

**City/County Association of
Governments of
San Mateo County**

Redwood City, California

Single Audit Report

For the year ended June 30, 2024

**City/County Association of Governments of
San Mateo County
Single Audit Report
For the year ended June 30, 2024**

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**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**

Independent Auditor's Report

To the Governing Board of the City/County Association of
Governments of San Mateo County
Redwood City, 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/County Association of Governments of San Mateo County (C/CAG), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise C/CAG's basic financial statements and have issued our report thereon dated November 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered C/CAG'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 C/CAG's internal control. Accordingly, we do not express an opinion on the effectiveness of C/CAG'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.

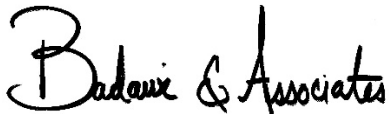
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether C/CAG'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 statement. 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 black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
November 19, 2024

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

To the Honorable Director and Members of the Board
of the City/County Association of Governments of San Mateo County
Redwood City, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City/County Association of Governments of San Mateo County (C/CAG)'s 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 each of C/CAG's major federal programs for the year ended June 30, 2024. C/CAG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, C/CAG 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, 2024.

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; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of C/CAG 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 of C/CAG'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 C/CAG'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 generally accepted auditing standards, 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 C/CAG's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, 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 C/CAG'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 C/CAG'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 C/CAG'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 item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on C/CAG's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. C/CAG'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.

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 in internal control over compliance may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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 C/CAG's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. C/CAG'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.

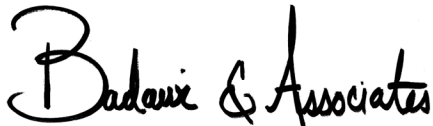
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of C/CAG, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise C/CAG's basic financial statements. We issued our report thereon dated November 19, 2024, which contained unmodified opinions on those financial statements. Our audit was performed 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 the Honorable Director and Members of the Board of Directors
of the City/County Association of Governments of San Mateo County
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to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
January 28, 2025, except for the Schedule of Expenditures
of Federal Awards, which is as of November 19, 2024

City/County Association of Governments of San Mateo County
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2024

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Payment to Subrecipient
<u>U.S. Department of Transportation</u>				
<i>Passed through California Department of Transportation</i>				
Highway Planning and Construction	20.205	CLMNI 6419(027)	\$ 70,883	\$ 70,883
Highway Planning and Construction	20.205	CLMNI 6419(034)	706,535	706,535
<i>Passed through Metropolitan Transportation Commission</i>				
Highway Planning and Construction	20.205	STPLNI-6084(284)	2,053,230	-
Total U.S. Department of Transportation			2,830,648	777,418
<u>U.S. Environmental Protection Agency</u>				
Geographic Programs - San Francisco Bay Water Quality Improvement Fund	66.126		\$ 403,995	\$ -
Total U.S. Environmental Protection Agency			403,995	-
Total Federal Expenditures			\$ 3,234,643	\$ 777,418

**City/County Association of Governments of
San Mateo County**
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2024

A. Reporting Entity

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City/County of Governments of San Mateo County, California.

B. Summary of Significant Accounting Policies

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

C. 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, C/CAG determined that no identifying number is assigned for the program or C/CAG was unable to obtain an identifying number from the pass-through entity.

D. Indirect Costs

C/CAG has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**City/County Association of Governments of
San Mateo County
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024**

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? Yes

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)? Yes

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster	Expenditures
20.205	Highway Planning and Construction	\$ 2,830,648
	Total Expenditures of All Major Federal Programs	\$ 2,830,648
	Total Expenditures of Federal Awards	\$ 3,234,643
	Percentage of Total Expenditures of Federal Awards	87.5%

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

Auditee qualified as low-risk auditee under section 200.520? No

**City/County Association of Governments of
San Mateo County
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024**

Section II - Current Year Findings

A. Financial Statement Audit

No current year financial statement audit findings.

B. Federal Award Program Audit

2024-001: Suspension and Debarment Check (Significant Deficiency)

Criteria:

Per 2 CFR 200.214, when an entity enters into a covered transaction using federal awards with a vendor, the entity must verify that the vendor is not debarred, suspended, or otherwise excluded from receiving or participating in Federal award. The entity can do this by:

- (a) Checking SAM.gov Exclusions; or
- (b) Collecting a certification from that entity; or
- (c) Adding a clause or condition to the covered transaction

Condition:

C/CAG was unable to provide proof that it performed a suspension and debarment check on one of two vendors tested. C/CAG did not have evidence of a SAM.gov check on the vendor, or a timely certification from that vendor, or a clause or condition in the contract with that vendor asserting they were not suspended or debarred.

Cause:

The vendor had been selected for an earlier similar non-Federally-funded project, and the new amended contract did not include the suspension/debarment clause as required by C/CAG's policy.

Effect:

One vendor of two tested vendors did not have sufficient evidence that they were not debarred or suspended from participating in Federal award activities.

