

**CITY OF SOUTH SAN FRANCISCO**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF SOUTH SAN FRANCISCO**

**SINGLE AUDIT REPORT  
For the Year Ended June 30, 2021**

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**CITY OF SOUTH SAN FRANCISCO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021**

**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?          Yes   X   No
- Significant deficiency(ies) identified?          Yes   X   None Reported

Noncompliance material to financial statements noted?          Yes   X   No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?   X   Yes          No
- Significant deficiency(ies) identified?          Yes   X   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):

<b>Assistance Listing #(s)</b>	<b>Name of Federal Program or Cluster</b>
<u>16.922</u>	<u>Equitable Sharing Program</u>
<u>21.019</u>	<u>COVID-19 - Coronavirus Relief Fund</u>
<u>21.027</u>	<u>COVID-19 - Coronavirus State and Local Fiscal Recovery Fund</u>

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

Auditee qualified as low-risk auditee?   X   Yes          No

## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated January 4, 2022, 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# SA2021-001:**

### **Subrecipient Monitoring**

**Federal Assistance Listing number:** 21.027

**Federal Assistance Listing Title:** COVID-19-Coronavirus State and Local Fiscal Recovery Fund

**Name of Federal Agency:** Department of Treasury

**Federal Award Identification Number:** EES4XJFTXC28

**Criteria:** 2 CFR sections 200.332(d) through (f) require that a pass-through entity identify the award and applicable requirements to each subrecipient, as well as evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward, and monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

In addition, section VI., Transfer, of the Interim Final Rule and section D., Transfer, of the Final Rule for the Coronavirus State and Local Fiscal Recovery Funds indicates that the recipient remains responsible for monitoring and overseeing the subrecipient’s use of Fiscal Recovery Funds and other activities related to the award to ensure that the subrecipient complies with the statutory and regulatory requirements and the terms and conditions of the award. Recipients also remain responsible for reporting to Treasury on their subrecipients’ use of payments from the Fiscal Recovery Funds for the duration of the award.

**Condition:** The City passed through grant funding to a nonprofit that was providing grants to qualifying South San Francisco businesses, but the City did not enter into a subrecipient agreement with the nonprofit and did not perform the other required subrecipient monitoring procedures after the payment was made to the nonprofit to ensure compliance with the eligible uses of the grant program.

**Questioned Costs:** We are not questioning the costs expended under the program during fiscal year 2021.

**Cause:** We understand the City initially considered the payment to the nonprofit to be a grant specific to the Restaurant, Brewery & Winery Grant Program (RBWGP), rather than a subgrant to the nonprofit. The RBWGP offers grants to qualifying businesses in the amount of \$10,000 to assist with operational and other costs incurred as a result of COVID-19, such as making additional health and safety operational modifications, and the City’s payment to the RBWGP was specifically to provide 26 grants to South San Francisco businesses pursuant to a lottery process to determine the final recipients.

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

**Finding# SA2021-001:**

#### **Subrecipient Monitoring (Continued)**

At the time of the City’s payment to the RBWGP, the 26 businesses were previously approved by the nonprofit to receive a grant under the RBWGP, but the RBWGP program funding had been depleted. The City approved making a payment to the nonprofit’s RBWGP administrator “for the specific purpose of funding the 26 local businesses located in South San Francisco previously approved to receive a Program grant.” However, the City did not monitor the activities of the nonprofit as a subrecipient, after the payment to the RBWGP administrator had been made.

In addition, the City reported this payment under the “Revenue Loss” category in its reports to the Treasury.

**Effect:** The City is not in compliance with the subrecipient monitoring requirements of 2 CFR sections 200.332(d) through (f) or with section VI., Transfer, of the Interim Final Rule and section D., Transfer, of the Final Rule for the Coronavirus State and Local Fiscal Recovery Funds.

**Recommendation:** City must develop procedures to complete the determination of whether an entity is a subrecipient (or beneficiary) prior to distributing grant funds. And, for subgrants made with grant program funds, the City must develop subrecipient monitoring procedures that comply with the requirements of 2 CFR sections 200.332(d) through (f) and section VI., Transfer, of the Interim Final Rule and section D., Transfer, for the Coronavirus State and Local Fiscal Recovery Funds. Finally, the City should determine if the reporting to the Treasury should be modified to reflect the correct category/type of the expenditures.

