



## Budget and Audit Committee Report

915 I Street, 1<sup>st</sup> Floor

Sacramento, CA 95814

[www.cityofsacramento.org](http://www.cityofsacramento.org)

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**File ID:** 2019-00435

April 2, 2019

**Consent Item 03**

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**Title:** Fiscal Year 2017/18 Single Audit Report

**Location:** Citywide

**Recommendation:** Pass a Motion: 1) accepting the Fiscal Year (FY) 2017/18 Single Audit Report; and 2) forwarding it to City Council for approval.

**Contact:** Osvaldo Lopez, Accounting Manager, (916) 808-4740; Dawn Holm, Director, (916) 808-5574, Department of Finance

**Presenter:** None

**Attachments:**

1-Description/Analysis

2-Resolution

3-Exhibit A - Single Audit Report

4-Exhibit B - Corrective Action Plan

**Description/Analysis**

**Issue Detail:** The FY2017/18 Single Audit Report has been prepared to present the City's Schedule of Expenditures of Federal Awards (SEFA) for the FY that ended June 30, 2018. The SEFA reports \$21 million in federal expenditures during the fiscal year. An independent public accounting firm has audited the SEFA, as required by federal law.

The single audit report (Exhibit A) identified four findings related to written procedures and policies. The City departments responsible for addressing these findings have provided responses in the attached corrective action plan (Exhibit B).

**Policy Considerations:** This report is required by federal and state law.

**Economic Impacts:** None.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** This action is not a "project" subject to CEQA because it involves only organizational or administrative activities that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines §15378(b)(5).)

**Sustainability:** Not applicable.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** It is in the best interest of the City to accept the FY2017/18 Single Audit Report and the Management Letter for the following reasons:

- The FY2017/18 Single Audit Report is required by federal and state law.
- Vavrinek, Trine, Day & Co., LLP, an independent public accounting firm, has audited the SEFA and has rendered an unmodified audit opinion that the information is fairly stated in relation to the City's audited financial statements. The auditors tested three major federal programs and reported four instances of noncompliance in the FY2017/18 Single Audit Report.
- The City has provided a corrective action plan for all instances of noncompliance.

**Financial Considerations:** There are no financial considerations associated with this report.

**Local Business Enterprise (LBE):** Not applicable.

## **RESOLUTION NO.**

Adopted by the Sacramento City Council

### **ACCEPTING THE FISCAL YEAR 2017/18 SINGLE AUDIT REPORT**

#### **BACKGROUND**

- A. The City's Fiscal Year (FY) 2017/18 Single Audit Report was prepared to present the City's Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ended June 30, 2018. The SEFA was audited, as required by federal law, by an independent public accounting firm.
- B. The public accounting firm of, Vavrinek, Trine, Day & Co., LLP audited the City's FY2017/18 SEFA and rendered its unmodified opinion that the schedule is fairly presented in relation to the City's audited financial statements. The FY2017/18 Single Audit Report contains four audit findings.
- C. The Corrective Action Plan includes Management's response to the Single Audit findings.

#### **BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City Council accepts the FY2017/18 Single Audit Report, attached hereto as Exhibit A.
- Section 2. Exhibit A and B are part of this resolution.

#### **Table of Contents:**

- Exhibit A Single Audit Report
- Exhibit B Corrective Action Plan

**CITY OF SACRAMENTO, CALIFORNIA**  
**SINGLE AUDIT REPORT**  
**(UNIFORM GUIDANCE)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**CITY OF SACRAMENTO, CALIFORNIA**

**SINGLE AUDIT REPORT  
(UNIFORM GUIDANCE)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Certified Public Accountants

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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**

To the Honorable Mayor and  
Members of the City Council  
City of Sacramento, 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 Sacramento, California (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 December 20, 2018. Our report contained an emphasis of matter regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*.

**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 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.

## **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 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vavrinik, Trine, Day & Co. LLP*

Sacramento, California  
December 20, 2018



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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

The Honorable Mayor and  
Members of the City Council  
City of Sacramento, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Sacramento, California's (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, 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 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 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 items 2018-001, 2018-002 and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. 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 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, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-003 and 2018-004, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings 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.

