



Council Agenda Report

Item 6h

Department: 4
Cost Center: 2005
For Agenda of: 5/20/2025
Placement: Consent
Estimated Time: N/A

FROM: Emily Jackson, Finance Director
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SUBJECT: ACCEPTANCE OF THE FEDERAL SINGLE AUDIT FOR FISCAL YEAR 2023-24

RECOMMENDATION

Review and accept the Federal Single Audit Report for Fiscal Year 2023-24.

POLICY CONTEXT

The City's Charter under Section 810 requires the employment of an independent, certified public accountant to examine the City's financial statements.

DISCUSSION

Background

The City's independent auditing firm, Badawi and Associates, have prepared the Single Audit Report which provides several items. First, it provides a report on the City's internal controls related to financial reporting. Second, it provides a schedule of expenditures that were funded by Federal Grants and the City's compliance with applicable Federal regulators. Third, it provides a schedule of findings and questioned costs, if any. Findings are areas of improvement when it comes to the internal controls that are designed to manage the risk of how the City's assets are safeguarded, and its finances are accurately reported, which then translates into the proper administration of Federal funding.

For the 2023-24 fiscal year, there are two findings and no questioned costs. The City's responses to the auditor's findings are incorporated into the Single Audit Report (Attachment A). The auditor's comments generally reflect the difficulties encountered when implementing the Enterprise Resource Planning/Human Capital Management (ERP/HCM) cloud-based Oracle system and both are continuations from the prior year. The City is currently working to resolve these issues, utilizing an Oracle consultant for the necessary reconfigurations. The lack of any new findings reflects the significant time and effort that has been dedicated to ongoing configuration work.

Public Engagement

The City's Single Audit Report fulfills a legal requirement and does not have a public engagement component outside the presentation before the Council during a public session.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2024-25

Funding Identified: Yes

Fiscal Analysis:

The City budgets the cost for the auditing firm annually. The cost is appropriated with the annual budget adoption and encompasses the Annual Comprehensive Financial Report (ACFR), Transportation Development Act (TDA), Single Audit, and the Whale Rock Reservoir audit. The current fiscal year contains a budget of \$75,000 for the previous fiscal year audit. Actual costs were \$67,491 in accordance with the City's contract with the auditing firm, no additional funding is requested at this time.

ALTERNATIVES

There are no viable alternatives to accepting the Single Audit Report for the fiscal year 2023-24; it is prepared in conformance with a variety of accounting, Federal, and State reporting requirements and represents the professional evaluation and analysis by the City's independent auditors.

ATTACHMENTS

A - Single Audit Report, Fiscal Year Ended June 30, 2024