

**CITY OF GRASS VALLEY,
CALIFORNIA**



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2022**

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CITY OF GRASS VALLEY
Single Audit Act
For the Year Ended June 30, 2022

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**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, 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 18, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-003 through 2022-005 that we consider to be significant deficiencies.

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

Report on Compliance and Other Matters

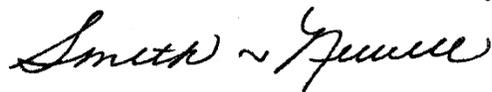
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying management's corrective action plan. The City's responses were not subjected to the other 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, 2023

**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

Opinion on Each Major Federal Program

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

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, 2022.

Basis for Opinion on Each Major Federal Program

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

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.

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

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 generally accepted auditing standards, 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 generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement 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 the City'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 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.

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 items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding 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.

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

Report on 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.

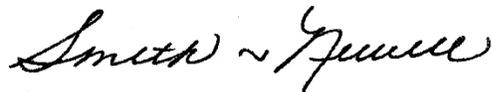
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, 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, 2022 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, 2023, which contained unmodified opinions on those financial statements. Our audit was performed 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, 2023

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CITY OF GRASS VALLEY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<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>
U.S. Department of Housing and Urban Development			
State Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Outstanding Loans	\$ 1,458,772
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-CDBG-12004	<u>3,701,915</u>
Subtotal 14.228			<u>5,160,687</u>
Home Investment Partnerships Program	14.239	Outstanding Loans	<u>7,938,193</u>
Total U.S. Department of Housing and Urban Development			<u>13,098,880</u>
U.S. Department of Transportation			
State Department of Transportation:			
Highway Planning and Construction	20.205	CML-5023 (021)	<u>104,251</u>
Subtotal 20.205 - Highway Planning and Construction Cluster			<u>104,251</u>
Total U.S. Department of Transportation			<u>104,251</u>
U.S. Department of the Treasury			
State Department of Finance:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	21-Unknown	<u>688,058</u>
Total U.S. Department of the Treasury			<u>688,058</u>
Environmental Protection Agency			
Direct Program:			
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	-	<u>122,631</u>
Total Environmental Protection Agency			<u>122,631</u>
Total Expenditures of Federal Awards			<u>\$ 14,013,820</u>

See the accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF GRASS VALLEY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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, 2022

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, 2022, 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, 2022:

Assistance Listing Number	Program Title	Amount Outstanding	
		July 1, 2021	June 30, 2022
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	\$ 1,458,772	\$ 1,113,209
14.239	Home Investment Partnerships Program	<u>7,938,193</u>	<u>7,981,929</u>
	Total Loans Outstanding	<u>\$ 9,396,965</u>	<u>\$ 9,095,138</u>

CITY OF GRASS VALLEY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements	<u>Status</u>
1. Type of auditor's report issued	Unmodified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
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	
21.027 Coronavirus State and Local Fiscal Recovery 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

Budget	2022-003
Utility Billing	2022-004
Payroll Liabilities	2022-005

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2022-001
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2022-002

CITY OF GRASS VALLEY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-001

Name: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Assistance Listing #: 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: 2021/2022
Compliance Requirement: Program Income

Criteria

Reporting of Program Income on the California Department of Housing and Community Development Program Income Report should agree to actual amounts expended by the City during the fiscal year.

Condition

We noted that although the City reported expending \$393,906 in program income during the 2021/2022 fiscal year, actual amounts expended equaled \$0.

Cause

The City reported the amount of program income approved for expenditure instead of the actual amount of program income expended during the 2021/2022 fiscal year.

Effect

The City reported an incorrect amount of program income expended during the fiscal year on the annual Program Income Report.

Questioned Cost

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

Context

We reviewed the annual Program Income Report and compared the amount reported as program income expenditures to the amounts recorded in the general ledger.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend that the City only report actual program income expended during the fiscal year instead of amounts authorized to be expended.

CITY OF GRASS VALLEY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-001 (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.

2022-002

Name:	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Assistance Listing #:	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:	2021/2022
Compliance Requirement:	Other

Criteria

Internal controls over the Schedule of Expenditures of Federal Awards (SEFA) requires that the City provide accurate Federal expenditure information to the City Auditor in a timely manner.

Condition

During our testing of major programs, we noted that the SEFA provided by the City at the beginning of the audit fieldwork contained errors in the federal expenditures. Expenditures included on the City's SEFA provided at the beginning of the audit were more than actual expenditures by \$495,601 in the programs listed above.

Cause

The City did not provide accurate information to include on the SEFA that was provided to us at the beginning of the audit.

Effect

The SEFA provided at the beginning of fieldwork was not materially correct and adjustments were needed to accurately reflect all Federal expenditures.

Questioned Cost

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

Context

The condition noted above was identified during our procedures related to reporting over the programs.

Repeat Finding

This is not a repeat finding.

CITY OF GRASS VALLEY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-002 (Continued)

Recommendation

We recommend that the City provide the Auditor with accurate federal expenditure information at the beginning of audit fieldwork.

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.

2022-003 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, 2022, we noted that the City incurred expenditures in excess of appropriations of \$2,150,888 in the General fund, \$747,107 in the Measure "E" fund, and \$23,320 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 \$2,150,888 in the General fund, \$747,107 in the Measure "E" fund, and \$23,320 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 2021-003.

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.

