

CITY OF MODESTO

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2020**

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**INDEPENDENT AUDITORS' 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 City Council of the City of Modesto
Modesto, 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 Modesto, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2020.

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) to determine the 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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 determination of financial statement amounts. 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 of Modesto, California's Response to Findings

The City's response to the findings 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 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
December 8, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the City Council of the City of Modesto
Modesto, California

Report on Compliance for Each Major Federal Program

We have audited the City of Modesto, California's (the 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, 2020. The City's major federal programs are identified in the summary of auditors' 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.

Auditors' 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, 2020.

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.

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 8, 2020, 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.

Purpose of Report

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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
January 12, 2021

CITY OF MODESTO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Grant Number	Pass- Through to Sub- recipients	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Programs				
Community Development Block Grants (CDBG)/Entitlement Program	14.218	B-14-MC-060002	\$ -	\$ 142,676
Community Development Block Grants (CDBG)/Entitlement Program	14.218	B-15-MC-060002	-	24,800
Community Development Block Grants (CDBG)/Entitlement Program	14.218	B-16-MC-060002	-	103,495
Community Development Block Grants (CDBG)/Entitlement Program	14.218	B-17-MC-060002	-	231,697
Community Development Block Grants (CDBG)/Entitlement Program	14.218	B-18-MC-060002	-	29,581
Community Development Block Grants (CDBG)/Entitlement Program	14.218	B-19-MC-060002	364,522	4,764,519
Community Development Block Grants (CDBG)/Entitlement Program	14.218	B-20-MW-060002	-	270,219
Total Community Development Block Grants/Entitlement Program			364,522	5,566,987
Emergency Solutions Grant Program	14.231	E-18-MC-060002	26,932	50,065
Emergency Solutions Grant Program	14.231	E-19-MC-060002	145,090	157,841
Emergency Solutions Grant Program	14.231	E-20-MW-060002	-	27,970
Total Emergency Solutions Grant Program			172,022	235,876
Home Investment Partnerships Program	14.239	M-12-MC-060207	-	74,256
Home Investment Partnerships Program	14.239	M-13-MC-060207	-	102,568
Home Investment Partnerships Program	14.239	M-15-MC-060207	-	15,992
Home Investment Partnerships Program	14.239	M-16-MC-060207	-	200,888
Home Investment Partnerships Program	14.239	M-17-MC-060207	-	105,358
Home Investment Partnerships Program	14.239	M-18-MC-060207	-	32,297
Home Investment Partnerships Program	14.239	M-19-MC-060207	-	42,624
Total Home Investment Partnerships Program			-	573,983
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	14.256	B-09-LN-CA-0053	-	63,219
Homeless Management Information Systems Technical Assistance	14.261	CA1080L9T101808	-	173,533
Total Homeless Management Information Systems Technical Assistance			-	173,533
Continuum of Care Program	14.267	CA1661L9T101700	-	73,683
Continuum of Care Program	14.267	CA1754L9T101800	-	18,168
Total Homeless Management Information Systems Technical Assistance			-	91,851
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			536,544	6,705,449

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MODESTO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Grant Number	Pass- Through to Sub- recipients	Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Programs				
Public Safety Partnership and Community Policing Grants	16.710	2016ULWX0021	\$ -	\$ 521,132
TOTAL U.S. DEPARTMENT OF JUSTICE			-	521,132
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Programs				
Airport Improvement Program	20.106	AIP-041	-	47,348
Federal Transit - Capital Investment Grants	20.500	CA-04-0198	-	36,678
Federal Transit - Capital Investment Grants	20.500	CA-90-Z230	-	85,229
Total Federal Transit - Capital Investment Grants			-	121,907
Federal Transit - Formula Grants	20.507	CA-95-X248	-	29,770
Federal Transit - Formula Grants	20.507	CA-2017-010-00	-	1,478,629
Federal Transit - Formula Grants	20.507	CA-2017-157-00	-	677,636
Federal Transit - Formula Grants	20.507	CA-2019-001	103,274	1,868,833
Total Federal Transit - Formula Grants			103,274	4,054,868
Total Federal Transit Cluster			103,274	4,176,775
Passed through the California Department of Transportation				
Highway Planning and Construction	20.205	STPL-5059(205)	-	23,841
Highway Planning and Construction	20.205	BRLS-5938(167)	-	4,731
Highway Planning and Construction	20.205	CML-5059(197)	-	4,835
Highway Planning and Construction	20.205	HSIPL-5059 (204)	-	27,190
Highway Planning and Construction	20.205	CML-5059(191)	-	310
Highway Planning and Construction	20.205	ATPL-5059(233)	-	1,777
Highway Planning and Construction	20.205	HSIPL-5059 (221)	-	1,230
Highway Planning and Construction	20.205	ATPL-5059 (209)	-	5,351
Highway Planning and Construction	20.205	CML-5059(190)	-	437
Highway Planning and Construction	20.205	HSIPL-5059(227)	-	3,435
Highway Planning and Construction	20.205	CML-5059(229)	-	365
Highway Planning and Construction	20.205	CML-5059(219)	-	5,093
Highway Planning and Construction	20.205	STPL-5059 (215)	-	13
Highway Planning and Construction	20.205	STPL- 5059 (208)	-	16,803

