

City of San José, California

Single Audit Reports

For the Year Ended June 30, 2022



Certified
Public
Accountants

City of San José, California
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***

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San José, 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 November 17, 2022, except for our report on the schedule of expenditures of federal awards as to which the date is March 24, 2023.

Our report includes a reference to other auditors who audited the financial statements of the City of San José Federated City Employees’ Retirement System and the City of San José Police and Fire Department Retirement Plan, as described in our report on the City’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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

November 17, 2022



**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

City Council
City of San José, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of San José’s, California (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 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 (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 responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the 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.

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 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.

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, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated November 17, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.



Walnut Creek, California
March 24, 2023

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CITY OF SAN JOSE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program	Assistance Listing Number	Grant Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Agriculture				
Pass-through California Department of Education Nutrition Services Division: Summer Food Service Program for Children	10.559	05394-SFSP-43	\$ 55,353	\$ -
Total U.S. Department of Agriculture			<u>55,353</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Direct programs:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	B17-MC-06-0021	(1,300)	(1,300)
Community Development Block Grants/Entitlement Grants	14.218	B19-MC-06-0021	243,520	(5,975)
Community Development Block Grants/Entitlement Grants	14.218	B20-MC-06-0021	4,544,128	886,624
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	B20-MW-06-0021	5,227,964	3,893,763
Community Development Block Grants/Entitlement Grants	14.218	B21-MC-06-0021	4,951,799	2,697,646
Subtotal CDBG - Entitlement Grants Cluster			<u>14,966,111</u>	<u>7,470,758</u>
Emergency Solutions Grant Program	14.231	E19-MC-06-0021	66,281	18,504
Emergency Solutions Grant Program	14.231	E20-MC-06-0021	111,119	4,225
COVID-19 Emergency Solutions Grant Program	14.231	E20-MW-06-0021	19,479,782	16,537,070
Emergency Solutions Grant Program	14.231	E21-MC-06-0021	690,319	690,319
Subtotal Emergency Solutions Grant Program			<u>20,347,501</u>	<u>17,250,118</u>
Home Investment Partnerships Program	14.239	M17-MC060215	640,156	640,156
Home Investment Partnerships Program	14.239	M18-MC060215	(291,084)	(291,084)
Home Investment Partnerships Program	14.239	M19-MC060215	112,589	64,323
Home Investment Partnerships Program	14.239	M20-MC060215	543,682	543,682
Home Investment Partnerships Program	14.239	M21-MC060215	1,393,481	1,388,650
Subtotal Home Investment Partnerships Program			<u>2,398,824</u>	<u>2,345,727</u>
Housing Opportunities for Persons with AIDS	14.241	CA-H19-0010	334,463	327,077
COVID-19 Housing Opportunities for Persons with AIDS	14.241	CAH2001W028	8,424	8,424
COVID-19 Housing Opportunities for Persons with AIDS	14.241	CAH20FH0004	34,857	34,857
Housing Opportunities for Persons with AIDS	14.241	CAH20-F004	392,814	392,814
Housing Opportunities for Persons with AIDS	14.241	CAH21-F004	992,030	963,812
Subtotal Housing Opportunities for Persons with AIDS			<u>1,762,588</u>	<u>1,726,984</u>
Total U.S. Department of Housing and Urban Development			<u>39,475,024</u>	<u>28,793,587</u>
U.S. Department of Secretary of the Interior's Standards				
Pass-through California Department of Parks and Recreation: Historic Preservation Fund Grants-In-Aid	15.904	P19AF00226	10,000	-
Historic Preservation Fund Grants-In-Aid	15.904	P19AF00226	40,000	-
Total U.S. Department of Secretary of the Interior's Standards			<u>50,000</u>	<u>-</u>
U.S. Department of Justice				
Direct programs:				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1489	6,596	-
Matthew Shepard and James Byrd, Jr. Hate Crimes Education, Investigation, and Prosecution Program	16.040	15PBJA-21-GG-02976-MUMU	698	-
Missing Children's Assistance	16.543	2017-MC-FX-K020	127,028	-
Missing Children's Assistance	16.543	2020-MC-FX-K006	337,569	-
Subtotal Missing Children's Assistance			<u>464,597</u>	<u>-</u>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2018-WE-AX-0029	304,527	-
Bulletproof Vest Partnership Program	16.607	2020 BOBX200227733	145	-
Special Data Collections and Statistical Studies	16.734	2018-FU-CX-K013	119,649	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0965	165,159	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0843	628	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0690	1,349	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			<u>167,136</u>	<u>-</u>
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2018-MO-BX-K0015	236,400	-
STOP School Violence	16.839	2018-YS-BX-0040	69,466	56,793
STOP School Violence	16.839	2018-YS-BX-0042	3,920	3,920
Subtotal STOP School Violence			<u>73,386</u>	<u>60,713</u>
Pass-through California Office of Emergency Services: Crime Victim Assistance	16.575	KI 21 04 7928	30,346	30,346
Total U.S. Department of Justice			<u>1,403,480</u>	<u>91,059</u>