**City/County Association of Governments of
San Mateo County
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024**

Section II - Current Year Findings, Continued

B. Federal Award Program Audit, Continued

2024-001: Suspension and Debarment Check (Significant Deficiency), Continued

Management's Response:

C/CAG acknowledges the finding and confirms that this was a single isolated incident stemming from a unique contract transition. The following corrective actions have either been implemented or will be implemented to prevent recurrence:

1. **Audit Documentation:** For the identified contract, C/CAG obtained an affidavit from the vendor affirming their compliance with suspension and debarment requirements at the time of contract. C/CAG also confirmed that the consultant is currently not on the suspension and debarment list. This documentation has been shared with the auditors and added to the project file.
2. **Quality Assurance:** Staff confirmed that the C/CAG's other federally funded contracts included the required suspension and debarment requirements.
3. **Staff Training:** All staff members that work or might work on federally funded activities have completed training on federal procurement requirements, including guidance on suspension and debarment protocols. This training references the necessity of conducting SAM.gov checks and obtaining certifications for all federalized contracts. The specific training was: "Navigating the Uniform Guidance: Procurement Standards," and it was conducted on December 18, 2024. The provider of the training was "Federal Grants Training." Ten C/CAG staff attended the training, including staff in the following positions: Executive Director, Deputy Director, Stormwater Program Director, Transportation Systems Coordinator, Senior Program Specialist, and Program Specialist. Copies of the completion certificates are available upon request.

To ensure ongoing compliance, all future staff working on federally funded activities will also complete training on relevant federal requirements as part of their onboarding or ongoing professional development.

4. **Contract Template and Procurement Policy Update:** C/CAG is in the process of updating its standard contract template and the Procurement Policy to include suspension and debarment language for all contracts, regardless of funding source. This proactive measure ensures compliance across all contracts, even if funding transitions from non-federal to federal sources.

Starting in February 2025, all relevant new contracts will have suspension and debarment language. The new contract template is expected to take effect beginning in April of 2025, and all contracts signed from that time onward will use the updated template. Furthermore, C/CAG will continue to review and update its contracts and policies regularly to ensure compliance with evolving regulations and standards.

**City/County Association of Governments of
San Mateo County
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024**

Section II - Current Year Findings, Continued

B. Federal Award Program Audit, Continued

2024-001: Suspension and Debarment Check (Significant Deficiency), Continued

Management's Response, Continued:

5. **Verification Procedures:** Moving forward, C/CAG will:
 - Require vendors to provide a certification of compliance with suspension and debarment requirements before executing any agreement.
 - Conduct SAM.gov checks for all federally funded contracts.

C/CAG is committed to maintaining strong internal control and ensuring full compliance with federal regulations.

**City/County Association of Governments of
San Mateo County
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024**

Section II - Prior Year Findings

A. Financial Statement Audit

No prior year financial statement audit findings.

B. Federal Award Program Audit

2023-001: Subrecipient Communication (Significant Deficiency)

Criteria:

Per 2 CFR § 200.332(a)(1), all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and include federal award identifying information such as the total amount of federal funds committed to the subrecipient by the pass-through entity, name of the federal awarding agency, and assistance listing number and title.

Condition:

Communication with the subrecipient includes the grant name and total funds committed to the subrecipient, but it does not disclose the portion that is federal funds, the federal awarding agency, or the assistance listing number and title.

Cause:

Grant agreements with the subrecipient have not historically included this information and templates were used from prior years to prepare the latest agreements.

Effect:

The subrecipient was not aware that their award included federal funds, and so did not include it on their Schedule of Expenditures of Federal Awards.

Management's Response:

The identified deficiency relates to the Safe Routes to School (SRTS) funds (OBAG 3 funds) passed through via agreement with the San Mateo County Office of Education (SMCOE). As noted by the auditor, the agreement describes the funding source with the same language previously used in prior grant agreements. Specifically, on page 26, the existing grant agreement states: "C/CAG and SMCOE have a joint interest in ensuring that schools and community agencies effectively implement programs that enable them to use the Federal Surface Transportation Program and Congestion Mitigation & Air Quality Improvement (STP/CMAQ) Program funds productively on behalf of students and the community."

**City/County Association of Governments of
San Mateo County
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024**

Section II - Prior Year Findings, Continued

B. Federal Award Program Audit, Continued

2023-001: Subrecipient Communication (Significant Deficiency), Continued

To improve the communication of the nature of the federal funding and associated requirements, C/CAG will ensure that future federal pass-through grant agreements include the following information and language:

1. The specific portion of funding that is federal funds, the Federal Awarding Agency, full funding amount and applicable Federal Project Number, listing number and title.
2. A portion of the funds included are federal funds, and the recipient is responsible for compliance with all relevant Federal requirements, including, but not limited to § 200.501 Audit requirements and 2 CFR § 200.332 Requirements for pass-through entities.

Current Status:

This finding has been addressed.