

CITY OF SAN JOSE
California Violence Intervention & Prevention Grant

Schedule of Program Expenditures

For the Performance Period from
October 1, 2020 through June 30, 2023

CITY OF SAN JOSE
California Violence Intervention & Prevention Grant
Notes to Schedule of Program Expenditures
For the Performance Period from October 1, 2020 through June 30, 2023

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Independent Auditor's Report

City Council
City of San José, California

Opinion

We have audited the schedule of program expenditures for the California Violence Intervention and Prevention Grant – grant number BSCC 875-20 (Grant), as administered by the City of San José Parks, Recreation & Neighborhood Services Department (Department), for the performance period from October 1, 2020 through June 30, 2023, and the related notes (Schedule).

In our opinion, the accompanying Schedule referred to above presents fairly, in all material respects, the program expenditures of the Grant for the performance period from October 1, 2020 through June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Emphasis of Matter

As discussed in Note 1 to the Schedule, the Schedule presents only the Grant and do not purport to, and do not, present fairly the financial position of the City of San José as of June 30, 2023, and the changes in its financial position for the performance period from October 1, 2020 through June 30, 2023, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 and *Government Auditing Standards* will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule. In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the Schedule, 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 amounts and disclosures in the Schedule.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023, on our consideration of the Department's internal control over the Grant's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over the Grant's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over the Grant's financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 29, 2023

CITY OF SAN JOSE
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Non-governmental organization	\$ 316,759
Project evaluation	<u>74,700</u>
Total expenditures	<u><u>\$ 391,459</u></u>

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NOTE 1 – DESCRIPTION OF REPORTING ENTITY

The schedule of program expenditures (Schedule) is prepared from the accounts and financial transactions of the City of San José (City) for the California Violence Intervention & Prevention Grant – grant number BSCC 875-20 (Grant) for the performance period from October 1, 2020 through June 30, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Presentation*

The Schedule presents only the Grant and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Grant represents a portion of the activities of the City and, as such, are included in the City's basic financial statements.

(b) *Basis of Accounting*

The Schedule has been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when the related governmental fund liabilities are incurred.

**Independent Auditor’s Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statement
Performed in Accordance with *Government Auditing Standards***

City Council
City of San José, 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 (*Government Auditing Standards*), the schedule of program expenditures for the California Violence Intervention and Prevention Grant – grant number BSCC 875-20 (Grant), as administered by the City of San José Parks, Recreation & Neighborhood Services Department (Department), for the performance period from October 1, 2020 through June 30, 2023, and the related notes (Schedule), and have issued our report thereon dated December 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule, we considered the Department’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 Schedule, but not for the purpose of expressing an opinion on the effectiveness of the Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Department’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. We identified a certain deficiency in internal control, described in the accompanying Schedule of Finding and Response, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is 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 Schedule. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Finding and Response.

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to findings identified in our audit and described in the accompanying Schedule of Finding and Response. The City's response was not subjected to the other auditing procedures applied in the audit of the Schedule 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 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 29, 2023

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Material Weakness in Internal Control over Compliance and Instance of Noncompliance – Match City Funds

Criteria

The City is required to match the CalVIP grant funds with 100% of local funds for the performance period from October 1, 2020 through June 30, 2023.

Condition

We examined the City’s matching calculation for the performance period from October 1, 2020 through June 30, 2023 and observed that the City’s match was insufficient by \$85,194.

Cause

The City’s planned matching requirement, based on the project budget, primarily consisted of salaries and benefits for specific employee positions and consulting expenditures. However, the principal position expected to oversee the grant, and consequently provide the bulk of the match, was vacant for a portion of the grant term. This vacancy required other staff to fill in the program activities on a part-time basis, resulting in lower salaries and benefit costs being expended. In addition, consulting costs were less than the project budget, contributing to insufficient City matching funds.

The City expended \$391,459 in CalVIP grant funds during the performance period from October 1, 2020 through June 30, 2023, however, only incurred \$306,265 in City matching funds. Therefore, based on the 100% matching requirement, the City’s match was insufficient in the amount of \$85,194. The City has inadequate internal controls over compliance for ensuring that the program matching requirements of 100% were met.

Questioned Costs

The City did not meet its matching requirement in the amount of \$85,194.

Effect

The City was not in compliance with the program matching requirement.

Recommendation

The City should contact the Board of State and Community Corrections to discuss the resolution of the questioned costs identified during the audit. In addition, the City should adopt a methodology to ensure personnel involved in program oversight are aware of grant requirements, including any matching of City funds.

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Management's Response

The Department of Parks, Recreation and Neighborhood Services is aware of the grant match shortfall identified in the report, and has been in discussion with our representatives at the California Board of State and Community Corrections as to how to address it. PRNS has proposed making a modification to the grant budget to:

- a) Pay for indirect costs on the grant project as a part of the City's grant match, instead of through grant reimbursement, and;
- b) To include the costs of the independent financial audit as part of the match.

The Department believes these changes should significantly reduce, or eliminate entirely, the match shortfall described in the report. To the extent they do not, PRNS is aware that any shortfall will reduce the amount of grant reimbursement the City will receive.