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MODESTO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Grant Number	Pass- Through to Sub- recipients	Federal Expenditures
Passed through the California Department of Transportation (continued)				
Highway Planning and Construction	20.205	STPL-5059(195)	\$ -	\$ 26,593
Highway Planning and Construction	20.205	STPL-5059(220)	-	240,435
Highway Planning and Construction	20.205	NH-P099(647)	-	5,845
Highway Planning and Construction	20.205	CML-5059(207)	-	135
Highway Planning and Construction	20.205	HSIPL-5059(237)	-	3,797
Highway Planning and Construction	20.205	CML-5059-228	-	17,276
Highway Planning and Construction	20.205	CML-5059-235	-	13,606
Highway Planning and Construction	20.205	CML-5059-240	-	3,167
Highway Planning and Construction	20.205	CML-5059(198)	-	918,942
Highway Planning and Construction	20.205	CML-5059(187)	-	1,363
Highway Planning and Construction	20.205	CML-5059(186)	-	8,298
Highway Planning and Construction	20.205	TGHPLUL-5059(230)	-	3,013,212
Highway Planning and Construction	20.205	CML-5059(217)	-	589
Highway Planning and Construction	20.205	CML-5059(200)	-	378,173
Highway Planning and Construction	20.205	CML-5059(212)	-	115,953
Highway Planning and Construction	20.205	STPL-5059(234)	-	6,095
Highway Planning and Construction	20.205	HSIPL-5059(238)	-	13,364
Highway Planning and Construction	20.205	CML-5059(223)	-	2,294
Highway Planning and Construction	20.205	CML-5059(236)	-	8,350
Highway Planning and Construction	20.205	CML-5059(185)	-	414,460
Highway Planning and Construction	20.205	CML-5059(222)	-	3,975
Highway Planning and Construction	20.205	CML-5059	-	389,248
Total Highway Planning and Construction			-	5,680,581
Passed through the California Office of Traffic Safety				
State and Community Highway Safety	20.600	PS19012	-	1,271
State and Community Highway Safety	20.600	PS20013	-	30,557
State and Community Highway Safety	20.600	PT20083	-	116,246
State and Community Highway Safety	20.600	PT19067	-	47,646
Total State and Community Highway Safety			-	195,720

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MODESTO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Grant Number	Pass- Through to Sub- recipients	Federal Expenditures
Passed through the California Office of Traffic Safety (continued)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT20083	\$ -	\$ 136,865
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19067	-	49,860
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			-	186,725
OTS Step Grant	20.616	PT20083	-	115,050
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			103,274	10,402,199
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
Passed through California Department of Finance				
Coronavirus Relief Funding - County	21.019	606125051	-	4,761,279
Coronavirus Relief Funding - State	21.019	606125051	-	2,745,200
Total Coronavirus Relief Funding			-	7,506,479
TOTAL U.S. DEPARTMENT OF THE TREASURY			-	7,506,479
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Programs				
Assistance to Firefighters Grant	97.044	EMW-2017-FO-06393	-	133,187
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	133,187
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 639,818	\$ 25,268,446

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MODESTO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents all the activity of all the federal award programs of the City of Modesto (the City) for the year ended June 30, 2020. The City reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING & PRESENTATION

Consistent with the City's method of filing federal financial reports, the accompanying Schedule of Expenditures of Federal Awards is prepared using the accrual basis method of accounting. 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). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic federal financial reports.

