

**CITY OF GRASS VALLEY,  
CALIFORNIA**



**SINGLE AUDIT ACT  
REPORTS AND SCHEDULES  
FOR THE YEAR ENDED  
JUNE 30, 2021**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF GRASS VALLEY**  
**Single Audit Act**  
**For the Year Ended June 30, 2021**

**Table of Contents**

	Page
Independent Auditor’s 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 .....	1-2
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	3-5
Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2021 .....	6
Notes to Schedule of Expenditures of Federal Awards .....	7-8
Schedule of Findings and Questioned Costs.....	9-13
Schedule of Prior Year Findings and Questioned Costs .....	14-15
Management’s Corrective Action Plan .....	16-17

**THIS PAGE INTENTIONALLY LEFT BLANK**

**INDEPENDENT AUDITOR'S 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**

To the Honorable Mayor and Members of the City Council  
City of Grass Valley  
Grass Valley, 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, each major fund, and the aggregate remaining fund information of the City of Grass Valley, California, (City) as of and for the year ended June 30, 2021, 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 18, 2022.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2021-002)

To the Honorable Mayor and Members of the City Council  
City of Grass Valley  
Grass Valley, California

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2021-003 and 2021-004)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying management's corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.



Smith & Newell CPAs  
Yuba City, California  
February 18, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Honorable Mayor and Members of the City Council  
City of Grass Valley  
Grass Valley, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Grass Valley, California's (City) compliance with the types of compliance requirements described 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, 2021. 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.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

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, 2021.

To the Honorable Mayor and Members of the City Council  
City of Grass Valley  
Grass Valley, California

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 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.

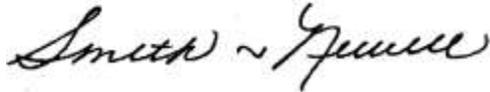
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

To the Honorable Mayor and Members of the City Council  
City of Grass Valley  
Grass Valley, California

**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 of Grass Valley, California, (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 18, 2022, which contained unmodified opinions on those financial statements. 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.



Smith & Newell CPAs  
Yuba City, California  
February 18, 2022

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF GRASS VALLEY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Assistance Listing Number</u>	<u>Federal Grantor/ Pass-Through Grantor Number</u>	<u>Disbursements/ Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
State Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Program Income	\$ 9,441
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Outstanding Loans	1,704,534
Home Investment Partnerships Program	14.239	Outstanding Loans	<u>8,065,608</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>9,779,583</u>
<b>U.S. Department of Transportation</b>			
State Department of Transportation:			
Highway Planning and Construction	20.205	CML-5023 (019)	42,898
Highway Planning and Construction	20.205	CML-5023 (021)	<u>415,020</u>
<b>Subtotal 20.205 - Highway Planning and Construction Cluster</b>			<u>457,918</u>
<b>Total U.S. Department of Transportation</b>			<u>457,918</u>
<b>U.S. Department of the Treasury</b>			
State Department of Finance:			
Coronavirus Relief Funds	21.019	21-Unknown	158,846
Coronavirus Relief Funds	21.019	21-Unknown	<u>135,000</u>
<b>Total U.S. Department of the Treasury</b>			<u>293,846</u>
<b>Environmental Protection Agency</b>			
Direct Program:			
Brownfields Assessment and Cleanup Cooperative Agreement	66.818		<u>121,841</u>
<b>Total Environmental Protection Agency</b>			<u>121,841</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 10,653,188</u>

See the accompanying Notes to Schedule of Expenditures of Federal Awards

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF GRASS VALLEY**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

**1. REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Grass Valley, California (City). The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule of Expenditures of Federal Awards. The information in this 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 (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**2. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The accompanying Schedule of Expenditures of Federal Awards, is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in the notes to the City financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursements. In addition, the outstanding balance of prior years' loans that have significant continuing compliance requirements have been included in total federal expenditures.

**3. INDIRECT COST RATE**

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

**4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the related federal financial assistance reports.

**5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the City's basic financial statements.

**6. PASS-THROUGH ENTITIES' IDENTIFYING NUMBER**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

**CITY OF GRASS VALLEY**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

**7. LOANS WITH CONTINUING COMPLIANCE REQUIREMENTS**

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs require servicing arrangements with the City. The funds are returned to the programs upon repayment of the principal and interest. In accordance with Section 200.510 of the Uniform Guidance, the City has reported the outstanding balance of loans from previous years that have significant continuing compliance requirements as of June 30, 2021, along with the value of total outstanding and new loans made during the current year.

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2021:

Assistance Listing Number	Program Title	<u>Amount Outstanding</u>	
		<u>July 1, 2020</u>	<u>June 30, 2021</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	\$ 1,704,534	\$ 1,458,772
14.239	Home Investment Partnerships Program	<u>8,065,608</u>	<u>7,938,193</u>
	Total Loans Outstanding	<u>\$ 9,770,142</u>	<u>\$ 9,396,965</u>

**8. CORONAVIRUS RELIEF FUNDS**

The City was certified to receive funding through the Coronavirus Relief Funds passed through the State of California . Expenditures incurred from March to June 2020, are reported on the City's Schedule of Expenditures of Federal Awards for the fiscal year ending June 30, 2021.