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, the business-type activities, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated December 20, 2018, which contained unmodified opinions on those financial statements. Our report includes an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Statement No. 85, *Omnibus 2017*. 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 financial statements as a whole.

*Vavrinick, Trine, Day & Co. LLP*

Sacramento, California

March 1, 2019

# CITY OF SACRAMENTO, CALIFORNIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>United States Department of Housing and Urban Development</b>				
Passed through Sacramento Housing and Redevelopment Agency:				
Community Development Block Grants (CDBG) /Entitlement Grants:				
Multi-Site Water Cross-Connection Improvement	14.218	2016-0896	\$ 73,700	
4th Avenue Park/Playground	14.218	2016-1002	89,533	
Hite Park/ Playground Project	14.218	2016-0998	2,076	
Carl Johnston Park Improvements	14.218	2017-1153	249,708	
Downtown Riverfront Street Car Design	14.218	2015-0467	812	
Mack Road Pedestrian Lighting	14.218	2016-0233	306,459	
Transportation Project Funding Pre-Planning and Outreach	14.218	2017-0195	2,065	
Midtown Street Lighting	14.218	2015-1286	543	
12th Street Complete Streets Engineering, Design and Environmental Clearance	14.218	2015-0113	91,151	
Fourth Street Pedestrian Access	14.218	2016-0201	70,078	
North 16th Street Streetscape Design Plan	14.218	2016-0203	69,832	
Franklin Blvd Complete Streets	14.218	2016-0202	186,288	
Midtown Street Lighting Phase III Design	14.218	2017-0172	19,229	
Lower Broadway Preliminary Design	14.218	2017-0171	50,298	
24th Street Feasibility Study	14.218	2017-0174	29,391	
SIM Center Signal Crossings	14.218	2018-0346	1,633	
Sutterville Road Pedestrian Crossing	14.218	2018-0347	563	
Del Paso Heights Fab Lab and Entrepreneurship Center Study	14.218	2017-0252	55,200	
Subtotal CDBG/Entitlement Grants Cluster			<u>1,298,559</u>	
<b>Total United States Department of Housing and Urban Development</b>			<b><u>1,298,559</u></b>	
<b>United States Department of the Interior</b>				
Direct Programs:				
Central Valley Improvement Act, Title XXXIV				
Lower American River Gravel Augmentation	15.512	N/A	<u>269,689</u>	
California Water Security and Environmental Enhancement	15.533	N/A	<u>52,398</u>	
Central Valley Project Improvement Act (CVPIA) Anadromous Fish Restoration Program (AFRP) - Gravel Restoration	15.648	N/A	<u>150,911</u>	
<b>Total United States Department of the Interior</b>			<b><u>472,998</u></b>	
<b>United States Department of Justice</b>				
Passed through Sacramento County Sheriff's Department:				
Missing Children's Assistance	16.543	2017-1403	<u>70,000</u>	
Direct Programs:				
Public Safety Partnership and Community Policing Grants (COPS):				
Public Safety Partnership and Community Policing Grants - COPS Hiring Program - 2013	16.710	N/A	44,767	
Public Safety Partnership and Community Policing Grants - COPS Hiring Program - 2014	16.710	N/A	594,790	
Public Safety Partnership and Community Policing Grants - COPS Hiring Program - 2015	16.710	N/A	633,935	
Subtotal Public Safety Partnership and Community Policing Grants			<u>1,273,492</u>	
Edward Byrne Memorial Justice Assistance Grant Program - 2013	16.738	N/A	12,937	
Edward Byrne Memorial Justice Assistance Grant Program - 2013	16.738	N/A	1,694	
Edward Byrne Memorial Justice Assistance Grant Program - 2014	16.738	N/A	118,293	
Edward Byrne Memorial Justice Assistance Grant Program - 2015	16.738	N/A	12,392	
Edward Byrne Memorial Justice Assistance Grant Program - 2015	16.738	N/A	89,769	
Edward Byrne Memorial Justice Assistance Grant Program - 2016	16.738	N/A	137,099	
Subtotal Edward Byrne Memorial Justice Assistance Grants			<u>372,184</u>	
Equitable Sharing Program	16.922	N/A	<u>174,845</u>	
<b>Total United States Department of Justice</b>			<b><u>1,890,521</u></b>	
<b>United States Department of Labor</b>				
