

# **CITY OF SANDY, OREGON**

## **SINGLE AUDIT REPORT**

For the Fiscal Year Ended June 30, 2021

CITY OF SANDY, OREGON

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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**

Honorable Mayor and City Council  
City of Sandy, Oregon

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sandy, Oregon (the City) as of and for the year ended June 30, 2021, 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 31, 2022.

**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 and therefore, material weakness or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a significant deficiency.



**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 (Continued)**

**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*.

**THE CITY'S RESPONSE TO THE FINDING**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

*Talbot, Kowala & Warwick LLP*

Portland, Oregon  
March 31, 2022



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Council  
City of Sandy, Oregon

**REPORT ON COMPLIANCE THE EACH MAJOR FEDERAL PROGRAM**

We have audited the City of Sandy, Oregon'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 the City's major federal program for the year ended June 30, 2021. 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.

**MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

**OPINION ON THE MAJOR FEDERAL PROGRAM**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE (Continued)**

that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 31, 2022, 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 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.

*Talbot, Kowala & Warwick LLP*

Portland, Oregon  
March 31, 2022

CITY OF SANDY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year Ended June 30, 2021

Federal Grantor/Program Title	Assistance Listing Number	Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Administration on Aging			
Passed Through State of Oregon Senior and Disabled Services Office		148991-2	
Via Clackamas County Social Services Division		16-003	
Special Programs for the Aging-Title III, Part D	93.043		\$ 1,970
Aging Cluster:			
Special Programs for the Aging-Title III, Part B	93.044		13,402
COVID-19 Nutrition Services and CARES Act for Nutrition Services Under Title III-C	93.045		38,290
Nutrition Services Incentive Program	93.053		(994)
			<u>50,698</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
Federal Domestic Assistance			
Passed Through Oregon Department of Administrative Services	21.019	1113	217,503
COVID-19 Coronavirus Relief Funds			
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Federal Transit Administration			
Passed Through Oregon Department of Transportation	20.509	8095806810000	733,012 *
Formula Grants for Rural Areas			
Federal Transit Administration			
Passed Through Oregon Department of Transportation	20.513	8095806810000	240,272
Via Clackamas County Social Services Division	20.513	16-003	16,331
Transit Services Programs Cluster:			<u>256,603</u>
Enhanced Mobility of Seniors and Individuals with Disabilities			
Federal Highway Administration			
Passed Through Oregon Department of Transportation	20.224	139768597	44,130
Highway Planning and Construction Cluster:			
Federal Lands Access Program			
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 1,303,916</u></b>

\*Denotes major program

See the notes to the Schedule of Expenditures of Federal Awards

CITY OF SANDY, OREGON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year Ended June 30, 2021

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Note 1. General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Sandy, Oregon for the year ended June 30, 2021.

Note 2. Significant Accounting Policies

Reporting Entity: The reporting entity is fully described in Note 1 to the City's basic financial statements.

Basis of Presentation: The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the Schedule follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The costs principles indicate that certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

Note 3. Indirect Cost Rate

The City did not elect to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

Note 4. Subrecipients

There were no amounts paid to subrecipients by the City from federal funds for the year ended June 30, 2021.



CITY OF SANDY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2021

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements:*

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

*Federal Awards:*

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

CITY OF SANDY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2021

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2021-001**

Criteria:	The City has a system of internal controls over financial reporting; however, it is not consistently followed.
Condition:	Lack of following existing internal controls were noted.
Context:	It was noted that premiums related to the City's issuance of the 2021 FFC debt were not recorded for both the governmental activities and the Sewer Fund.
Effect:	Lack of following existing internal controls and delayed and ineffective review has the potential to cause significant misstatements in the financial statements.
Cause:	Need for improved training and lack of emphasis on internal controls.
Recommendation:	We recommend that the City provide training to employees to enable effective review and emphasize the importance of a strong control environment to help ensure an effective review over financial reporting.
Views of Responsible Officials:	The City understands and concurs with the finding.

**SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No matters were reported.