**CITY OF GRASS VALLEY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

<b>Financial Statements</b>	<u>Status</u>
1. Type of auditor's report issued	Unmodified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified and not considered to be material weaknesses?	Yes
3. Noncompliance material to financial statements noted?	No

**Federal Awards**

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified and not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes
4. Identification of major programs:	
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	
14.239 Home Investment Partnerships Program	
21.019 Coronavirus Relief Funds	
5. Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.520?	Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Prior Period Adjustment	2021-002
Budget	2021-003
Utility Billing	2021-004

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

14.228 Community Development Grants/State's Program and Non-Entitlement Grants in Hawaii	2021-001
--	----------

**CITY OF GRASS VALLEY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

**2021-001**

**Name:** Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii  
**CFDA #:** 14.228  
**Federal Grantor:** U.S. Department of Housing and Urban Development  
**Pass Through Entity:** State Department of Housing and Community Development  
**Award No.:** Various  
**Year:** 2020/2021  
**Compliance Requirement:** Program Income

**Criteria**

Proper grant compliance requires that CDBG loans be monitored for compliance with the loan provisions regarding default.

**Condition**

During our test of ten loan recipients, we noted that the City had not verified that the loan recipients carried insurance for one tested.

**Cause**

There was not adequate monitoring of loans receivable to ensure compliance with loan provisions for one loan recipients.

**Effect**

The City did not monitor one CDBG loan for compliance with the loan provisions regarding default.

**Questioned Cost**

No questioned costs were identified as a result of our procedures.

**Context**

We randomly selected 10 loan recipients to test loan monitoring procedures. Sampling was a statistically valid sample. We noted 1 of the 10 recipients were not in compliance with the CDBG loan agreements.

**Repeat Finding**

Not a repeat finding.

**Recommendation**

We recommend that the City develop a program to monitor compliance with the loan provisions in accordance with the City Loan Servicing Policies and Procedures.

**CITY OF GRASS VALLEY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

**2021-001 (Continued)**

**Views of Responsible Officials and Planned Corrective Action**

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

**2021-002 Prior Period Adjustment (Material Weakness)**

**Criteria**

Generally Accepted Accounting Principles require that errors in the prior year ending balances be corrected by a prior period adjustment to beginning fund balance/net position.

**Condition**

During our audit we noted that revenues of \$240,800 had not been recognized in the prior year.

**Cause**

Year-end balances were not reviewed for accuracy as of June 30, 2021.

**Effect**

Unearned revenues were overstated and revenues were underestimated in the prior year.

**Questioned Cost**

No questioned costs were identified as a result of our procedures.

**Context**

Not applicable.

**Repeat Finding**

This is a repeat of prior year finding 2020-001.

**Recommendation**

We recommend that the City review all year-end balances to determine that they are correctly stated and adjusted accordingly, as well as appropriately classified.

**Views of Responsible Officials and Planned Corrective Action**

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

**CITY OF GRASS VALLEY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

**2021-003 Budget (Significant Deficiency)**

**Criteria**

California Government Code requires that appropriate operating budgets be adopted and amended as needed and that expenditures not exceed the approved budget.

**Condition**

For the year ended June 30, 2021, we noted that the City incurred expenditures in excess of appropriations of \$927,127 in the General fund and \$18,887 in the Housing fund.

**Cause**

The City did not amend its budget for changes in the estimate of expenditures during the fiscal year.

**Effect**

Expenditures exceeded appropriations by \$927,127 in the General fund and \$18,887 in the Housing fund.

**Questioned Cost**

No questioned costs were identified as a result of our procedures.

**Context**

Not applicable.

**Repeat Finding**

This is a repeat of prior year finding 2020-004.

**Recommendation**

We recommend that the City control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the City take appropriate action to amend the budget.

**Views of Responsible Officials and Planned Corrective Action**

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

**2021-004 Utility Billing (Significant Deficiency)**

**Criteria**

Good internal controls over receivables requires that the City maintain adequate supporting documentation to support receipts and billings.

**CITY OF GRASS VALLEY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

**2021-004 Utility Billing (Significant Deficiency) (Continued)**

**Condition**

During fieldwork, we noted that the City did not provide adequate documentation to verify utility billings.

**Cause**

The City did not provide adequate supporting documentation to verify receipts for utility billing.

**Effect**

Receipts could not be verified due to lack of supporting documentation.

**Questioned Cost**

No questioned costs were identified as a result of our procedures.

**Context**

We systematically selected 25 receipts to test internal controls over utility billing receipts. Sampling was a statistically valid sample.

**Repeat Finding**

This is a repeat of prior year finding 2020-005.

