

CITY OF PITTSBURG, CALIFORNIA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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CITY OF PITTSBURG
SINGLE AUDIT REPORT
For The Year Ended June 30, 2020

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CITY OF PITTSBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020

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 No
Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

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

Identification of major programs:

Table with 2 columns: CFDA#(s) and Name of Federal Program or Cluster. Row 1: 14.871, Housing Choice Vouchers – Section 8 Voucher Program/VASH

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

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed a significant deficiency, but no material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 29, 2020 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 finding and questioned costs required to be reported in accordance with Uniform Guidance.

Finding #SA2020-001: **Department of Housing and Urban Development: Monitoring Review Findings**

CFDA number: 14.871
CFDA Title: Section 8 Housing Choice Voucher
Name of Federal Agency: Department of Housing and Urban Development
Federal Award Identification Number: CA-060

Criteria: 24 CFR part 982 details various rules and regulations of the Section 8 Housing Choice Voucher program. These regulations include specific program requirements. In addition, 2 CFR 2000.305(b)(9) requires that interest earned on federal advance in excess of \$500 per year be returned to the federal government.

Condition: During the current year, the City underwent a monitoring review by the grantor related the activities in the City’s Section 8 Housing Chose Voucher program. The specific purpose of the review includes reconciling net position balances reported by the City in recent periods, validating and analyzing administrative expenses, determining appropriateness of program expenditures, and confirming the availability of cash and investment sufficiency to support the net positions calculated. The grantor issued a letter dated September 28, 2020 detailing the results of the review.

The monitoring review results included three findings:

- The first finding was related to the reporting of restricted net position and unrestricted net position account balances in the Voucher Management System (VMS). The letter stated that City staff incorrectly calculated and reported restricted net positions, unrestricted net positions, and cash account balances in the VMS from December 2017 through 2019.
- The second finding was related to the use of restricted net position in the Housing Assistance Payment Funds. As a result of the review, the grantor disallowed \$297,856 of program expenditures incurred during the period December 2017 to December 2019 and demanded the City to reimburse the amount to the grantor.
- The third finding was related to interest earned on the Housing Assistance Payment Funds. Due to the first finding above, the grantor revised the City’s restricted net positions, unrestricted net positions, and cash account balances reported on the VMS for the period December 2017 to December 2019. Consequently, interest earned on federal advance during that period was recalculated, resulting in \$21,189 of interest income that the City is required to return to the US Treasury.

Cause: The condition above was caused by different interpretations, between the City and the grantor, of certain provisions stated on the CFR. The City is currently working with the grantor to arrive to a solution.

Effect: If the City does not adhere to the requirements of 24 CFR part 982 and 2 CFR 2000.305(b)(9) on an ongoing basis to ensure continued compliance, expenditures incurred under the program may be deemed ineligible and need to be returned to the grantor.

Questioned Costs: We question the \$297,856 of costs incurred during the period December 2017 to December 2019 as noted on second finding above.

Recommendation: Although the City responded to the findings in its October 28, 2020 letter to the grantor with corrective action plans, once a solution is reached with the grantor the City should revise its policies and procedures, where applicable, to ensure that all future grant program activities are in compliance with the provisions of the grant agreement and the CFR.

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

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CITY OF PITTSBURG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
US Dept of Housing & Urban Development Direct Programs:				
Community Development Block Grants Entitlement Program Subgrants	14.218		\$146,368	\$630,817 146,368
Subtotal Community Development Block Grants/Entitlement Grants				777,185
Housing Choice Vouchers - Section 8 Voucher Program/VASH	14.871			20,803,605
Total Department of Housing and Urban Development			146,368	21,580,790
Department of Justice Direct Program:				
Edward Byrne Memorial Justice Assistance Grant FY18-19	16.738			596
Edward Byrne Memorial Justice Assistance Grant FY19-20	16.738			19,176
Total Department of Justice				19,772
Department of Transportation Pass-Through Programs From:				
California Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program)				
Willow Pass Bridge Seismic Retrofit	20.205	STPLZ-51217(024)		279,577
ST-42 West Leland High Friction Surface	20.205	HSIPL-04-020		2,757
ST-38 West Leland Pavement Marker/Speed Sign	20.205	HSIPL-04-018		1,020
ST-43 West Leland Delineation/HiVis Crosswalk	20.205	HSIPL-04-019		1,362
Stoneman Avenue Interaction Improvements	20.205	HSIPL-5127(034)		122,318
2018-03 BART Pedestrian & Bicycle Connectivity	20.205	CML-5127(036)		348,467
2019-01 Traffic Signal Improvements	20.205	HSIPL-5127(037)		16,143
Subtotal California Department of Transportation Pass-Through Programs				771,644
State of California-Office of Traffic Safety State and Community Highway Safety Selective Traffic Enforcement Program Selective Traffic Enforcement Program	20.600 20.600	PT19090 PT20104		25,823 2,551
Subtotal State and Community Highway Safety				28,374
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Selective Traffic Enforcement Program Selective Traffic Enforcement Program	20.608 20.608	PT19090 PT20104		11,403 10,944
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated				22,347
Subtotal State of California- Office of Traffic Safety Pass-Through Programs				50,721
Total Department of Transportation				822,365
Department of Labor Employment and Training Administration Pass-Through Program From:				
Contra Costa County Employment and Human Services WIA Adult Program Pre-Apprenticeship Construction Program	17.258	18-426-1	200,000	200,000
US Environmental Protection Agency Direct Programs:				
Environmental Workforce Development and Job Training Cooperative Agreements	66.815			69,206
Brownfields Assessment and Cleanup Cooperative Agreements	66.818			48,431
Subtotal Environmental Workforce Development and Job Training Program				117,637
Total Expenditures of Federal Awards			\$346,368	\$22,740,564

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF PITTSBURG

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2020

NOTE 1 – REPORTING ENTITY

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

The City was incorporated under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such “General Law” cities. The City uses the Council/Manager form of government. The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government’s exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The following component units are included in the basic financial statements of the City:

- Housing Authority
- Public Infrastructure Financing Authority
- Pittsburg Power Company
- Pittsburg Arts & Community Foundation

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 and agency funds are accounted for using the modified accrual basis of accounting. All proprietary 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.

CITY OF PITTSBURG

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020**

NOTE 4 – LOAN AND/OR LOAN GUARANTEE PROGRAM

The following loan programs balances and transactions relating to these programs are included in the City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2020 consists of the following:

CFDA Number	Program Name	Outstanding Balance at June 30, 2020
14.218	Community Development Block Grants/Entitlement Grants	\$263,844

**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 Pittsburg, 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 Pittsburg, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 may exist that have not been identified.

We identified certain deficiencies in internal control that we consider to be significant deficiencies as listed on the Schedule of Significant Deficiency as item 2020-01 included as part of our separately issued Memorandum on Internal Control dated November 29, 2020, which is an integral part of our audits and should be read in conjunction with this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 November 29, 2020, 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Maze & Associates

Pleasant Hill, California
November 29, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT 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 Pittsburg, California

Report on Compliance for Each Major Federal Program

We have audited the City of Pittsburg's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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, 2020.

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 as item SA#2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. 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 the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item SA#2020-001 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are described in the Corrective Action Plan, separately prepared by the City. 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, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 29, 2020, which contained an unmodified opinion on those financial statements. 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 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.

Maze & Associates

Pleasant Hill, California
April 29, 2021

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