Passed through Sacramento Employment and Training Agency:				
Workforce Innovation and Opportunity Act (WIOA) Cluster:				
WIOA Youth Activities - 2018	17.259	046301IS-16(E)	<u>164,314</u>	
<b>Total United States Department of Labor</b>			<b><u>164,314</u></b>	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SACRAMENTO, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>United States Department of Transportation</b>				
Passed through State of California Department of Transportation (CALTRANS):				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	CML-5002(155)	138,106	
Highway Planning and Construction	20.205	CML-5002(178)	53,016	
Highway Planning and Construction	20.205	ATPL-5002(189)	503,754	
Highway Planning and Construction	20.205	CML-5002(193)	32,897	
Highway Planning and Construction	20.205	STPL-5002(156)	65,253	
Highway Planning and Construction	20.205	HP21L-5002(068)	1,748,413	
Highway Planning and Construction	20.205	STPLR-7500(251)	7,723	
Highway Planning and Construction	20.205	STPL-5002(175)	40,000	
Highway Planning and Construction	20.205	BRLS-5002(134)	301,158	
Highway Planning and Construction	20.205	STPCML-5002(159)	429,002	
Highway Planning and Construction	20.205	DEMOSL-5002(163)	2,987,000	
Highway Planning and Construction	20.205	BRLS-5002(164)	734,415	
Highway Planning and Construction	20.205	HSIPLN-5002(165)	31,061	
Highway Planning and Construction	20.205	STPL-5002(170)	139,156	
Highway Planning and Construction	20.205	BRLS-5002(168)	94,138	
Highway Planning and Construction	20.205	STPL-5002(172)	226,626	
Highway Planning and Construction	20.205	STPL-5002(173)	56,561	
Highway Planning and Construction	20.205	STPL-5002(174)	147,638	
Highway Planning and Construction	20.205	STPL-5002(171)	591,989	
Highway Planning and Construction	20.205	STPL-5002(195)	32,516	
Highway Planning and Construction	20.205	STPL-5002(191)	140,391	
Highway Planning and Construction	20.205	CML-5002(190)	246,318	
Highway Planning and Construction	20.205	HSIPL-5002(183)	43,938	
Highway Planning and Construction	20.205	HSIPL-5002(184)	27,603	
Highway Planning and Construction	20.205	HSIPL-5002(185)	71,654	
Highway Planning and Construction	20.205	HSIPL-5002(186)	66,921	
Highway Planning and Construction	20.205	HSIPL-5002(187)	65,504	
Highway Planning and Construction	20.205	HSIPL-5002(188)	71,278	
Highway Planning and Construction	20.205	CML-5002(192)	49,944	
Highway Planning and Construction	20.205	STPL-5002(196)	22,706	
Highway Planning and Construction	20.205	HSIPL-5002(198)	4,316	
Highway Planning and Construction	20.205	HSIPL-5002(199)	3,292	
Highway Planning and Construction	20.205	HSIPL-5002(200)	2,921	
Highway Planning and Construction	20.205	HSIPL-5002(201)	1,548	
Subtotal Highway Planning and Construction Cluster			<u>9,178,756</u>	
Passed through Sacramento Area Council of Governments:				
Federal Transit Cluster:				
Federal Transit Capital Investment Grants Streetcar Toolkit	20.500	2016-0750	131,225	
Subtotal Federal Transit Cluster			<u>131,225</u>	
Passed through California Office of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT17103	61,907	
State and Community Highway Safety	20.600	PS1712	34,435	
State and Community Highway Safety	20.600	PT18072	122,151	
State and Community Highway Safety	20.600	PS18013	52,008	
State and Community Highway Safety	20.600	PS18024	90,970	
Subtotal Highway Safety Cluster			<u>361,471</u>	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT17103	114,857	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18072	91,025	
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>205,882</u>	
<b>Total United States Department of Transportation</b>			<b><u>9,877,334</u></b>	
<b>United States Department of Veterans Affairs</b>				
Direct Program:				
VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces	64.034	N/A	22,060	
<b>Total United States Department of Veteran Affairs</b>			<b><u>22,060</u></b>	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

