



MEMORANDUM

Finance and Administrative Services Department

DATE: January 21, 2026

TO: Council Finance Committee

FROM: Helen He, Accounting Manager
Grace Zheng, Assistant Finance and Administrative Services Director
Derek Rampone, Finance and Administrative Services Director

SUBJECT: Fiscal Year 2024-25 Single Audit Report

BACKGROUND

The Single Audit, conducted in accordance with the Federal Single Audit Act Amendments of 1996 and the Office of Management and Budget (OMB) Uniform Guidance, is an organization-wide audit required of entities that expend \$750,000 or more in federal financial assistance in a fiscal year. Similar to the City's annual financial audit, the Single Audit is performed by an independent auditor in accordance with Generally Accepted Government Auditing Standards. The audit includes an evaluation of internal controls over federal programs and testing of compliance with applicable federal requirements.

The City's independent audit firm, Badawi & Associates (Badawi), completed the City's Fiscal Year 2024-25 annual financial audit. On December 2, 2025, Mr. Ahmed Badawi, President of Badawi & Associates, presented the results of the annual financial audit, including his observations, to the Council Finance Committee. On December 16, 2025, the City Council accepted and filed the following reports:

1. Annual Comprehensive Financial Report (ACFR) and Independent Auditor's Reports
2. Article XIII-B Appropriations Limit Agreed-Upon Procedures Report (GANN Limit)
3. Report to the City Council-Required Communications

SINGLE AUDIT REPORT

The Single Audit is included within the City's annual audit engagement with Badawi. Although audit fieldwork was completed concurrently with the annual financial audit, issuance of the Single Audit Report was delayed due to the OMB's late release of the 2025 Compliance Supplement on November 25, 2025. As a result, the Single Audit Report was not finalized in time for inclusion in the December 2, 2025 Council Finance Committee meeting packet.

During Fiscal Year 2024-25, the City expended approximately \$2.8 million in federal funds, primarily related to the Community Development Block Grant (CDBG) and HOME Investment Partnerships Program administered by the U.S. Department of Housing and Urban Development (HUD).

Under the Uniform Guidance, auditors are required to identify and test “major programs,” which are federal programs selected for audit based on a risk-based approach that considers factors such as program size, prior audit results, and inherent risk. Major programs are subject to additional audit procedures to evaluate compliance with federal requirements and the effectiveness of internal controls.

For Fiscal Year 2024-25, the City’s major federal programs identified for audit were:

- HOME Investment Partnerships Program administered by HUD
- Disaster Grants – Public Assistance administered by the U.S. Department of Homeland Security and passed through the California Governor’s Office of Emergency services

As part of the City’s Single Audit, Badawi tested the City’s compliance with federal program requirements that could have a direct and material effect on the City’s major federal programs, in accordance with Title 2 of the Code of Federal Regulations, Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

The results of the Fiscal Year 2024-25 Single Audit indicated:

- No compliance findings related to the City’s major federal programs
- No significant deficiencies or material weaknesses in the City’s internal control over compliance
- No audit findings were reported

The City is required to submit the Single Audit reporting package to the Federal Audit Clearinghouse by January 29, 2026, and to the California State Controller’s Office by March 31, 2026.

Mr. Badawi will present the results of the Single Audit Report (Attachment 1) to the Council Finance Committee.

Status of Federal Funding

At this time, it remains unclear whether the federal administration will pursue a freeze or reduction in federal funding across certain departments or programs. Any such actions could have adverse impacts on the City’s federally funded programs and service delivery. The extent of the impact would depend on the specific programs affected and the magnitude and duration of any funding reductions. Staff will continue to monitor developments and assess potential implications for the City.

RECOMMENDATION

Receive and accept the City's Single Audit Report for the fiscal year ended June 30, 2025.

PUBLIC NOTICING—Agenda posting.

Attachment: 1. Single Audit Report for the fiscal year ended June 30, 2025