

CITY OF SANTA BARBARA, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS
JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

CITY OF SANTA BARBARA
JUNE 30, 2022
TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' 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 - 2
Independent Auditors' 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	3 - 6
<u>Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs:</u>	
Schedule of Expenditures of Federal Awards	8 - 10
Notes to Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs	12 - 14
Summary Schedule of Prior-Year Audit Findings	15



**INDEPENDENT AUDITORS' 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**

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara
Santa Barbara, 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 activity, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California (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 and have issued our report thereon dated March 1, 2023.

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 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 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.

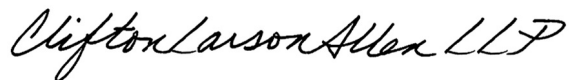
Honorable Mayor and
Members of the City Council
of the City of Santa Barbara

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 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.



CliftonLarsonAllen LLP

Irvine, California
March 1, 2023



**INDEPENDENT AUDITORS' 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**

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara
Santa Barbara, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Santa Barbara's (the 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, 2022. The City's major federal programs are identified in the summary of auditors' 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; 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 Auditors' 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 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.

Auditors' 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 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 Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of finding and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 2022-001 and 2022-002 to be significant deficiencies.

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.

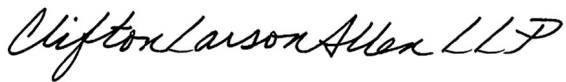
Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of 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.

Honorable Mayor and
Members of the City Council
of the City of Santa Barbara

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 have issued our report thereon, dated March 1, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the 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.