# CITY OF SACRAMENTO, CALIFORNIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>United States Environmental Protection Agency</b>				
Passed through California State Water Resources Control Board:				
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Fund - Meter and Pipe Installation Project	66.468	3410020-034C	3,074,597	
Direct Programs:				
Brownfields Assessment and Cleanup Cooperative Agreement Revolving Loan Fund	66.818	N/A	624,597	591,188
Brownfields Assessment and Cleanup Cooperative Agreement - Northeast Sacramento	66.818	N/A	42,194	
Subtotal Brownfields Assessment and Cleanup Cooperative Agreements			666,791	591,188
<b>Total United States Environmental Protection Agency</b>			<b>3,741,388</b>	<b>591,188</b>
<b>United States Department of Education</b>				
Passed through California Department of Education:				
Twenty-First Century Community Learning Centers - 2016	84.287	16-14349-2192-8A	18,240	
Twenty-First Century Community Learning Centers - 2017	84.287	17-14349-2192-8A	251,709	
Subtotal Twenty-First Century Community Learning Centers			269,949	
<b>Total United States Department of Education</b>			<b>269,949</b>	
<b>United States Department of Health and Human Services</b>				
Passed through California Department of Education:				
CCDF Cluster:				
Child Care and Development Block Grant	93.575	CCTR-7184	63,470	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-7184	138,080	
Subtotal CCDF Cluster			201,550	
<b>Total United States Department of Health and Human Services</b>			<b>201,550</b>	
<b>United States Department of Homeland Security</b>				
Passed through California Department of Parks and Recreation, Division of Boating and Waterways:				
Boating Safety Financial Assistance	97.012	C16L0603	406	
Direct Programs:				
National Urban Search & Rescue (US&R) Response System:				
National Urban Search and Rescue 2014	97.025	N/A	45,082	
National Urban Search and Rescue 2015	97.025	N/A	9,328	
National Urban Search and Rescue 2016	97.025	N/A	260,287	
National Urban Search and Rescue 2017	97.025	N/A	711,934	
National Urban Search and Rescue Matthew Hurricane	97.025	N/A	1,441	
National Urban Search and Rescue Harvey Hurricane	97.025	N/A	576,644	
National Urban Search and Rescue Irma Hurricane	97.025	N/A	123,135	
National Urban Search and Rescue Maria Hurricane	97.025	N/A	440,729	
National Urban Search and Rescue Nate Tropical Storm	97.025	N/A	8,273	
Subtotal National Urban Search & Rescue (US&R) Response System			2,176,853	
Staffing for Adequate Fire and Emergency Response (SAFER) - 2010	97.083	EMW-2010-FH-00609	1,004	
Assistance to Firefighters Grant - 2016	97.044	EMW-2016-FO-03798	130,656	
Passed through State of California Office of Emergency Services:				
Homeland Security Grant Program - 2016	97.067	2016-0102	1,067,798	548,122
Homeland Security Grant Program - 2017	97.067	2017-0083	43,285	
Passed through the Sacramento County Office of Emergency Services:				
Homeland Security Grant Program - 2015	97.067	2015-SS-00078	28,695	
Homeland Security Grant Program - 2016	97.067	2016	29,631	
Subtotal Homeland Security Grant Program			1,169,409	548,122
<b>Total United States Department of Homeland Security</b>			<b>3,478,328</b>	<b>548,122</b>
<b>Total Expenditures of Federal Awards</b>			<b>21,417,001</b>	<b>1,139,310</b>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SACRAMENTO, CALIFORNIA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Sacramento, California (City) under programs of the federal government for the year ended June 30, 2018. 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, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds. Such expenditures are recognized following the cost principles continued in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown, if any, in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The CFDA numbers included in the accompanying Schedule were determined based on the program name, review of grant contract information, and the General Service Administration's Catalog of Federal Domestic Assistance.