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

**CITY OF SOUTH SAN FRANCISCO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
<b>Department of Housing and Urban Development Direct Program:</b>				
Community Development Block Grants/Entitlement Grants	14.218		\$ 133,880	\$ 294,303
COVID-19 - Community Development Block Grants/Entitlement Grants-CV	14.218		6,004	353,779
<b>Total Department of Housing and Urban Development</b>			<u>139,884</u>	<u>648,082</u>
<b>Department of Agriculture Pass-Through Program From:</b>				
California Department of Education				
Child and Adult Care Food Program	10.558	4129261K		<u>616</u>
<b>Department of Transportation Pass-Through Programs From:</b>				
California State Department of Transportation				
Highway Planning and Construction				
Street Rehabilitation Program FY 18-19	20.205	STPL-5177 (042)		195,515
Linden Avenue Complete Streets	20.205	ATPL-5177 (037)		584,118
GBI Phase 2 - Kaiser Way to BART	20.205	TCSP-6014 (015)		80,523
Grand Blvd Chestnut to Arroyo	20.205	CML-5177 (033)		190,321
Grand Blvd Project Phase 3	20.205	CML-5177 (040)		125,442
Commercial and Spruce Signalized Intersection	20.205	HSIPL-5177 (041)		<u>115,038</u>
<b>Subtotal Highway Planning and Construction</b>				<u>1,290,957</u>
California Office of Traffic Safety				
State and Community Highway Safety Grants				
FY 2019/20 DUI Enforcement and Awareness Program	20.600	AL1081		55,171
FY 2020/21 DUI Enforcement and Awareness Program	20.600	AL1081		<u>43,466</u>
<b>Subtotal State and Community Highway Safety Grants</b>				<u>98,637</u>
<b>Total Department of Transportation</b>				<u>1,389,594</u>
<b>Department of the Treasury Pass-Through Program From:</b>				
California State Department of Finance				
COVID-19 - Coronavirus Relief Fund	21.019	196		<u>838,111</u>
<b>Department of the Treasury Direct Program:</b>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		<u>260,000</u>	<u>260,000</u>
<b>Total Department of Treasury</b>			<u>260,000</u>	<u>1,098,111</u>
<b>Department of Justice Direct Program:</b>				
Equitable Sharing Program - Asset Forfeiture	16.922			<u>1,257,556</u>
<b>Institute of Museum and Library Services Pass-Through Program From:</b>				
California State Library Foundation				
Grants to States				
CA-LSTA STEAM Program Grant	45.310	40-8437		<u>8,667</u>
<b>Corporation for National and Community Service Direct Program:</b>				
Social Innovation Fund - Big Lift	94.019			<u>203</u>
<b>Department of Health and Human Services Pass-Through Program From:</b>				
County of San Mateo				
Special Programs for the Aging - Title III, Part B, Grants for Supportive Services and Senior Centers				
Adult Day Care	93.044	68151		20,007
Transportation	93.044	68151		8,044
Virtual	93.044	68151		4,085
Wellness	93.044	68151		3,945
Transportation	93.044	68151		<u>6,750</u>
<b>Total Department of Health and Human Services</b>				<u>42,831</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 399,884</u>	<u>\$ 4,445,660</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards



**CITY OF SOUTH SAN FRANCISCO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2021**

**NOTE 1 – REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of South San Francisco, California and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the South San Francisco Conference Center Authority (Authority). Federal awards expended by this entity, if any, are excluded from the Schedule and are subject to a separate Single Audit performed by other auditors.

**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. All governmental funds are accounted for using the modified accrual basis of accounting. All proprietary funds and fiduciary funds are accounted for using 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 – CORONAVIRUS RELIEF PROGRAM (AL# 21.019)**

The Schedule for the year ended June 30, 2021 includes expenditures for the Coronavirus Relief Program (AL# 21.019) for the period of March 1, 2020 to December 31, 2020. The period of performance for the grant was March 1, 2020 to December 31, 2020, but to receive the funding, the City was required to file a certification with the State Department of Finance by July 10, 2020 that the City will use the funds consistent with federal requirements, adhere to health orders and directives, return unspent funds, and repay any disallowed costs, among other compliance certifications. The City's certification was filed on July 6, 2020.

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

To the Honorable Members of the City Council  
City of South San Francisco, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 4, 2022. Our report includes a reference to other auditors who audited the financial statements of the South San Francisco Conference Center Authority, 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. Our report also included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

***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 City'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 and other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***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 and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated January 4, 2022, which is an integral part of our audit and should be read in conjunction with this report.

### ***City's Response to Findings***

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated January 4, 2022, which is an integral part of our audits and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of 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 result 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.



Pleasant Hill, California  
January 4, 2022

**INDEPENDENT AUDITOR'S 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 Honorable Members of the City Council  
City of South San Francisco, California

***Report on Compliance for Each Major Federal Program***

We have audited City of South San Francisco's 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, 2021. 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.

The City's basic financial statements included the operations of the South San Francisco Conference Center Authority, which received no federal awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of the Authority, because the Authority engaged other auditors to perform an audit of compliance.

***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.

***Auditor's 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 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, 2021.

### ***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 SA2021-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

### ***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 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item SA2021-001, that we consider to be a material weakness.

The City's response to the internal control over compliance 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 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 4, 2022, which contained an unmodified opinion on those financial statements. Our report includes a reference to other auditors who audited the discretely presented component unit financial statements of the South San Francisco Conference Center Authority, as of and for the year ended June 30, 2021, as described in our report on the City's financial statements. Our report, in so far as it relates to the results of the other auditors, is based solely on the report of the other auditors. Our audit was conducted for the purpose of forming an opinion 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 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 financial statements or to the 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 financial statements as a whole.

*Maye & Associates*

Pleasant Hill, California  
August 18, 2022

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