

City of Richmond

Richmond, California

Single Audit Report

For the year ended June 30, 2022

City of Richmond Single Audit Report

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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 Auditor's Report

To the Honorable Mayor and Members of City Council
of the City of Richmond
Richmond, 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Richmond, California (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 February 6, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

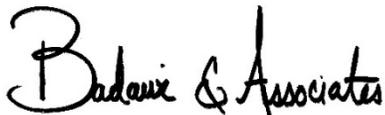
As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

City 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 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 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 "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
February 6, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM
GUIDANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Richmond, California (City)'s 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.

Qualified Opinion on ALN 97.036-Disaster Grants-Public Assistance

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on ALN 97.036-Disaster Grants-Public Assistance for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditor's 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions 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.

Matter(s) Giving Rise to Qualified Opinion on ALN 97.036-Disaster Grants-Public Assistance

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with *Assistance Listing No. 97.036 Disaster Grants-Public Assistance as described in finding numbers SA2022-001 for Reporting*, consequently we were unable to determine whether the City complied with those requirements applicable to that program.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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.

Auditor's 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 GAAS, *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 GAAS, *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 Example Entity'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

To the Honorable Mayor and Members of City Council
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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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item SA2022-001 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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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, 2022, and the related notes to the financial statements. We were engaged to audit the financial statements of the discretely presented component units as of and for the year ended June 30, 2022. These financial statements collectively comprise the City's basic financial statements. We issued our report thereon dated February 6, 2023, which contained unmodified opinions on the governmental activities, General Fund, Community Development and Loan Programs Special Revenue Fund, Port of Richmond Fund, Municipal Sewer Fund and aggregated remaining funds, and disclaimer opinions on the business-type activities, Richmond Housing Authority Enterprise Fund, and the aggregate discretely presented component units. Our audit was conducted 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 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.



Badawi & Associates, CPAs
Berkeley, California
March 31, 2023, except for the schedule of expenditures
of federal awards on pages 7 to 9, which are as of February 6, 2023

City of Richmond
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Grantor Agency and Grant Title	Federal Catalog Number	State/Other Pass-through Number	FY 2022 Program Expenditures
U.S. Department of Defense			
Direct Program:			
Community Base Reuse Plans, Project Grant/Cooperative Agreement			
Naval Fuel Depot Point Molate Pollution Remediation	12.612		\$ 903,639
Total U.S. Department of Defense			903,639
 U.S. Department of Justice			
Pass-through from CA-Office of Emergency Services:			
Violence Against Women Formula Grants	16.588	ST20037830	42,037
Pass-through from CA-Department of Justice:			
Public Safety Partnership and Community Policing Grants			
COPS Peer Support Enhancement	16.710	2019MHWXK001	25,000
Direct Program:			
Coronavirus Emergency Supplemental Funding	16.034	2020-VD-BX-1694	63,020
Pass-through from Contra Costa County:			
Edward Byrne Memorial Justice Assistance Grant 2016	16.738		59,795
Edward Byrne Memorial Justice Assistance Grant 2017	16.738		62,942
Edward Byrne Memorial Justice Assistance Grant 2018	16.738		26,693
		Program Subtotal	149,430
Total U.S. Department of Justice			279,487