**NOTE 4 – INDIRECT COST RATE**

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

**NOTE 5 – SCHEDULE OF SACRAMENTO EMPLOYMENT AND TRAINING AGENCY (SETA)  
EXPENDITURES**

The following represents expenditures of the grants from the Sacramento Employment and Training Agency for the fiscal year ended June 30, 2018:

CFDA Number	Sub-grant Number	Federal Expenditures		
		Personnel Service	Other	Total
17.259	046301IS-16(E)	\$ 162,117	\$ 2,197	\$ 164,314

# CITY OF SACRAMENTO, CALIFORNIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

### I. SUMMARY OF AUDITORS' RESULTS

#### FINANCIAL STATEMENTS

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

#### FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>Yes</u>

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>
<u>66.468</u>	<u>Drinking Water State Revolving Fund Cluster</u>
<u>97.067</u>	<u>Homeland Security Grant Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**CITY OF SACRAMENTO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**II. FINANCIAL STATEMENT FINDINGS**

None Reported.



**CITY OF SACRAMENTO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Finding 2018-001**

**Program:** Capitalization Grants for Drinking Water State Revolving Funds

**CFDA No.:** 66.468

**Federal Agency:** Environmental Protection Agency

**Passed-through:** N/A

**Award Year:** 2018

**Compliance Requirement:** Procurement and Suspension and Debarment

**Criteria:**

The *2017 OMB Compliance Supplement* states that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transactions with that entity.

**Condition Found:**

*Significant Deficiency, Instance of Noncompliance* – As a result of testwork, we noted 2 out of 5 contracts selected did not have evidence verification of suspension or debarment was made after the contract award dates nor contained the required certifications or clauses within the contracts.

**Questioned Costs:**

No questioned costs were identified as a result of our procedures.

**Context:**

The condition noted above was identified during our testing of the procurement and suspension and debarment requirements of the program. Program staff were aware of the requirement, but were unable to locate applicable support for 2 out of the 5 contracts selected.

**Effect:**

Due to the condition noted, no evidence of the Department following their required procurement procedures exists to support a check of suspension and debarment.

**Cause:**

The City did not follow written procedures requiring verification of the suspended and debarred status of vendors by checking the EPLS, collecting a certification from the vendor or adding a clause or condition to the contract with the entity.

**CITY OF SACRAMENTO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Recommendation:**

We recommend the City implement policies and procedures to ensure that procurements and subawards of federally funded projects are verified against the EPLS for suspension or debarment, and a certification is obtained.

**Views of Responsible Officials and Planned Corrective Actions:**

See separate corrective action plan.

**Finding 2018-002**

**Program:** Capitalization Grants for Drinking Water State Revolving Funds

**CFDA No.:** 66.468

**Federal Agency:** Environmental Protection Agency

**Passed-through:** N/A

**Award Year:** 2018

**Compliance Requirement:** Cash Management

**Criteria:**

Per the *2017 OMB Compliance Supplement* and 2 CFR Section 200.302(b)(6) of the Uniform Guidance, non-Federal entities are required to establish written procedures to implement the requirements of 2 CFR Section 200.305 (Payments).

**Condition Found:**

*Significant Deficiency, Instance of Noncompliance* – During our review of the Department's Grant Management Policies and Procedures Handbook, we noted that the codification had not been updated to the current Uniform Guidance. As a result, the guide lacked a complete written policy to address the provisions 2 CFR 200.305 in regards to the management of cash advances.

**Questioned Costs:**

No questioned costs were identified as a result of our procedures.

**Context:**

The condition noted above was identified during our testing of the cash management requirements of the program. The current written policies and procedures had not been update to the current Uniform Guidance. As a result, the written policies and procedures was not complete.

**Effect:**

There is an increased risk of non-compliance by the Department because of this condition.