CITY OF SAN JOSE, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program	Assistance Listing Number	Grant Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Labor				
Pass-through State of California, Employment Development Department: Workforce Innovation and Opportunity Act (WIOA) Cluster:				
WIOA Adult Program	17.258	AA111037500	400,000	-
WIOA Adult Program	17.258	AA211037201	334,831	-
WIOA Adult Program	17.258	AA211037202	598,970	-
WIOA Adult Program	17.258	AA211037500	4,872	-
WIOA Adult Program	17.258	AA111037202	1,127,338	916,164
WIOA Adult Program	17.258	AA1110371230	37,000	28,672
Subtotal - WIOA Adult Program			<u>2,503,011</u>	<u>944,836</u>
WIOA Youth Activities	17.259	AA111037301	1,536,701	997,563
WIOA Youth Activities	17.259	AA211037301	455,272	-
Subtotal - WIOA Youth Activities			<u>1,991,973</u>	<u>997,563</u>
WIOA Dislocated Worker Formula Grants				
WIOA Dislocated Worker Formula Grants	17.278	AA2110371241	20,000	-
WIOA Dislocated Worker Formula Grants	17.278	AA111037501	130,210	130,210
WIOA Dislocated Worker Formula Grants	17.278	AA211037501	172,093	-
WIOA Dislocated Worker Formula Grants	17.278	AA211037502	113,077	-
WIOA Dislocated Worker Formula Grants	17.278	AA111037541	253,948	-
WIOA Dislocated Worker Formula Grants	17.278	AA211037540	74,103	-
WIOA Dislocated Worker Formula Grants	17.278	AA211037292	22,153	-
WIOA Dislocated Worker Formula Grants	17.278	AA211037541	38,593	-
WIOA Dislocated Worker Formula Grants	17.278	AA211037293	9,392	-
WIOA Dislocated Worker Formula Grants	17.278	AA111037502	1,045,982	284,098
Subtotal WIOA Dislocated Worker Formula Grants			<u>1,879,551</u>	<u>414,308</u>
Subtotal WIOA Cluster			<u>6,374,535</u>	<u>2,356,707</u>
Workforce Investment Act (WIA) National Emergency Grants:				
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	AA0110371194	334,734	191,671
Pass-through City of Sunnyvale:				
WIOA Adult Program	17.258	002-1221-21	768	-
WIOA Adult Program	17.258	002-1168-20	(115)	-
Subtotal - WIOA Adult Program			<u>653</u>	<u>-</u>
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	002-2064-22	25,816	12,168
Pass-through NPower Inc.:				
WIOA Adult Program	17.258	N/A	509	-
Total U.S. Department of Labor			<u>6,736,247</u>	<u>2,560,546</u>
U.S. Department of Transportation				
Direct programs:				
Airport Improvement Program	20.106	3-06-0226-098-2020	1,656,357	-
Airport Improvement Program	20.106	3-06-0226-099-2020	2,151,428	-
Airport Improvement Program	20.106	3-06-0226-100-2020	230,913	-
COVID-19 Airport Improvement Program	20.106	3-06-0226-101-2020	12,095,072	-
Airport Improvement Program	20.106	3-06-0226-102-2021	809,044	-
Airport Improvement Program	20.106	3-06-0226-103-2021	1,233,788	-
COVID-19 Airport Improvement Program	20.106	3-06-0226-104-2021	13,421,940	-
COVID-19 Airport Improvement Program	20.106	3-06-0226-107-2022	6,586,408	-
Subtotal Airport Improvement Program			<u>38,184,950</u>	<u>-</u>
Highway Planning and Construction Cluster:				
Pass-through California Department of Transportation:				
Highway Planning and Construction	20.205	BRLS-5005 (089)	488,725	-
Highway Planning and Construction	20.205	HSIP7-04-022	75,332	-
Highway Planning and Construction	20.205	HSIPL-5005 (165)	10,758	-
Highway Planning and Construction	20.205	HSIP-5005 (149)	302,912	-
Highway Planning and Construction	20.205	HSIPL-5005 (150)	76,681	-
Subtotal Highway Planning and Construction			<u>954,408</u>	<u>-</u>
Recreational Trails Program				
Coyote Creek	20.219	STPL-5005 (140)	83,679	83,679
Coyote Creek	20.219	HPLUL-5005 (051)	295,838	295,838
Subtotal Recreational Trails Program			<u>379,517</u>	<u>379,517</u>
Subtotal pass-through California Department of Transportation			<u>1,333,925</u>	<u>379,517</u>
Pass-through Metropolitan Transportation Commission:				
Highway Planning and Construction	20.205	CML-5005 (160)	859	-
Highway Planning and Construction	20.205	STPL-5005 (153)	267,776	-
Highway Planning and Construction	20.205	CML-5005 (145)	363,184	-
Highway Planning and Construction	20.205	CML-6084 (227)	389,417	-
Highway Planning and Construction	20.205	STPL-5005 (154)	369,757	-
Highway Planning and Construction	20.205	SCL170031	171,998	-
Highway Planning and Construction	20.205	SCL-210015	37,059	-
Highway Planning and Construction	20.205	SCL-170029	252,198	-
Highway Planning and Construction	20.205	SCL-170061	491,013	-
Highway Planning and Construction	20.205	STPL-5005(148)	1,099	-
Highway Planning and Construction	20.205	23877	5,144	-
Highway Planning and Construction	20.205	STPL-5005(147)	120,153	-
Subtotal pass-through Metropolitan Transportation Commission			<u>2,469,657</u>	<u>-</u>
Subtotal Highway Planning and Construction Cluster			<u>3,803,582</u>	<u>379,517</u>