City of Richmond
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Grantor Agency and Grant Title	Federal Catalog Number	State/Other Pass-through Number	FY 2022 Program Expenditures
U.S. Department of Labor			
Workforce Innovation and Opportunity Act (WIOA) Cluster			
Pass-through from California Employment & Training Administration:			
WIOA - Adult program			
Workforce Accelerator 8.0	17.258	AA011024	80,400
English Language Learners	17.258	ELL SFP PY 20-21	104,764
WIOA High Performing Boards	17.258	AA111024	3,252
WIOA - Adult program	17.258	AA111024 & AA211024	288,829
		Program Subtotal	477,245
WIOA Youth	17.259	AA211024	253,078
WIOA Dislocated Worker Formula Grants			
WIOA Dislocated Worker	17.278	AA211024	237,133
WIOA Dislocated Youth Worker	17.278	AA111024	85,727
WIOA Rapid Response	17.278	AA111024	18,695
Rapid Response Layoff Aversion	17.278	AA111024 & AA211024	16,804
WIOA Career Dislocated Worker	17.278		168,202
		Program Subtotal	526,561
		Workforce Innovation and Opportunity Act (WIOA) Cluster Total	1,256,884
Pass-through from California Employment & Training Administration			
COVID-19 Employment Recovery NDWG	17.277	AA011024-1194	13,305
Pass-through from California Employment & Training Administration			
Youth Build 2020	17.274	YB-34247-19-60-A-6	323,490
Total U.S. Department of Labor			1,593,679
U.S. Department of Transportation			
Pass-through from CA-Department of Transportation			
Highway Planning & Construction			
Yellow Brick Road	20.205	ATPL-5137(049)	4,916,601
Bridge Preventive Maintenance	20.205	BPMP-5137(046)	14,106
Castro Ranch Road Rehabilitation	20.205	STPLR-7500(235)	541,085
Section 130 Rail Highway Crossings Program	20.205	STPLR-7500(282)	1,143
		Program Subtotal	5,472,935

City of Richmond
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Grantor Agency and Grant Title	Federal Catalog Number	State/Other Pass-through Number	FY 2022 Program Expenditures
U.S. Department of Transportation, continued			
Pass-through from CA-Office of Traffic Safety Traffic Records Improvement	20.616	TR21018	67,200
Pass-through from CA-Office of Traffic Safety Selective Traffic Enforcement Program	20.600	PT21040	67,188
Total U.S. Department of Transportation			5,607,323
U.S. Department of the Interior			
Direct Program Historic Preservation Fund Grants-In-Aid	15.904		7,500
Total U.S. Department of Interior			7,500
U.S. Environmental Protection Agency			
Direct Program Brownfields Job Training Cooperative Agreements Environmental Workforce Development and Job Training	66.815		47,689
Total U.S. Environmental Protection Agency			47,689
U.S. Department of Education			
Pass-through from California Department of Rehabilitation Workforce Innovation and Opportunity Act	84.002	V002A200005	44,718
Total U.S. Department of Education			44,718
U.S. Department of Treasury			
Pass-through from State of California Emergency OP/COVID-19 - CARES ACT	21.019	N/A	42,844
Direct Program Coronavirus State and Local Fiscal Recovery Funds	21.027		364,603
Total U.S. Department of Treasury			407,447
U.S. Department of Homeland Security			
Pass-through for CA-Office of Emergency Services Via Verde Emergency Repairs	97.036	FEMA-4308-DR-CA	5,648,344
Total U.S. Department of Homeland Security			5,648,344
Total Federal Expenditures			\$ 14,539,826

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City of Richmond
Single Audit Report
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

1. REPORTING ENTITY

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB), consists of the primary government, which is the City of Richmond (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 Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the Richmond Housing Authority. Federal awards expended by this entity, if any, are excluded from the Schedule and are subject to a separate Single Audit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, capital projects, and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the general, special revenue, and capital project funds. The accrual basis of accounting is used for the enterprise fund. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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 other agencies are included in the Schedule. The Schedule of Expenditures of Federal Awards was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3. INDIRECT COSTS

The City did not elect to use the 10% de minimis indirect cost rate.

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs
For the year ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Types of auditors' report issued: Modified

Internal control over financial reporting:

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

Any noncompliance material to the financial statements noted: No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Types of auditors' report issued on compliance for major programs: Modified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a): Yes

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster	Expenditures
12.612	Project Grant Cooperative Agreement	\$ 903,639
21.027	Coronavirus State and Local Fiscal Recovery Funds	364,603
97.036	Disaster Grants-Public Assistance	5,648,344
	Total Expenditures of All Major Federal Programs	\$ 5,648,344
	Total Expenditures of Federal Awards	\$ 14,539,826
	Percentage of Total Expenditures of Federal Awards	38.8%

Dollar threshold used to distinguish between type A and type B program: \$750,000

Auditee qualified as low-risk auditee under section 200.520? No

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section II -Current Year Findings

A. Current Year Findings - Financial Statement Audit

None reported.