**CITY OF SACRAMENTO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Cause:**

The Department's Grant Management Policy has not been updated to address the standards and requirements of the *Uniform Grant Guidance*.

**Recommendation:**

We recommend the Department review its written policies and procedures to ensure compliance with all applicable regulations related to cash management.

**Views of Responsible Officials and Planned Corrective Actions:**

See separate corrective action plan.

**Finding 2018-003**

**Program:** Capitalization Grants for Drinking Water State Revolving Funds

**CFDA No.:** 66.468

**Federal Agency:** Environmental Protection Agency

**Passed-through:** N/A

**Award Year:** 2018

**Compliance Requirement:** Reporting

**Criteria:**

*Title 2 CFR Section 200.303(a) Uniform Guidance* requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

City policy and program procedures require that submitted reports be reviewed and signed by an authorized certifying official to indicate review and approval of the reports.

**Condition Found:**

*Significant Deficiency, Instance of Noncompliance* – The internal control that was identified for status reports involved a review by the Project Manager prior to the Administrative Analyst submitting them online through FFAST. As a result of our audit procedures, we noted that there was no evidence of the Project Manager's signature or confirmation of his review prior to submittal. As a result, the control was deemed to have failed in design, as the Department had not established the practice of evidencing review.

**Questioned Costs:**

No questioned costs were identified as a result of our procedures.

## CITY OF SACRAMENTO, CALIFORNIA

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

#### III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

##### Context:

The condition noted above was identified during our testing of the reporting requirements of the program. Signatures evidencing the Project Manager's review were not included for 2 out of the 2 samples selected for testing.

##### Effect:

There is an increased risk of error by the Department because of this condition.

##### Cause:

The Department did not have procedures in place to ensure the reports submitted online through FAAST, were reviewed prior to submission.

##### Recommendation:

We recommend the Department update its procedures to include the evidence of the Project Manager's review over status reports prior to submission to the State.

##### Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

#### **Finding 2018-004**

**Program:** Homeland Security Grant Program

**CFDA No.:** 97.067

**Federal Agency:** U.S. Department of Homeland Security

**Passed-through:** State of California Office of Emergency Services

**Award Year:** 2016

**Compliance Requirement:** Subrecipient Monitoring

##### Criteria:

The *2017 OMB Compliance Supplement* requires a pass-through entity to be responsible for:

*Evaluate Risk* – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)).

*Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.

**CITY OF SACRAMENTO, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the Federal award proceeded to the subrecipient form the PTE as required by 2 CFR section 200.521.

**Condition Found:**

*Significant Deficiency, Instance of Noncompliance* – As a result of our audit, we noted the following based on our testing performed over subrecipient monitoring:

- For one out of the one subrecipient file tested, the City did not perform a risk assessment of the subrecipient.
- For one out of the one subrecipient file tested, the City did not request and did not receive issued single audit reports for the most recent fiscal years.
- For one out of the one subrecipient files tested, the City did not maintain adequate documentation of site visits for the during-the-award monitoring.

**Questioned Costs:**

No questioned costs were identified as a result of our procedures.

**Context:**

The condition noted above was identified during our procedures related to subrecipient monitoring for the Homeland Security Grant Program. The Department currently lacks a method of formally documenting this process, both during the initial risk assessment and subsequent monitoring.

**Effect:**

There is an increased risk of non-compliance by the sub-recipients as a result of these conditions.

**Cause:**

The City's procedures did not ensure that ongoing monitoring is adequately documented, and that all subrecipients that require a Single Audit, file one with the City and the City issue a management decision on the results of the Single Audit, as necessary.

**Recommendation:**

We recommend the City review its policies and formalize written procedures related to subrecipient monitoring.

**Views of Responsible Officials and Planned Corrective Actions:**

See separate corrective action plan.

**CITY OF SACRAMENTO, CALIFORNIA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Summarized below is the current status of corrective action on audit findings reported in the prior year schedule of audit findings and questioned costs.