NOTE 4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying Schedule of Expenditures of Federal Awards were determined based on the program name, review of the grant or contract information and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 5 – PASS-THROUGH ENTITY IDENTIFYING NUMBERS

When Federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City has either 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.

NOTE 6 – INDIRECT COST RATE LIMITATION

The City does not use the 10 percent de minimis indirect cost rate.

**CITY OF MODESTO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting

- Material weakness identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to federal awards? _____ Yes X No

Any audit findings disclosed that are required to be reported in accordance with 2CRF section 200.516(a). _____ Yes X No

Type of auditors' report issued on compliance for major Federal programs: Unmodified

Identification of major programs:

<u>CFDA Number:</u>	<u>Name of Federal Program or Cluster</u>
16.710	Public Safety Partnership and Community Policing Grants
20.205	Highway Planning and Construction
20.507	Federal Transit - Formula Grants
21.019	Coronavirus Relief Funding

Dollar threshold used to distinguish Between Type A and B programs: \$750,000

Auditee qualified as a low risk auditee? _____ Yes X No

CITY OF MODESTO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001 – Significant Deficiency
Accounts Payable

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all liabilities incurred by the City be recorded/accrued as of the fiscal reporting date and in the correct accounting reporting period.

Condition:

During our testing of accounts payable, we noted invoices for goods/services incurred prior to the end of the fiscal year were not accrued in the financial statements resulting in a material adjustment.

Cause of Condition:

Although the City's accrual process resulted in the vast majority of the accruals being correctly accrued, the City unfortunately missed two material invoices which resulted in the material adjustment.

Effect of Condition:

The City's financial statements required a material adjustment to ensure presentation in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

We recommend that City put an additional level of review over the accrual process and implement additional testing over possible missed expenses and liabilities to ensure that the City captures and accrues all necessary invoices as of year-end.

Management's Response:

Accounting Manager will meet with Accounts Payable staff on a bi-weekly basis after June 30th through the completion of the draft financials to identify invoices that should be accrued to the prior fiscal year. Accounts Payable staff will inform Accounting Manager of any large dollar invoices dated prior to the end of the fiscal year by a defined date to ensure Accounting Manager accrues the invoices properly. Additionally, prior to the start of the preparation of the financial reports, further review of all invoices processed subsequent to the end of the fiscal year will be completed to ensure the City captures and accrues all necessary invoices as of year-end.

SECTION III – FEDERAL AWARD FINDINGS

There are no federal award findings to be reported in accordance with the Uniform Guidance.

CITY OF MODESTO
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2019-001 – Material Weakness
Capital Assets

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all capital asset purchases are identified, capitalized, and recorded when in-use or available for use. Furthermore, proper accounting principles should be applied to all construction in progress assets as completed to ensure they are properly put into service and depreciated upon their completion date.

Condition:

During our fieldwork, we noted the City did not have adequate procedures to accurately report capital asset additions and disposals/deletions as construction in progress assets were completed; resulting in material audit adjustments and reclassifications to properly capitalize completed projects into a depreciable asset base and record depreciation expense.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the construction in progress completion reporting process to ensure that completed projects were properly placed in service and/or deleted out of the construction in progress accounts.

Effect of Condition:

In the current year financial statements, the City's capital asset balances were not properly reported, resulting in a material reclassification to correct these balances between non-depreciable assets and depreciable assets.

Recommendation:

The City should design and implement internal controls over capital assets to ensure that all balances are properly recorded, thus resulting in proper presentation with generally accepted accounting principles (GAAP). We recommend that the City implement different levels of internal review and/or consult with the City's Public Works Department to ensure that completed construction-in-progress jobs are properly closed and moved to a depreciable asset base to ensure proper presentation and classification of capital assets in accordance with GAAP.

Management's Response:

The City will update and implement procedures to ensure all completed projects are properly reported and capitalized. On a monthly basis, the Financial Analyst managing the fixed assets will review agenda minutes for all accepted projects by Council and will complete the capitalization process and the supervisor will conduct a final review of the agenda minutes to ensure all completed projects accepted by Council have been capitalized. Additionally, the Financial Analyst responsible for fixed asset management will conduct a quarterly review of all active projects and any projects with minimal to no activity will be reviewed by the project manager to determine if the project should be capitalized.

Current Year Status:

Implemented.

SECTION III – FEDERAL AWARD FINDINGS

There were no federal award findings to be reported in accordance with the Uniform Guidance in the prior year.