CITY OF GRASS VALLEY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-003 Budget (Significant Deficiency) (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.

2022-004 Utility Billing (Significant Deficiency)

Criteria

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

Condition

During fieldwork, we noted that the City did not provide adequate documentation to verify utility billings. In addition, we noted that the Utility Overpayment account (Acct #510-21600) had not been reconciled as of June 30, 2022.

Cause

The City did not provide adequate supporting documentation to verify receipts for utility billing and the Utility Overpayment account had not been reconciled.

Effect

Receipts could not be verified due to lack of supporting documentation, and we could not verify the reconciled balance of the Utility Overpayment account.

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. We also reviewed the Utility Overpayment account.

Repeat Finding

This is a repeat of prior year finding 2021-004.

Recommendation

We recommend that the City maintain adequate documentation for all receipts to support utility billings and reconcile the Utility Overpayment account.

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, 2022

2022-005 Payroll Liabilities (Significant Deficiency)

Criteria

Government Auditing Standards require independent auditors to evaluate all unadjusted misstatements of financial statements. Also, producing timely financial statements is more difficult when adjustments are not recorded and accounts are not reconciled prior to the start of the annual audit.

Condition

At the time of fieldwork, we noted that the City had not recorded necessary adjustments to reconcile the payroll clearing account.

Cause

The City did not review the payroll liability accounts to make sure they were reconciled.

Effect

The financial statements as presented to us contained misstatements.

Questioned Cost

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

Context

Not applicable.

Repeat Finding

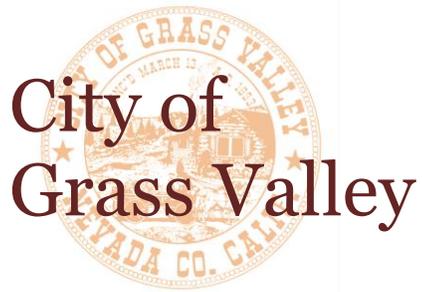
This is not a repeat finding.

Recommendation

We recommend that the City review payroll liabilities and reconcile the payroll liabilities in a timely manner so that required adjustments can be recorded prior to the start of the annual audit.

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.



**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, 2022

Compiled by: Andy Heath, Finance Director

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CITY OF GRASS VALLEY
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2022

<u>Audit Reference</u>	<u>Status of Prior Year Recommendations</u>
2021-001	<p>Program Income</p> <p>Recommendation</p> <p>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.</p> <p>Status</p> <p>Implemented</p>
2021-002	<p>Prior Period Adjustment</p> <p>Recommendation</p> <p>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.</p> <p>Status</p> <p>Implemented</p>
2021-003	<p>Budget</p> <p>Recommendation</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>Status</p> <p>Not implemented</p>
2021-004	<p>Utility Billing</p> <p>Recommendation</p> <p>We recommend that the City maintain adequate documentation for all receipts to support utility billings.</p> <p>Status</p> <p>Not Implemented</p>

CITY OF GRASS VALLEY
Management's Corrective Action Plan
For the Year Ended June 30, 2022

2022-001 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

We recommend that the City only report actual program income expended during the fiscal year instead of amounts authorized to be expended.

Management's Response: We concur with the finding. The City currently has a large grant from CDBG related to the upgrade of the Memorial Park Pool Facility. The City inadvertently reported a use of program income towards the project (which is required). However, it was determined that the grant funds were first used as the project was still ongoing.

Responsible Individual: Andy Heath, Finance Director

Corrective Action Plan: The City will work to assure the proper amounts of grant and program income are reported to the auditors.

Anticipated Completion Date: FY 2022-23

2022-002 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

We recommend that the City provide the Auditor with accurate federal expenditure information at the beginning of audit fieldwork.

Management's Response: We concur with the finding. See comment for Finding 2022-001 above.

Responsible Individual: Andy Heath, Finance Director

Corrective Action Plan: The City will work to assure the proper amounts of grant and program income are reported to the auditors.

Anticipated Completion Date: FY 2022-23

2022-003 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 new debt service allocation related to the refunding of a debt issue impacting the General Fund; and certain capital projects in the Measure E Fund due to the projects being carried over from prior year.

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.

Anticipated Completion Date: FY 2022-23

CITY OF GRASS VALLEY
Management's Corrective Action Plan
For the Year Ended June 30, 2022

2022-004 Utility Billing (Significant Deficiency)

We recommend that the City maintain adequate documentation for all receipts to support utility billings, and reconcile the Utility Overpayment account.

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. Although the City began the process of reconciling receipted balances to subsidiary accounts in the General Ledger, challenges with lack of and new staffing resources slowed the process of completing this task before the audit began.

Responsible Individual: Andy Heath, Finance Director

Corrective Action Plan: The City is currently working to reconcile Utility Billing receipts and the General Ledger subsidiary accounts.

Anticipated Completion Date: FY 2022-23

2022-005 Payroll Liabilities (Significant Deficiency)

We recommend that the City review payroll liabilities and reconcile the payroll liabilities in a timely manner so that required adjustments can be recorded prior to the start of the annual audit.

Management's Response: During FY 2021-22 fiscal year, City Finance staff experienced significant turnover, which prevented timely reconciliations for certain ledger amounts.

Responsible Individual: Andy Heath, Finance Director

Corrective Action Plan: The City is currently working to assure payroll liability accounts are reconciled in a timely manner.

Anticipated Completion Date: FY 2022-23

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