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section II –Current Year Findings, Continued

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

SA2022-001: Failure to Maintain Proper Documentation

Assistance Listing Numbers: 97.036

Assistance Listing Title: Disaster Grants – Public Assistance

Name of Federal Agency: U.S. Department of Homeland Security

Federal Award Identification Number: FEMA-4308-DR-CA

Name of pass-through Entity: California Office of Emergency Services

Criteria:

The grant requires the filing of quarterly progress reports on all open large projects within 30 days after the end of each calendar quarter.

Condition:

The City did not submit 3 out of 4 required quarterly progress reports.

Cause:

The City had staff turnover and shortage, so the control designed was not operated properly.

Context and Effect:

The City can't provide proof shows it is in compliance with the reporting requirements for the grant.

Recommendation:

The City should implement controls to ensure all required reports are submitted timely and maintain documentation of the submission.

Management Response:

The City's Public Works Department is responsible for work on the Via Verdi project. Staffing shortages in the previous fiscal year limited the department's ability to follow through on administrative procedures to track grants. Since noting the deficiencies, the Public Works Department has successfully hired a new Public Works Director, a new Deputy Public Works Director, project managers, and support staff to improve and adhere to necessary grant reporting and reimbursement with proper supporting documentation. Management has assigned a team to review and track all grants monthly, including the Via Verdi project. All team members will be trained on grant reporting and drawdown, and reminders set in their calendars to ensure these tasks are completed in a timely manner.

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section III- Prior Year Findings

A. Prior Year Findings - Financial Statement Audit

2021-001 General Fund Financial Position (Material Weakness)

Criteria:

The City's general fund should maintain adequate fund balance reserve to meet required operating obligations. GFOA recommends that General purpose local governments, regardless of size, at a minimum should maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating expenditures.

Condition:

The City's unrestricted fund balance in the General Fund was \$34,714,304, which can only cover less than 3 months expenditures in General Fund that was very close to the recommended minimum level. The ability of the City to meet required operating obligations is dependent on the City's ability to develop and implement a plan that will successfully increase cash flows.

Cause:

The City has either overspend its budget in the past or the budget was not balanced which depleted available fund balance.

Context and Effect:

Deficiency in fund balances may require significant cost cutting measures to reach a budget that will recoup the fund balance as well as provide the necessary revenues and financing for continued operations of the City.

Recommendation:

We recommend the City continue to analyze all potential cost cutting measures and revenue sources, and review options to establish a budget plan for the General Fund to recoup the fund balance as well as provide continued financing for City operations.

Current Status:

Implemented.

City of Richmond
Single Audit Report
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section III- Prior Year Findings, Continued

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

SA2021-001: Failure to Maintain Proper Documentation

Assistance Listing Numbers: 97.036

Assistance Listing Title: Disaster Grants – Public Assistance

Name of Federal Agency: U.S. Department of Homeland Security

Federal Award Identification Number: FEMA-4308-DR-CA

Name of pass-through Entity: California Office of Emergency Services

Criteria:

The grant requires the filing of quarterly progress reports on all open large projects within 30 days after the end of each calendar quarter.

Condition:

The City was unable to show proof of the timely submission of the selected quarterly progress reports.

Cause:

The City doesn't have internal control in place to ensure the timely submission of the reports. Since the project manager, who was the only person involved in the reporting process, left the City, the City was unable to locate any proof of the timely submission of the reports.

Context and Effect:

We can't verify if the City is in compliance with the reporting requirements for the grant.

Recommendation:

The City should implement controls to ensure all required reports are submitted timely and maintain documentation of the submission.

Current Status:

See current year finding.