

# City of East Palo Alto

East Palo Alto, California

*Single Audit Reports*

*For the year ended June 30, 2023*

**City of East Palo Alto  
Single Audit Report  
For the Year Ended June 30, 2023**

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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  
of the City of East Palo Alto, 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 City of East Palo Alto, California (City), as of and for the year ended June 30, 2023, 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 22, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California  
December 22, 2023



**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 honorable members of the City Council  
of the City of East Palo Alto, California

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

***Opinion on the Major Federal Program***

We have audited City of East Palo Alto, 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 of East Palo Alto’s major federal program for the year ended June 30, 2023. The City of East Palo Alto’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 of East Palo Alto 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, 2023.

***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 its 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 program.

### ***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 its 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.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated December 22, 2023, 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 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.



Menlo Park, California  
December 22, 2023

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**City of East Palo Alto  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023**

<b>Grantor Agency and Grant Title</b>	<b>Assistance Listing Number</b>	<b>Pass-through Number</b>	<b>Program Expenditures</b>
<b>U.S. Department of Commerce:</b>			
Economic Development Cluster			
Direct Programs			
Economic Adjustment Assistance	11.307	07 79 07507	\$ 3,131,556
Subtotal Economic Development Cluster			3,131,556
<b>Total U.S. Department of Commerce</b>			3,131,556
<b>U.S. Department of Transportation:</b>			
Passed through State of California Department of Transportation (CalTrans)			
Highway Planning and Construction	20.205	HSIPSL-5438(019)	1,360
Highway Planning and Construction	20.205	HPLUL-5438(011)	826,696
Subtotal Highway Planning and Construction			828,056
<b>Total U.S. Department of Transportation</b>			828,056
<b>U.S. Department of Treasury:</b>			
Direct Programs			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	3,506,266
<b>Total U.S. Department of Treasury</b>			3,506,266
<b>U.S. Department of Health and Human Services:</b>			
Aging Cluster			
Passed through County of San Mateo Area Agency on Aging			
Congregate lunch program/transportation	93.045	n/a	37,250
Congregate lunch program/transportation	93.044	n/a	4,901
Subtotal Aging Cluster			42,151
<b>Total U.S. Department of Health and Human Services</b>			42,151
<b>U.S. Environmental Protection Agency:</b>			
Passed through Association of Bay Area Governments			
Geographic Programs - San Francisco Bay Water Quality Improvement Fund	66.126	n/a	114,800
<b>Total U.S. Environmental Protection Agency:</b>			114,800
<b>Total Expenditures of Federal Awards</b>			\$ 7,622,829

See accompanying Notes to Schedule of Expenditures of Federal Awards

**City of East Palo Alto**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

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**A. Reporting Entity**

The financial reporting entity consists of (a) the primary government, City of East Palo Alto, California (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. The component unit discussed below is included in the reporting entity because of its operational or financial relationships with the City.

- East Palo Alto Public Financing Authority

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.

Separate financial statements for the East Palo Alto Financing Authority are not prepared. There are currently no reportable financial transactions of the Authority.

**B. Basis of Accounting**

Funds received under the various grant programs have been recorded within the general, special revenue, and capital projects funds of the City. The City utilizes the modified accrual basis of accounting for the general, special revenue, and capital projects funds. Expenditures of federal awards reported on the Schedule of Expenditures of Federal Awards (Schedule) are recognized when incurred.

**C. Relationship of Schedule of Expenditures of Federal Awards to Financial Statements**

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**City of East Palo Alto  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023**

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**D. Pass-Through Entities' Identifying Number**

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

**E. Indirect Costs**

The City did not elect to use the 10% de minimis indirect cost rate.

**City of East Palo Alto**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Types of auditors' report issued on whether financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Any noncompliance material to the financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

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 section 200.516(a)? No

Identification of major programs:

**Assistance Listing**

Number(s)	Name of Federal Program or Cluster	Expenditures
21.027	Coronavirus State and Local Fiscal Recovery Funds	\$ 3,506,266
	<b>Total Expenditures of All Major Federal Programs</b>	<b>\$ 3,506,266</b>
	<b>Total Expenditures of Federal Awards</b>	<b>\$ 7,622,829</b>
	<b>Percentage of Total Expenditures of Federal Awards</b>	<b>46%</b>

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

Auditee qualified as low-risk auditee under section 200.520? Yes

**City of East Palo Alto  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

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**Section II - Current Year Findings**

**A. Financial Statement Audit**

No current year financial statement findings.

**B. Federal Award Program Audit**

No current year federal award program audit findings.

**Section III- Prior Year Findings**

**A. Financial Statement Audit**

No prior year financial statement findings.

**B. Federal Award Program Audit**

No prior year federal award program audit findings.