

CITY OF MANTECA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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CITY OF MANTECA
SINGLE AUDIT REPORT
For The Year Ended June 30, 2023

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CITY OF MANTECA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major program(s):

Assistance Listing Number(s)	Name of Federal Program or Cluster
<u>21.027</u>	<u>COVID-19 – Coronavirus State and Local Fiscal Recovery Funds</u>
<u>20.507</u>	<u>COVID-19 – Federal Transit Cluster</u>

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

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed significant deficiencies and material weaknesses, but no instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated October 14, 2024, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with Uniform Guidance.

Finding #SA2023-001 **Cash Management and Accuracy of Federal Financial Reports**

Assistance Listing Number: 20.507
Assistance Listing Title: COVID-19 – Federal Transit Formula Grants
Name of Federal Agency: Department of Transportation
Federal Award Identification Number: CA-2020-212-00 and CA-2022-083-00

Criteria: The 2 CFR Section 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Related to these requirements, the City should submit drawdown requests to the Department of Transportation throughout the fiscal year as costs are incurred and Federal Financial Reports should agree with those drawdown requests and supporting accounting records. Drawdown requests should be completed at least quarterly, depending on the volume of program activity, to improve the cash management for the program and to match expenditures with associated revenues throughout the fiscal year. In addition, since the grant is on a reimbursement basis, expenditures should generally be incurred prior to requesting reimbursement from the Department of Transportation unless specifically authorized by the grantor, and costs included in the Federal Financial Reports should be the same as those included in requests for reimbursement.

Condition: During our review of the Federal Financial Reports related to the grants listed above, we noted the following:

- For the annual report for the period of October 1, 2022 to September 30, 2023 related to grant #CA-2020-212-00, the report included expenditures of \$508,871, but the City only requested reimbursement in the amount of \$228,995 during that same time period.
- For the third quarter of fiscal year 2023 for grant #CA-2022-083-00, the report included expenditures in the amount of \$385,675, but the City only requested reimbursement in the amount of \$364,837 during that same time period.
- For the fourth quarter of fiscal year 2023 for grant #CA-2022-083-00, there were no current expenditures included in the report although the City had incurred grant expenditures during that period and was reimbursed \$745,899 for the associated quarter.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding #SA2023-001 Cash Management and Accuracy of Federal Financial Reports (Continued)

In addition to our review of the Federal Financial Reports, we also reviewed the timing of expenditures in relation to the associated reimbursement requests and noted that for both of the grants listed above, the City did not file for and receive reimbursement for the associated grant expenditures until four to ten months after the activity took place. The grant drawdowns took place as follows:

Period of Federal Expenditures	Date of Filing for Reimbursement
July 1, 2022 to September 30, 2022	July 13, 2023
October 1, 2022 to December 31, 2022	July 13, 2023
January 1, 2023 to March 31, 2023	September 26, 2023
April 1, 2023 to June 30, 2023	February 26, 2024

Cause: We understand that the City fell behind on drawing down grant funds on a timely basis due to employee turnover and this in turn caused the inaccuracies in the Federal Financial Reports.

Effect: The City is not in compliance with the internal control requirements of 2 CFR Section 200.303. The City is not matching expenditures with associated grant revenues throughout the fiscal year by filing timely reimbursement requests as expenditures are incurred and is at risk of filing a reimbursement request after the filing deadlines of the grant. In addition, the late filing of reimbursement requests resulted in inaccurate Federal Financial Reporting to the grantor.

Recommendation: The City must develop procedures to ensure grant reports are accurate and agree with supporting accounting records prior to being submitted to the grantor. The City must also develop procedures to ensure that all grant-funded expenditures are included on drawdown requests and those requests should be prepared at least quarterly throughout the fiscal year.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

CITY OF MANTECA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Housing and Urban Development Pass-Through Program From: San Joaquin County Community Development Department CDBG – Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants Program Expenditures	14.218	A-93-916	\$249,695	\$515,470
Total Department of Housing and Urban Development			249,695	515,470
Department of Transportation Direct Programs Federal Transit Administration Federal Transit Cluster Federal Transit-Formula Grants (Urbanized Area Formula Program) Operating Assistance COVID 19 - Operating Assistance - CARES	20.507 20.507			319,021 1,110,736
Cluster Subtotal				1,429,757
Department of Transportation Pass-Through Programs From: State of California Department of Transportation Highway Planning and Construction Cluster Retroreflective Traffic Sign Project Traffic Signal Update Main Street: Northgate to Alameda Yosemite: Walnut to Main	20.205 20.205 20.205 20.205	HSIPL 5242(033) HSIPL 5242(034) HSIPL-5242(035) HSIPL-5242(036)		75,581 85,086 8,667 8,667
Program Subtotal				178,001
State of California Office of Traffic Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated Selective Traffic Enforcement Program (STEP) Selective Traffic Enforcement Program (STEP)	20.608 20.608	PT 22027 PT 23129		29,950 47,870
Program Subtotal				77,820
Total Department of Transportation				1,685,578
Department of Treasury Direct Program COVID 19 - State and Local Fiscal Recovery Funds	21.027			2,196,007
Department of Homeland Security Direct Program Staffing for Adequate Fire and Emergency Responses (SAFER)	97.083			116,074
Total Expenditures of Federal Awards			\$249,695	\$4,513,129

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF MANTECA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2023

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Manteca, California, and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

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

NOTE 4 – PRIOR YEAR ADJUSTMENT

The current year Schedule includes an adjustment to return of prior year questioned costs in the amount of \$68,724 to the Department of Transportation – Federal Transit Cluster, Federal Transit-Formula Grants (Urbanized Area Formula Program) (AL# 20.507) program. As a result, the gross expenditures for the fiscal year ended June 30, 2023 were \$1,498,481 and after the adjustment, the expenditures reported on the Schedule are \$1,429,757.

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND REPORT ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the City Council
City of Manteca, 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 Manteca as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 14, 2024. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

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.

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 were not identified. However, as discussed below, 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated October 14, 2024 to be material weaknesses, which is an integral part of our audit and should be read in conjunction with this report.

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 as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated October 14, 2024 to be significant deficiencies, which is an integral part of our audit and should be read in conjunction with this report.

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 that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in our separately issued Memorandum on Internal Control dated October 14, 2024, which is an integral part of our audit and should be read in conjunction with this report. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in cursive script that reads "Mary & Associates".

Pleasant Hill, California
October 14, 2024

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

To the Honorable Members of the City Council
City of Manteca, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Manteca's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. 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 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. 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.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of 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 item SA2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance 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.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item SA2023-001, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, the business-type activities, each major fund, and the aggregate remaining funds information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 14, 2024, which contained an unmodified opinion 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 basic 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.

A handwritten signature in cursive script that reads "Mary & Associates".

Pleasant Hill, California
March 18, 2025