings and \$891,723 in questioned costs.

The City has taken steps to address these findings. The Surface Transportation program finding was annotated in the FY 2013 single audit and, due to the timing related to when an audit report is issued, the finding could 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 the 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