CITY OF SAN JOSE, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program	Assistance Listing Number	Grant Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation (Continued)				
Pass-through California Office of Traffic Safety:				
State and Community Highway Safety	20.600	PS19028	76,465	-
State and Community Highway Safety	20.600	PT22073	33,329	-
State and Community Highway Safety	20.600	PT20156	33,297	-
State and Community Highway Safety	20.600	PT20159	3,576	-
Subtotal State and Community Highway Safety			<u>146,667</u>	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22073	44,201	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21056	24,256	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT20159	45,031	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>113,488</u>	-
Subtotal pass-through California Office of Traffic Safety			<u>260,155</u>	-
Total U.S. Department of Transportation			<u>42,248,687</u>	<u>379,517</u>
U.S. Department of the Treasury				
Direct programs:				
COVID-19 Coronavirus Relief Fund	21.019	N/A	4,570,498	1,218,837
COVID-19 Emergency Rental Assistance Program	21.023	ERA-2101060091	26,158,947	26,072,789
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	104,681,996	9,983,737
Pass-through California Department of Community Services & Development:				
COVID-19 California Arrearage Payment Program	21.027	CAPP-PN 2021-06	4,348,501	-
Pass-through State Water Resources Control Board:				
COVID-19 California Water and Wastewater Arrearage Payment Program	21.027	3940COVIDARREAR	560,381	-
Total U.S. Department of the Treasury			<u>140,320,323</u>	<u>37,275,363</u>
U.S. Environmental Protection Agency				
Direct program:				
Geographic Programs - The San Francisco Bay Water Quality Improvement Fund	66.126	98T20301	186,490	167,286
Total U.S. Environmental Protection Agency			<u>186,490</u>	<u>167,286</u>
U.S. Department of Health and Human Services				
Aging Cluster:				
Pass-through Santa Clara County Social Services:				
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	4300010957	303,712	-
Nutrition Services Incentive Program	93.053	4300010957	92,813	-
Subtotal Aging Cluster			<u>396,525</u>	-
Total U.S. Department of Health and Human Services			<u>396,525</u>	-
U.S. Department of Homeland Security				
Direct program:				
COVID-19 Assistance to Firefighters Grant	97.044	EMW-2020-FG-02814	140,106	-
Pass-through California Office of Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4301-DR	19,758	19,758
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4308-DR	(379,263)	-
Subtotal Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>(359,505)</u>	19,758
Hazard Mitigation Grant	97.039	FEMA-4344-DR	23,123	-
Subtotal pass-through California Office of Emergency Services			<u>(336,382)</u>	19,758
Pass-through Santa Clara County:				
Emergency Management Performance Grants	97.042	2021-0081	70,766	-
Pass-through the Bay Area Urban Areas Security Initiative (UASI):				
Non-Profit Security Program	97.008	2020-0095	102,367	-
Non-Profit Security Program	97.008	2020-0095	15,140	-
Non-Profit Security Program	97.008	2020-0095	17,672	-
Subtotal Non-Profit Security Program			<u>135,179</u>	-
Homeland Security Grant Program	97.067	2020-0095	493,731	-
Homeland Security Grant Program	97.067	N/A	119,738	-
Homeland Security Grant Program	97.067	FY2016-2017	72,146	-
Homeland Security Grant Program	97.067	2019-0035	80,000	-
Homeland Security Grant Program	97.067	2020-0095	96,158	-
Subtotal Homeland Security Grant Program			<u>861,773</u>	-
Subtotal pass-through the Bay Area UASI			<u>996,952</u>	-
Total U.S. Department of Homeland Security			<u>871,442</u>	<u>19,758</u>
Total Expenditures of Federal Awards			<u>\$ 231,743,571</u>	<u>\$ 69,287,116</u>

