

**CITY OF ALHAMBRA, CALIFORNIA**

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

**JUNE 30, 2018**

CITY OF ALHAMBRA, CALIFORNIA

TABLE OF CONTENTS

June 30, 2018

	<u>Page Number</u>
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 <i>Government Auditing Standards</i>	1 - 2
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	3 - 5
Schedule of Expenditures of Federal and Selected State Awards and Schedule of Findings and Questioned Costs:	
Schedule of Expenditures of Federal and Selected State Awards	6 - 7
Notes to Schedule of Expenditures of Federal and Selected State Awards	8
Schedule of Findings and Questioned Costs	9 - 11
Summary Schedule of Prior Audit Findings	12

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2019.

### **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,

## **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  
January 29, 2019

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 *Office of Management and Budget 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, 2018. 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, 2018.

## **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 2018-001. 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 29, 2019, 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 29, 2019, except for the Report on Schedule of Expenditures of Federal and Selected State Awards to which the date is January 29, 2019.

**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, 2018

Federal Grantor / Pass-Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal and Selected State Expenditures	Disbursement to Subrecipient
<u>US Department of Agriculture</u>				
Direct Program:				
Summer Food Service Program for Childrer	10.559	19-8190-OV-228900	\$ 98,702	\$ -
<u>US Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants - Entitlement Grant	14.218	B-14-MC-06-0511	649,580	-
		B-15-MC-06-0511	480,418	25,000
		B-16-MC-06-0511	811,568	-
		B-17-MC-06-0511	697,932	-
		Program Income	4,628,629	129,859
			<u>7,268,127</u>	<u>154,859</u>
HOME Investment Partnership Program:	14.239	M17-MC-06-0501	448,401	-
Total US Department of Housing and Urban Development			<u>7,716,528</u>	<u>154,859</u>
<u>US Department of Justice</u>				
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0199	1,883	-
Bullet Proof Vest Partnership	16.607	Not available	1,055	-
Equitable Sharing Program	16.922	Not available	465,485	-
Total US Department of Justice			<u>468,423</u>	<u>-</u>
<u>US Department of Transportation</u>				
Passed through the State of California Department of Transportation:				
Highway Planning and Safety	20.205	STPL-5130(021)	1,255,986	-
Passed through the State of California Office of Traffic Safety:				
State and Community Highway Safety	20.600	PT1801	35,705	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1801	26,562	-
Total US Department of Transportation			<u>1,318,253</u>	<u>-</u>

(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, 2018

Federal Grantor / Pass-Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal and Selected State Expenditures	Disbursement to Subrecipient
<u>US Department of Treasury</u>				
Direct Program:				
Equitable Sharing Program	21.016	Not available	\$ 23,000	\$ -
<u>US 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-127947	35,707	-
		C-129266	13,279	-
			<u>48,986</u>	<u>-</u>
Passed through County of Los Angeles, Executive Director				
Homeland Security Grant Program	97.067	HSGP 2015	2,527	-
Total US Department of Homeland Security			<u>51,513</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>9,676,419</u>	<u>154,859</u>
<u>CBSP State Awards</u>				
Passed through the County of Los Angeles Department of Community and Senior Citizens Services:				
Supportive Services Program	93.044	SSP-141801	47,115	-
TOTAL EXPENDITURES OF SELECTED STATE AWARDS			<u>47,115</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS			<u>\$ 9,723,534</u>	<u>\$ 154,859</u>

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, 2018

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 of Alhambra, California (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 and 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, 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.

6. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.



CITY OF ALHAMBRA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2018

2. Findings - Financial Statements Audit:

None noted.

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

Finding Number 2018-001 – Equipment Management

Major Program

United States Department of Justice, Direct Assistance, Equitable Sharing Funds, Program Identification Number Not Available (CFDA No. 16.922).

Criteria

Uniform Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.313 requires the recipient to keep equipment records, perform a physical equipment inventory at least once every two years, and implement an appropriate internal control system to safeguard and maintain the equipment purchased using federal funds.

Condition

The City do not have an inventory list of equipment purchased using program funds. In addition, the City do not have procedures in place that requires performance of physical equipment inventory of equipment purchased using program funds.

Questioned Costs

None noted.

Perspective Information

There is no comprehensive inventory list of equipment purchased using program funds.

Cause

Staff assigned to coordinate the program was unaware of the physical inventory count.

Effect

The City was not in compliance with equipment management requirements.

CITY OF ALHAMBRA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2018

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

Finding Number 2018-001 – Equipment Management (Continued)

Recommendation

We recommend that City establish procedures to ensure that city maintains a listing of all equipment purchased using program funds and equipment are managed in accordance with Uniform Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart D, §200.313.

Management's Response

The City agrees with this finding and will establish procedures to ensure a listing of all equipment purchased with Equitable Sharing Funds is maintained and the equipment is properly managed. The procedures will be provided to appropriate staff for implementation.

CITY OF ALHAMBRA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Finding Number 2017-001

Criteria

Senate Bill 341 requires all successor housing entities to comply with annual report requirements. One requirement is for the City to report housing financial and activity information by including specified information with the Annual Progress Report (APR) required to be annually submitted to the Department of Housing and Community Development (HCD) by April 1 of the subsequent year pursuant to the State of California housing law in reporting progress in implementing the housing element.

Condition

The City submitted the APR for the fiscal year ended June 30, 2016, on October 20, 2017, which was after the due date of April 1, 2017.

Current Status

No similar finding was noted in the 2018 audit.

FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD PROGRAMS

There were no findings or questioned costs related to major federal award programs reported for the year ended June 30, 2017.