CliftonLarsonAllen LLP

Irvine, California
March 30, 2023

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF SANTA BARBARA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Agriculture</u>				
Passed through the California Fire Safe Council:				
Cooperative Forestry Assistance	10.664	21 SFA 356597	\$ 794	\$ -
Total U.S. Department of Agriculture			<u>794</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	N/A	591,350	271,512
Community Development Block Grant - Entitlement Grants Cluster:				
Program Income	14.218	N/A	357,335	315,930
COVID 19 - Community Development Block Grant	14.218	N/A	443,055	234,591
Subtotal Community Development Block Grants - Entitlement Grants Cluster			<u>1,391,740</u>	<u>822,033</u>
HOME Investment Partnerships Program				
HOME Investment Partnerships Program	14.239	N/A	163,777	119,304
Program Income	14.239	N/A	82,573	82,573
Subtotal HOME Investment Partnerships Program			<u>246,350</u>	<u>201,877</u>
Passed through the County of Santa Barbara				
COVID19 - Emergency Solutions Grant Program	14.231	ESG-CV	542,517	-
Total U.S. Department of Housing and Urban Development			<u>2,180,607</u>	<u>1,023,910</u>
<u>U.S. Dept of the Interior</u>				
Direct Program:				
Water SMART Grants	15.507	N/A	370,324	-
Direct Program:				
Reclamation States Emergency Drought Relief	15.514	N/A	138,978	-
Passed Through California Department of Parks and Recreation:				
Historic Preservation Fund Grants-In-Aid	15.904	P20AF0006	347	-
Historic Preservation Fund Grants-In-Aid	15.904	P21AF10887	34,601	-
Subtotal Historic Preservation Fund Grants-In-Aid			<u>34,948</u>	<u>-</u>
Total U.S. Dept of the Interior			<u>544,250</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607	N/A	9,216	-
Total U.S. Department of Justice			<u>9,216</u>	<u>-</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SANTA BARBARA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program	20.106	N/A	390,523	-
COVID 19 - Airport Improvement Program	20.106	N/A	5,907,498	-
Subtotal Airport Improvement Program			6,298,021	-
Passed-through State of California Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	BRLS-5007(055)	1,757,087	-
Highway Planning and Construction	20.205	BRLS-5007(079)	10,141	-
Highway Planning and Construction	20.205	BRLO-5007(063)	52,250	-
Highway Planning and Construction	20.205	ATPL-5007(065)	5,748,510	-
Highway Planning and Construction	20.205	BHLS-5007(070)	48,251	-
Highway Planning and Construction	20.205	BRLS-5007(071)	429,545	-
Highway Planning and Construction	20.205	HSIPL 5007(077)	1,432,884	-
Highway Planning and Construction	20.205	HSIPL-5007(076)	724,404	-
Highway Planning and Construction	20.205	HSIPL-5007(088)	21,894	-
Highway Planning and Construction	20.205	HSIPL-5007(089)	8,103	-
Highway Planning and Construction	20.205	HSIPL-5007(090)	43,982	-
Highway Planning and Construction	20.205	BP MPL-5007(075)	24,448	-
Highway Planning and Construction	20.205	BRLS-5007(082)	96,810	-
Highway Planning and Construction	20.205	BRLS-5007(091)	28,758	-
Subtotal Highway Planning and Construction Cluster			10,427,067	-
Passed-through State of California Office of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT21169	15,151	-
State and Community Highway Safety	20.600	PT22132	62,972	-
Subtotal Highway Safety Cluster:			78,123	-
Minimum Penalties for Repeat Offenders for Driving While Intoxic	20.608	PT21169	14,804	-
Minimum Penalties for Repeat Offenders for Driving While Intoxic	20.608	PT22132	33,988	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			48,792	-
Total U.S. Department of Transportation			16,852,003	-
<u>U.S. Department of the Treasury</u>				
Direct Programs:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	5,249,029	-
Passed-Through California State Water Resources Control Board:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	None	572,764	-
Total U.S. Department of the Treasury			5,821,793	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SANTA BARBARA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass-Through Grantor / Program	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>National Endowment of the Arts</u>				
Passed through Arts Midwest:				
Promotion of the Arts Grants to Organizations and Individuals	45.024	1866149-52-C-20	20,000	-
Total National Endowment of the Arts			<u>20,000</u>	<u>-</u>
<u>National Endowment for the Humanities</u>				
Passed through California Humanities:				
Promotion of the Humanities Federal/State Partnership	45.129	SO-268663-20	5,000	-
Total National Endowment for the Humanities			<u>5,000</u>	<u>-</u>
<u>Institute for Museum and Library Services</u>				
Passed through California State Library:				
Grants to States	45.310	40-9300	5,250	
Grants to States	45.310	Dia-SB 2022	2,428	
Grants to States	45.310	40-9258	44,252	-
Total Institute for Museum and Library Services			<u>51,930</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through the Family Services Agency				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZB0001/90ZJ0024	34,984	-
Total U.S. Department of Health and Human Services			<u>34,984</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the State of California Governor's Office of Emergency Services:				
Hazard Mitigation Grant Program	97.039	FEMA-4305-DR-CA	470,497	-
Hazard Mitigation Grant Program	97.039	FEMA-4353-DR-CA	5,330	-
Hazard Mitigation Grant Program	97.039	FEMA-4344-DR-CA	32,875	-
Subtotal Hazard Mitigation Grant Program:			<u>508,702</u>	<u>-</u>
Passed through the State of California Governor's Office of Emergency Services:				
Homeland Security Grant Program	97.067	HSGP 2019-0035	7,441	-
Total U.S. Department of Homeland Security			<u>516,143</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 26,036,720</u>	<u>\$ 1,023,910</u>

**CITY OF SANTA BARBARA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Santa Barbara (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). 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 statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in the Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. The information in the SEFA is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements. Pass-through entity identifying numbers are identified where available.

