



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2024

**City of Auburn, California,
California**

City of Auburn, California, California

Table of Contents

June 30, 2024

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 <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	
Section I – Summary of Auditor's Results	9
Section II – Financial Statement Findings	10
Section III – Federal Award Findings and Questioned Costs.....	12
Schedule of Prior Year Findings and Questioned Costs	17



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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 City Council
City of Auburn, California

We have audited, in accordance with 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburn, California (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 30, 2024. Our report included two emphasis of matters relating to the correction of errors and changes within the reporting entity.

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 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a material weakness.

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*.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Baily" connected, and "LLP" in a smaller, separate section.

Sacramento, California

December 30, 2024



**Independent Auditor's Report on Compliance for the 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 City Council
City of Auburn, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Auburn, California's (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 the City's major federal program for the year ended June 30, 2024. The City's major federal program is 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 its major federal program for the year ended June 30, 2024.

Basis for Opinion on the 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 the 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 the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-002 through 2024-004. Our opinion on the major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-002 through 2024-004 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2024, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Bailly" connected by a horizontal stroke, and "LLP" in a smaller, separate area.

Sacramento, California

January 24, 2025

City of Auburn, California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Transportation			
Highway Planning and Construction:			
Passed through California Department of Transportation:			
Airport Improvement Program	20.106	3-06-001-2022-2023	\$ 1,068
Airport Improvement Program	20.106	3-06-001-2022-2023	7,453
Airport Improvement Program	20.106	3-06-001-2022-2023	22,323
Airport Improvement Program	20.106	3-06-001-2023-2023	30,861
Airport Improvement Program	20.106	3-06-001-2023-2023	17,960
Airport Improvement Program	20.106	3-06-001-2023-2023	13,381
Airport Improvement Program	20.106	3-06-001-2023-2023	18,966
Airport Improvement Program	20.106	3-06-001-2023-2023	12,216
Airport Improvement Program	20.106	3-06-001-2023-2023	13,390
Airport Improvement Program	20.106	3-06-001-2023-2023	41,082
Airport Improvement Program	20.106	3-06-001-2023-2023	29,376
Airport Improvement Program	20.106	3-06-001-2023-2023	<u>36,656</u>
			<u>244,732</u>
Total Highway Planning and Construction			
Passed through California Department of Alcoholic Beverage Control:			
Formula Grants for Rural Areas and Tribal Transit Program	20.509	CA-2023-038-01 002200356	<u>80,062</u>
			<u>324,794</u>
Total U.S. Department of Transportation			
U.S. Department of Treasury			
California Department of Finance			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	CSLFRF	<u>653,810</u>
			<u>653,810</u>
Total U.S. Department of Treasury			<u>653,810</u>
Total Federal Financial Assistance			
			<u>\$ 978,604</u>

City of Auburn, California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Auburn, California (City) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Direct and Indirect (Pass-Through) Federal Awards

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs when they occur.

Note 4 - Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate.

City of Auburn, California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to the financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing / CFDA Number
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

City of Auburn, California
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Section II – Financial Statement Findings

2024-001 Financial Reporting

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria:

Management is responsible for the preparation and fair presentation of the financial statements. Management is responsible for ensuring that all financial records and related information is reliable and properly recorded in accordance with the Generally Accepted Accounting Principles (GAAP).

Condition:

Auditor Identified Adjustments

We identified several misstatements through performance of audit procedures resulting in adjustments to the financial statement amounts, as summarized below:

- To accrue for receivables in the Solid Waste Management fund for franchise fees earned during the fiscal year.
- To record the capitalization of the asset acquired through a finance purchase agreement.
- To correct the loans receivables in the HOME Housing Rehabilitation & First Time Home Buyers fund.
- To correct the classification of certain funds from custodial funds to governmental funds which met the criteria of a governmental fund.
- To correct LAIF interest accrual that was double entered and posted to cash.

Management Identified Adjustments

The City identified material adjustments to correct the beginning balance of lease receivables and related deferred inflows of resources. Management identified that leases were recorded under incorrect funds in the prior years.

Cause:

The City finance department has experienced personnel changes and continues to strengthen its financial reporting internal controls. The internal controls and processes in place did not identify and correct all material transactions.

Effect:

The financial statements required adjustments to fairly state the financial activities of the City for the fiscal year ended June 30, 2024.

City of Auburn, California
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Recommendation:

We recommend the City continue to strengthen its internal controls and processes related to financial reporting and year-end close procedures to identify and accurately record all financial transactions.

Views of Responsible Officials:

The areas of deficiency are recognized by management as areas of improvement needed moving forward, are easily preventable and deemed strictly attributable to staff turnover and former lack of continuity of institutional knowledge. Current staff are documenting procedures thoroughly to ensure processes and procedures and accounting requirements are memorialized on the permanent record.