City of San José, California
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

(1) GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of the federal award programs of the City of San José, California (the City). The City's reporting entity is defined in Note I to its basic financial statements. The SEFA includes all federal awards received directly from federal agencies and federal awards passed-through other governmental agencies.

(2) BASIS OF PRESENTATION

The accompanying schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note I to the City's basic financial statements. The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 section 200.414 *Indirect (F&A) costs*.

For reimbursable grants, the City recognizes revenues commencing on the date of grant approval (provided all eligibility requirements are met) since this is when the City is eligible to claim expenditures for reimbursements. Pass-through entity identifying numbers are presented where available.

(3) RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the general, special revenue, and capital projects funds and as expenses for non-capital expenditures and as additions to capital assets for capital related expenditures in the enterprise funds. Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

During the year ended June 30, 2022, the City discovered overages related to two Department of Housing & Urban Development grants as well as one Department of Labor grant. These overages were caused by overestimating accruals in the year ended June 30, 2021. As a result, this caused the following grant projects to be negative in year ended June 30, 2022: B17-MC-06-0021 (\$1,300), M18-MC-06-0215 (\$291,084), and 002-1168-20 (\$115).

During the year ended June 30, 2022, the City discovered overages related to the Homeland Security Program Grant Number FEMA-4308-DR. The excess expenditures, in the amount of \$379,263, were reimbursed from insurance proceeds, however, they were reported on the SEFA in previous years, and are reported as a negative amount in the SEFA for the year ended June 30, 2022.

City of San José, California
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

(4) INTERNET CRIMES AGAINST CHILDREN (ICAC) GRANT

The following schedule represents expenditures and revenues for the Internet Crimes Against Children Task Force Program from the U.S. Department of Justice and the California Governor's Office of Emergency Services (CalOES) for the year ended June 30, 2022. Federal funding of the program is reported under assistance number 16.543.

Program Title and Expenditure Category	Grant Number Grant Period	Cumulative Expenditures through June 30, 2021	Actual 7/1/21-6/30/22		Cumulative Expenditures through June 30, 2022	Cumulative Program Revenue
			Non-match	Match		
Internet Crimes Against Children Task Force Program (Federal)	2017-MC-FX-K020					