NOTE 3 INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 CONTINGENCIES

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

**CITY OF SANTA BARBARA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

Assistance Listing Number(s)

14.231
20.106
20.205
21.027

Name of Federal Program or Cluster

COVID 19 - ESG-Emergency Solutions Grant
Airport Improvement Program
Highway Planning and Construction Cluster
COVID-19 - Coronavirus State and Local
Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 781,101

Auditee qualified as low-risk auditee?

 x yes _____ no

**CITY OF SANTA BARBARA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2022-001 - Suspension and Debarment

Federal agency: U.S. Department of Treasury

Federal program name: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Award Period: March 3, 2021, through December 31, 2024

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires compliance with the provisions of suspension and debarment. The City should have internal controls designed to ensure compliance with those provisions.

Condition: The City was not able to provide supporting documentation that the City verified the vendor was not suspended or debarred prior to entering the transaction.

Questioned costs: None.

Context: There were two vendors during FY 21-22 that were a covered transaction for this program.

Cause: The City did not maintain supporting documentation that the verification of suspension or debarment was performed prior to entering into a contract.

Effect: The auditor noted no instances of noncompliance with the provisions of suspension, and debarment; however, we were not able to verify that the City followed their internal controls to ensure the vendor was not suspended or debarred prior to entering the transaction.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the City implement procedures to ensure that verification documentation for suspension and debarment is maintained to support the City's internal control over compliance.

Views of responsible officials: The City agrees with the recommendation. Despite understanding of these requirements, the City failed to document verification of suspension and debarment findings. We have taken immediate action to incorporate standards to ensure that these measures are documented and maintained appropriately moving forward.

**CITY OF SANTA BARBARA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022-002 - Reporting

Federal agency: U.S. Department of Treasury

Federal program name: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Assistance Listing Number: 21.027

Award Period: March 3, 2021, through December 31, 2024

Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matter

Criteria or specific requirement: The interim report was due by August 31, 2021, or sixty days after receiving funding, if funding was received by October 15, 2021, and should include all expenditures by category incurred.

Condition: The City did not include any of the \$10,918,762 of expenditures by category required with the submission of the interim report.

Questioned costs: None

Context: The City was required to submit an interim report by August 31, 2021, that included expenditures incurred by category. The report did not include any of the \$10,918,762 of expenditures that had been incurred as of the report date.

Cause: The City interpreted guidance related to the reporting that if utilizing the lost revenue category to cover the entire \$10,918,762 the requirement to include the applicable expenditures by category was not applicable.

Effect: The City was not in compliance with reporting requirements.

Repeat Finding: Yes.

Recommendation: We recommend the City implement procedures to ensure compliance with all reporting requirements.

Views of responsible officials: The City agrees with the recommendation. SLRF reporting was a new requirement for the City in 2021. Despite review, preparers missed the expenditure line item on the report. The City has since implemented more robust review processes to assure each line item is properly addressed before submittal.

**CITY OF SANTA BARBARA
SUMMARY SCHEDULE OF PRIOR-YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I – Financial Statement Findings

Finding 2021-001

Condition: Constructed capital assets had been put into use yet were still classified as construction in progress; and the acquisition date in the fixed asset system, which dictates the start of depreciation, was input as the date work began on the asset instead of the date the asset was put in service.

Status: Corrected.

Section II – Findings and Questioned Costs – Major Federal Programs

Finding 2021-002

Condition: During our testing of CDBG we noted that the City did not file required FFATA reports.

Status: Corrected.

Finding 2021-003

Condition: During our testing of Coronavirus State and Local Fiscal Recovery Funds, the City did not include any of the \$10,918,762 of expenditures by category required with the submission of the interim report.

Reason for finding's recurrence: The interim report is a onetime report that was due 8/31/2021 to provide an initial overview of status and uses of the funding. Quarterly Project & Expenditure Reports are due subsequent to the interim report, which is where the discrepancy was resolved.

Corrective Action: After a debrief and review of the year end process, the City has since implemented a robust review process to insure each line item being reported is addressed appropriately before submission. CLA tested the following 3 quarterly Project & Expenditure Reports, noting that the City's review process is now in compliance with the requirement.

Status: See current year finding 2022-002



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.