City of Auburn, California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Section III – Federal Award Findings and Questioned Costs

2024-002 **Program:** Coronavirus State and Local Fiscal Recovery Funds
Federal Financial Assistance Listing No.: 21.027
Federal Agency: U.S. Department of Treasury
Passed-through: California Department of Finance
Award Number and Year: CSLFRF

Compliance Requirement: Allowable Costs

Type of Finding: *Material Weakness in Internal Control over Compliance, Instance of Noncompliance*

Criteria:

2 CFR 200.430(g)(vii) states that budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: a) the system for establishing the estimates produces reasonable approximations of the activity performed; b) significant changes in the related work activity (as defined by the recipient's written policies) are promptly identified and entered in to the records, and c) the recipient's system of internal controls includes processes to perform periodic after-the-fact reviews of interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made so that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Condition:

We found that although the City charged 50% of the budgeted amount of an employees compensation to the program, the City did not perform a lookback to ensure that only 50% of the employees actual compensation was charged to the program.

Cause:

The City did not have procedures in place to perform a lookback of budgeted costs charged to grant programs.

Effect:

The City overcharged the program by the excess of the budgeted costs against the actual costs.

Questioned Costs:

None reported.

City of Auburn, California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Context/Sampling:

We selected 100% of the City's payroll costs of the program.

Repeat Finding from Prior Year(s):

No.

Recommendation:

We recommend that the City establish procedures to perform a lookback of budgeted expenditures charged to grants.

Views of Responsible Officials:

Management agrees with the finding. See separate corrective action plan.

2024-003

Program: Coronavirus State and Local Fiscal Recovery Funds

Federal Financial Assistance Listing No.: 21.027

Federal Agency: U.S. Department of Treasury

Passed-through: California Department of Finance

Award Number and Year: CSLFRF

Compliance Requirement: Procurement

Type of Finding: *Material Weakness in Internal Control over Compliance, Instance of Noncompliance*

Criteria:

Per 2 CFR part 200, subpart D, section 200.303, the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Prior to entering into subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded pursuant to 31 CFR section 19.300.

Condition:

We identified that the City's purchasing and contracting policy does not require the verification of the debarment and suspension status of vendors prior to entering into agreements. We also noted that the City did not maintain documentation that they verified that the contractor was not suspended or debarred prior to entering into a covered transaction.

City of Auburn, California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Cause:

The City's policy does not require the verification of the debarment and suspension of a vendor prior to entering into a covered transaction, nor does it address on what type of documentation should be maintained to ensure they are not suspended and debarred.

Effect:

Noncompliance with these requirements could result in disbursements of Federal funds to suspended and debarred parties.

Questioned Costs:

None reported.

Context/Sampling:

We selected 2 out of 4 of the City's procurement transactions associated with the program.

Repeat Finding from Prior Year(s):

No.

Recommendation:

We recommend that the City include policies and procedures within their procurement policy to check whether or not vendors are suspended and debarred and to maintain that documentation within the procurement file.

Views of Responsible Officials:

Management agrees with the finding. See separate corrective action plan.

City of Auburn, California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

2024-004

Program: Coronavirus State and Local Fiscal Recovery Funds

Federal Financial Assistance Listing No.: 21.027

Federal Agency: U.S. Department of Treasury

Passed-through: California Department of Finance

Award Number and Year: CSLFRF

Compliance Requirement: Reporting

Type of Finding: *Material Weakness in Internal Control over Compliance, Instance of Noncompliance*

Criteria:

2 CFR 200.303(a) requires that the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

We noted that the supporting documentation provided did not tie to the annual report submitted by the City or evidence of review.

Cause:

The City's internal control environment was impacted by a shortage of staff necessary to fully conduct the program.

Effect:

The City's reports on the awards were not reviewed for accuracy.

Questioned Costs:

None reported.

Context/Sampling:

We selected 100% of the City's reports for the program.

Repeat Finding from Prior Year(s):

No.

City of Auburn, California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Recommendation:

We recommend that the City continue to strengthen its policies and procedures over reporting to ensure that the supporting documentation and evidence of review is maintained.

Views of Responsible Officials:

Management agrees with the finding. See separate corrective action plan.

City of Auburn, California
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

Finding No.	Program Name/Description	Federal Financial Assistance Listing No.	Compliance Requirement	Status of Corrective Action
2023-001	Financial Close & Financial Reporting	n/a	n/a	Not implemented.
2023-002	Grant Accounting	n/a	n/a	Implemented.
2023-003	Financial Reporting Timeliness (Uniform Guidance Compliance)	n/a	n/a	Implemented.