

CITY OF ALHAMBRA, CALIFORNIA

**SINGLE AUDIT OF FEDERAL
AND SELECTED STATE AWARDS**

JUNE 30, 2016

CITY OF ALHAMBRA, CALIFORNIA

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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*

The Honorable Mayor and
Members of City Council
City of Alhambra
Alhambra, 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 of Alhambra, California (the City), as of and for the year ended June 30, 2016, 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 27, 2016.

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) to determine the 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 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 may exist that have not been identified.

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 determination of financial statement amounts. 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*.

We noted a matter involving internal control and its operation that we have reported to management of the City in a separate letter dated December 27, 2016.

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.

White Nelson Dick Evans LLP

Irvine, California
December 27, 2016

INDEPENDENT AUDITORS' 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 AND SELECTED STATE AWARDS

The Honorable Mayor and
Members of City Council
City of Alhambra
Alhambra, California

Report on Compliance for Each Major Federal Program

We have audited the City of Alhambra'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, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2016.

Other Matters

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 findings and questioned costs as Finding Number 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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 and Selected State 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 of Alhambra, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 27, 2016, which contained unmodified opinions on those 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 and selected state 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 and selected state awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White Nelson Dick Evans LLP

Irvine, California

March 1, 2017, except for the Report on Schedule of Expenditures of Federal and Selected State Awards to which the date is December 27, 2016

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

CITY OF ALHAMBRA

SCHEDULE OF EXPENDITURES OF FEDERAL
AND SELECTED STATE AWARDS

For the year ended June 30, 2016

Federal Grantor / Pass - Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal and Selected State Expenditures	Disbursement to Subrecipient
<u>U.S. Department of Agriculture</u>				
Direct Program:				
Summer Food Service Program for Children	10.559	19-8190-OV-228900	\$ 139,278	\$ -
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants - Entitlement Grant	14.218	B-15-MC-06-0511	1,195,555	-
HOME Investment Partnership Program	14.239	M15-MC-06-0501	637,831	-
Total U.S. Department of Housing and Urban Development			1,833,386	-
<u>U.S. Department of Justice</u>				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015DJBX0199	11,432	-
<u>U.S. Department of Transportation</u>				
Passed through the State of California				
Office of Traffic Safety:				
State and Community Highway Safety	20.600	PT1600 PT15128	47,279 10,636	-
Subtotal State and Highway Community Safety			57,915	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1600 PT15128	38,279 24,151	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			62,430	-
Passed through the State of California:				
Department of Transportation	20.205	SRTSL-5130(017)	81,118	-
Total U.S. Department of Transportation			201,463	-

(Continued)

See accompanying notes to Schedule of Expenditures of Federal and Selected State Awards.

CITY OF ALHAMBRA

SCHEDULE OF EXPENDITURES OF FEDERAL
AND SELECTED STATE AWARDS
(CONTINUED)

For the year ended June 30, 2016

Federal Grantor / Pass - Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal and Selected State Expenditures	Disbursement to Subrecipient
<u>U.S. Department of Homeland Security</u>				
Passed through City of Los Angeles, Office of the Mayor:				
Homeland Security Grant Program - Urban Areas Security Initiative				
	97.067	C-125490	\$ 91,307	\$ -
<u>U.S. Environmental Protection Agency</u>				
Direct Program:				
Congressionally Mandated Projects				
	66.202	99T38301	233,000	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			2,509,866	-
<u>CBSP State Awards</u>				
Passed through the County of Los Angeles Department of Community and Senior Citizens Services:				
Supportive Services Program				
	-	SSP-141801	55,757	-
TOTAL EXPENDITURES OF SELECTED STATE AWARDS			55,757	-
TOTAL EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS			\$ 2,565,623	\$ -

See accompanying notes to Schedule of Expenditures of Federal and Selected State Awards.

CITY OF ALHAMBRA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND SELECTED STATE AWARDS

For the year ended June 30, 2016

1. GENERAL:

The accompanying Schedule of Expenditures of Federal and Selected State Awards (the Schedule) presents the activity of all federal and selected state financial assistance programs of the City. The City's reporting entity is defined in Note I of the notes to the City's financial statements. All financial assistance received directly from federal agencies, federal financial assistance passed through other government agencies to the City, as well as certain state financial assistance passed through the County of Los Angeles Department of Community and Senior Citizens Services is included in the accompanying Schedule. 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).

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 I of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE:

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

4. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule agree to amounts reported within the City's Comprehensive Annual Financial Report.

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule agree with amounts reported in federal financial reports.

CITY OF ALHAMBRA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2016

2. Findings - Financial Statements Audit:

None noted.

3. Findings and Questioned Costs - Major Federal and Selected State Award Programs Audit:

Finding Number 2016-001

Major Program

United States Department of Housing and Urban Development, Community Development Block Grants - Entitlement Grant (CFDA 14.218), Grant Identification Number: B-15-MC-06-0511.

Criteria

Under Uniform Guidance Subpart E, *Cost Principles*, Section 200.430, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards.

Condition

During our audit of salaries and wages charged to the grant, we noted that 2 out of the 25 payroll transactions selected for testing included charges for employee's salaries and wages that were based on a budgeted percentage instead of actual hours. This issue was only noted for two administrative employees and only for their administration time. Actual hours worked on specific grant projects were tracked and charged to the specific grant projects accordingly. In addition, we noted that effective March 2016, the entire salaries and wages for these employees were charged to the grant based on actual hours.

Cause

These two employees noted do not track and document actual administrative hours worked on the federal program.

Effect

The City is not in compliance with the Uniform Guidance.

CITY OF ALHAMBRA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2016

3. Findings and Questioned Costs - Major Federal and Selected State Award Programs Audit
(Continued):

Finding Number 2016-001 (Continued)

Questioned Costs

The amount of administrative salaries and wages, including benefits, charged to the federal program for these two employees for the period from July 1 to February 28 is approximately \$59,000. The amount of questioned costs cannot be determined since there are no records that accurately reflect the actual work performed.

Context

There are two employees that charge administrative salaries and wages to the federal program.

Recommendation

We recommend the City charge salaries and wages to Federal programs based on actual hours worked by employees on each Federal program and maintain proper documentation of actual hours worked.

Management's Response

The City has corrected the above condition and currently tracks, documents, and charges actual time worked on federal programs.

CITY OF ALHAMBRA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2016

There were no findings or questioned costs for the year ended June 30, 2015.