<b>Finding No.</b>	<b>Program Name</b>	<b>CFDA No.</b>	<b>Compliance Requirement</b>	<b>Status of Corrective Action</b>
2017-001	Central Valley Project Improvement Act, Title XXXIV	15.512	Procurement and Suspension and Debarment	Implemented
2017-002	Public Safety Partnership and Community Policing Grants	16.710	Subrecipient Monitoring	Implemented
2017-003	Public Safety Partnership and Community Policing Grants	16.710	Procurement and Suspension and Debarment	Implemented



**CITY OF SACRAMENTO, CALIFORNIA**

Corrective Action Plan

Year ended June 30, 2018

Compiled by: Osvaldo Lopez, Accounting Manager

**CITY OF SACRAMENTO, CALIFORNIA**

Corrective Action Plan

Year ended June 30, 2018

**I. FINANCIAL STATEMENT FINDINGS**

None Reported.



# **CITY OF SACRAMENTO, CALIFORNIA**

## **Corrective Action Plan**

Year ended June 30, 2018

### **II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **FINDING 2018-001**

**Program:** Capitalization Grants for Drinking Water State Revolving Funds

**CFDA No.:** 66.468

**Federal Agency:** Environmental Protection Agency

**Passed-through:** N/A

**Award Year:** 2018

**Compliance Requirement:** N/A

#### **Management's or Department's Response:**

We concur.

#### **Views of Responsible Officials and Corrective Action:**

Management has developed written procedures outlining the requirement to use the SAM.gov (excluded Parties List System) database to verify that any vendors who may be awarded a contract or submit invoices for grant-funded activities have not been debarred or suspended. These procedures were at place at the time of the finding, however they were not followed by staff. Department of Utility contract services will review the performance of verification conducted by staff. Additionally, the form will be approved and signed by appropriate management staff.

Name of Responsible Person: Renee Graves

Implementation Date: February 19, 2019

**CITY OF SACRAMENTO, CALIFORNIA**

**Corrective Action Plan**

**Year ended June 30, 2018**

**FINDING 2018-002**

**Program:** Capitalization Grants for Drinking Water State Revolving Funds

**CFDA No.:** 66.468

**Federal Agency:** Environmental Protection Agency

**Passed-through:** N/A

**Award Year:** 2018

**Compliance Requirement:** Cash Management.

**Management's or Department's Response:**

We concur.

**Views of Responsible Officials and Corrective Action:**

Management is updating the existing written policies and procedures for cash management to make sure that the required elements are included. The updated policies and procedures will include information to make sure that it covers cash management procedures for reimbursement and advance payments when applicable.

Name of Responsible Person: Alaina Jordan

Implementation Date: In progress

**CITY OF SACRAMENTO, CALIFORNIA**

**Corrective Action Plan**

Year ended June 30, 2018

**FINDING 2018-003**

**Program:** Capitalization Grants for Drinking Water State Revolving Funds

**CFDA No.:** 66.468

**Federal Agency:** Environmental Protection Agency

**Passed-through:** N/A

**Award Year:** 2018

**Compliance Requirement:** N/A

**Management's or Department's Response:**

We concur.

**Views of Responsible Officials and Corrective Action:**

Management agree that there should be documentation that the Project Manager reviewed the status report prior to submission. To document the Project Manager's review of the status report, a signature line has been added to the report.

Name of Responsible Person: Marc Lee

Implementation Date: February 2019

**CITY OF SACRAMENTO, CALIFORNIA**

Corrective Action Plan

Year ended June 30, 2018

**FINDING 2018-004**

**Program:** Homeland Security Grant Program

**CFDA No.:** 97.067

**Federal Agency:** US Department of Homeland Security

**Passed-through:** N/A

**Award Year:** 2016

**Compliance Requirement:** Subrecipient Monitoring

**Management's or Department's Response:**

We concur.

**Views of Responsible Officials and Corrective Action:**

Management will update written policies and procedures outlining subrecipient risk assessment and monitoring and the documentation of those risk assessment and monitoring activities.

Name of Responsible Person: Brenda Delgadillo

Implementation Date: March 2019

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