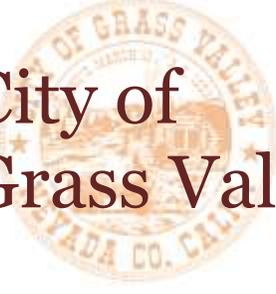
**Recommendation**

We recommend that the City maintain adequate documentation for all receipts to support utility billings.

**Views of Responsible Officials and Planned Corrective Action**

Refer to separate Management's Corrective Action Plan for views of responsible officials and management's responses.

**THIS PAGE INTENTIONALLY LEFT BLANK**



**City of  
Grass Valley**

**ADMINISTRATIVE  
SERVICES DEPARTMENT**

**CITY OF GRASS VALLEY, CALIFORNIA**

Status of Prior Year Findings and Questioned Costs

And

Corrective Action Plan

For the Year Ended June 30, 2021

Compiled by: Andy Heath, Finance Director

**THIS PAGE INTENTIONALLY LEFT BLANK**

**CITY OF GRASS VALLEY**  
**Status of Prior Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
<b>2020-001</b>	<p><b>Prior Period Adjustment</b></p> <p><b>Recommendation</b></p> <p>We recommend that the City review year-end balances to determine that they are correctly stated and adjusted accordingly, as well as appropriately classified.</p> <p><b>Status</b></p> <p>In progress</p>
<b>2020-002</b>	<p><b>Audit Adjustments</b></p> <p><b>Recommendation</b></p> <p>We recommend that the City reconcile all accounts in a timely manner so that required adjustments can be recorded prior to the start of the annual audit.</p> <p><b>Status</b></p> <p>Implemented</p>
<b>2020-003</b>	<p><b>Deposits Payable</b></p> <p><b>Recommendation</b></p> <p>We recommend that deposits payable be reviewed and determined if there are monies that should be forfeited or refunded.</p> <p><b>Status</b></p> <p>Implemented</p>
<b>2020-004</b>	<p><b>Budget</b></p> <p><b>Recommendation</b></p> <p>We recommend that the City control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the city take appropriate action to amend the budget.</p> <p><b>Status</b></p> <p>Not implemented</p>

**CITY OF GRASS VALLEY**  
**Status of Prior Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
<b>2020-005</b>	<p><b>Utility Billing</b></p> <p><b>Recommendation</b></p> <p>We recommend that the City maintain adequate documentation for all receipts to support utility billings.</p> <p><b>Status</b></p> <p>Not Implemented</p>

**CITY OF GRASS VALLEY**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2021**

**2021-001 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

We recommend that the City develop a program to monitor compliance with the loan provisions in accordance with the City Loan Servicing Policies and Procedures.

Management's Response: The City has many older loans outstanding in its CDBG and HOME programs and uses an outside firm to monitor compliance. The City will work to assure all appropriate insurance documentation is in place for current outstanding loans in the future.

Responsible Individual: Andy Heath, Finance Director

Corrective Action Plan: The City will work with the contractor to assure compliance with insurance provisions.

Anticipated Completion Date: FY 2021-22

**2021-002 Prior Period Adjustment (Material Weakness)**

We recommend that the City review year-end balances to determine that they are correctly stated and adjusted accordingly, as well as appropriately classified.

Management's Response: The City transitioned to a new financial system at the end of FY 2019-20 that required an extraordinary amount of reconciliation and updating of procedures typically used to perform pre-audit work. These procedures were still in process at the end of the fiscal year.

Responsible Individual: Andy Heath, Finance Director

Corrective Action Plan: This issue has been corrected.

Anticipated Completion Date: FY 2021-22

**2021-003 Budget (Significant Deficiency)**

We recommend that the City control and monitor expenditures so that they do not exceed the approved budget. If budget revisions are required, we recommend that the City take appropriate action to amend the budget.

Management's Response: The City typically amends the budget twice each year, with the mid-year performed typically in February/March, and when the following year's budget is adopted based on a true up of anticipated expenditures for the prior year. Certain accounting estimates at year end were too low due to public safety expenditures and new debt service allocation based on staffing cost for a recently issued Pension Obligation Bond.

Responsible Individual: Andy Heath, Finance Director

Corrective Action Plan: The City will work to assure final expenditure amounts are approved by the City Council before the commencement of the audit cycle.

**CITY OF GRASS VALLEY**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2021**

**2021-003 Budget (Significant Deficiency) (Continued)**

Anticipated Completion Date: FY 2021-22

**2021-004 Utility Billing (Significant Deficiency)**

We recommend that the City maintain adequate documentation for all receipts to support utility billings.

Management's Response: During FY 2020-21 the City transitioned to a new Utility Billing System, which required an extraordinary amount of staff resources to assure balances were carried over correctly and processes were set in place. At the time of the audit, the City was still in the process of assuring appropriate controls were in place to verify receipted balances were correctly posted to the General Ledger.

Responsible Individual: Andy Heath, Finance Director

Corrective Action Plan: This recommendation is implemented as receipt information is available for all transactions.

Anticipated Completion Date: FY 2021-22