Personnel Services	7/01/2017-09/30/2021	\$ 574,478	\$ 7,048	\$ -	\$ 581,526	\$ 581,526
Operating Expenses		719,781	119,980	-	839,761	839,761
Total		<u>\$ 1,294,259</u>	<u>\$ 127,028</u>	<u>\$ -</u>	<u>\$ 1,421,287</u>	<u>\$ 1,421,287</u>
Internet Crimes Against Children Task Force Program (Federal)	2020-MC-FX-K006					
Personnel Services	10/01/2020-12/31/2021	\$ 72,044	\$ 166,221	\$ -	\$ 238,265	\$ 238,265
Operating Expenses		74,530	171,348	-	245,878	245,878
Total		<u>\$ 146,574</u>	<u>\$ 337,569</u>	<u>\$ -</u>	<u>\$ 484,143</u>	<u>\$ 484,143</u>
Internet Crimes Against Children Task Force Program (State)	IC20-11-7928					
Personnel Services	1/1/2021-12/31/2021	\$ 51,207	\$ 107,640	\$ -	\$ 158,847	\$ 158,847
Operating Expenses		120,302	661,154	-	781,456	781,456
Total		<u>\$ 171,509</u>	<u>\$ 768,794</u>	<u>\$ -</u>	<u>\$ 940,303</u>	<u>\$ 940,303</u>
Internet Crimes Against Children Task Force Program (State)	IC20-12-7928					
Personnel Services	1/1/2022-12/31/2022	\$ -	\$ 71,446	\$ -	\$ 71,446	\$ 71,446
Operating Expenses		-	19,924	-	19,924	19,924
Total		<u>\$ -</u>	<u>\$ 91,370</u>	<u>\$ -</u>	<u>\$ 91,370</u>	<u>\$ 91,370</u>

City of San José, California
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

(5) PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants whose totals are not shown on the SEFA:

Federal Grantor/ Pass-Through Entity/ Federal Program Title	Assistance Listing Number	Federal Expenditures
WIOA Cluster		
WIOA Adult Program		
Passed through California Employment Development Department	17.258	\$ 2,503,011
Passed through City of Sunnyvale	17.258	653
Passed through Npower Inc.	17.258	509
Subtotal WIOA Adult Program		<u>2,504,173</u>
WIOA Youth Activities	17.259	1,991,973
WIOA Dislocated Worker Formula Grants	17.278	1,879,551
Total WIOA Cluster		<u>\$ 6,375,697</u>
Workforce Investment Act (WIA) National Emergency Grants		
Passed through California Employment Development Department	17.277	\$ 25,816
Passed through City of Sunnyvale	17.277	334,734
Total WIA National Emergency Grants		<u>\$ 360,550</u>
Highway Planning and Construction Cluster		
Highway Planning and Construction		
Passed through California Department of Transportation	20.205	\$ 954,408
Passed through Metropolitan Transportation Commission	20.205	2,469,657
Subtotal Highway Planning and Construction		<u>3,424,065</u>
Recreational Trails Program		
Passed through California Department of Transportation	20.219	379,517
Total Highway Planning and Construction Cluster		<u>\$ 3,803,582</u>
COVID-19 Coronavirus State and Local Fiscal Recovery Funds		
Direct from U.S. Department of Treasury	21.027	\$ 104,681,996
Passed through California Department of Community Services & Development	21.027	4,348,501
Passed through California Water Resources Control Board	21.027	560,381
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds		<u>\$ 109,590,878</u>

City of San José, California
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022

Section I Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major federal programs:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance with major federal programs: Unmodified

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

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.231	Emergency Solutions Grant Program
	Workforce Innovation and Opportunity Act (WIOA) Cluster:
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
20.106	Airport Improvement Program
21.023	Emergency Rental Assistance Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as a low-risk auditee? No

City of San José, California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II Financial Statement Findings

None reported.

Section III Federal Award Findings and Questioned Costs

None reported.

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022**

**Finding 2021-001 – Material Weakness
Internal Controls Over the Financial Reporting Process**

Internal control is an integral process that is designed by the City’s governing body, management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the organization’s goals, the following general objectives are being achieved:

- Executing orderly, ethical, economical, efficient and effective operations;
- Fulfilling accountability obligations;
- Complying with applicable laws, regulations, contracts and grant agreements; and
- Safeguarding resources against loss, misuse and damage.

Internal control is a dynamic integral process that should be continuously adapting to the changes the City is facing. The City started to address its staffing challenges by filling vacant positions and adding new personnel in the Finance Department.

While the City has been successful in recruiting professionals to fill vacant positions over the past four years, it has been challenged with retaining these professionals. As such, the City has been continuously training and integrating new personnel into the City’s complex accounting and financial reporting process. This rebuilding of staff has increased the workload of the remaining seasoned professionals, which contributed to errors or proposed audit adjustments to the financial reporting such as the following:

- In fiscal year 2019-20, the City’s Housing Activities Fund was awarded a State grant in the amount of \$23.8 million. The award was received upfront as an advance, and \$14.9 million was recognized as grant revenue in fiscal year 2019-20. However, only \$2.5 million should have been recognized as revenue in fiscal year 2019-20. The City should only recognize revenue as it incurs eligible costs, and report unearned revenue for the award amount where eligible costs are not yet incurred. An adjustment to the Housing Activities Fund in the amount of \$12.4 million was necessary to properly report fund balance and governmental activities net position and unearned revenue at the beginning of the year for the fiscal year 2020-21.
- Errors made in accounts payable for end of year cut-off analysis, in the amounts of \$5.8 million and \$2.7 million in its governmental and proprietary funds, respectively.
- Errors made in the classification between unearned revenue and deferred revenue in the amount of \$12.9 million in a nonmajor governmental fund.

Proper asset classification for cash received as of end of year by decreasing accounts receivable and increasing cash for the Low and Moderate Income Housing Asset Fund in the amount of \$7.9 million.

In addition, there were numerous adjusting entries made by the City after the initial close of its financial records for financial statement presentation. This resulted in increased staff effort in re-performing reconciliations to substantiate account balances. This continued practice could cause possible irregularities, delays, and errors without timely identification.

We recommend that the City continue evaluating the causes for the deficiencies reported above and to incorporate the necessary tasks during its closing process to prevent these types of errors in the future. This includes minimizing manual reconciliations to the General Ledger and manual adjusting entries for financial statement presentation. In addition, the City should continue to develop the skills and experience of its new personnel assigned to key roles in the preparation of the annual financial statements to improve the efficiency of its financial reporting process, including cross-training to minimize the impacts of further turnover.

Status: Corrected.