



**APPROVED**  
BY THE CITY COUNCIL

AUG 25 1987

OFFICE OF THE  
CITY CLERK

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CITY OF SACRAMENTO

REPORT ON SUPPLEMENTARY SCHEDULE,  
INTERNAL CONTROL AND COMPLIANCE

(Office of Management Budget Circular A-128)

Year ended June 30, 1986

CITY OF SACRAMENTO  
SINGLE AUDIT REPORT

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March 26, 1987

Honorable Mayor and City Council  
City of Sacramento  
Sacramento, California

We have examined the general purpose financial statements of the City of Sacramento, California, for the year ended June 30, 1986, and have issued our report thereon dated March 26, 1987. Our examination of such financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in this schedule has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Certified Public Accountants

CITY OF SACRAMENTO

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

For the year ended June 30, 1986

<u>Federal Grantor</u>	<u>Catalog of Federal Domestic Assistance (CFDA) Number</u>	<u>Initial Program or Award Amount</u>
United States Department of the Treasury: State and Local Government Fiscal Assistance - General Revenue Sharing	21.300	\$5,376,965
<u>Other Federal Assistance (1)</u>		
Teen Diversion Program (U.S. Department of Health and Human Services)		18,701
1985 Summer Food Program (U.S. Department of Agriculture)		329,416
1985 Youth Employment Program (U.S. Department of Labor)		19,600
Safety Belt and Safety Seat Project (U.S. Department of Transportation)		144,884

(1) For programs or grants that have not been assigned a CFDA number.

<u>Program Cash Beginning Balance at 7/1/85</u>	<u>Program Cash Receipts</u>	<u>Program Cash Expenditures</u>	<u>Program Cash Ending Balance at 6/30/86</u>
\$(1,250,362)	\$5,321,641	\$5,334,000	\$(1,262,721)
(478)	16,785	18,701	(2,394)
28,118	200,495	235,474	(6,861)
(8,759)	26,763	19,600	(1,596)
(14,246)	160,552	136,540	9,766

March 26, 1987

Honorable Mayor and City Council  
City of Sacramento  
Sacramento, California

We have examined the general purpose financial statements of the City of Sacramento, California, (City) for the year ended June 30, 1986, and have issued our report thereon dated March 26, 1987. Our examination was made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB A-128, Audits of State and Local Governments and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the City is responsible for the City's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from each major federal financial assistance program and certain nonmajor federal financial assistance programs. The purpose of our testing of transactions and records from those federal financial assistance programs was to obtain reasonable assurance that the City had, in all material respects, administered major programs, and executed the tested nonmajor program transactions, in compliance with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

In our opinion, for the year ended June 30, 1986, the City administered each of its major federal financial assistance programs in compliance, in all material respects, with laws and regulations, including those pertaining to financial reports and claims for advances and reimbursements, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our testing of transactions and records selected from nonmajor federal financial assistance programs indicate that for the transactions and records tested, the City complied with the laws and regulations referred to in the second paragraph of our report. Our testing was more limited than would be necessary to express an opinion on whether the City administered those programs in compliance in all material respects with those laws and regulations, noncompliance with which we believe could have a material effect on the allow-ability of program expenditures; however, with respect to the transactions and records that were not tested by us, nothing came to our attention to indicate that the City had not complied with laws and regulations.

*Touche Ross & Co.*

Certified Public Accountants

March 26, 1987

Honorable Mayor and City Council  
City of Sacramento  
Sacramento, California

We have examined the general purpose financial statements of the City of Sacramento, California, (City) for the year ended June 30, 1986, and have issued our report thereon dated March 26, 1987. As part of our examination, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

- |                      |                             |   |
|----------------------|-----------------------------|---|
| . Cash receipts      | . Political activity        | . Special tests and provisions                        |
| . Cash disbursements | . Davis-Bacon Act           | . Relocation assistance and real property acquisition |
| . Payroll            | . Civil rights              |   |
| . General ledger     | . Cash management           |   |
| . Overhead           | . Federal financial reports |   |
| . Fixed assets       |                             |   |

The management of the City is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies, resources are safeguarded against waste, loss, and misuse, and reliable data are obtained, maintained, and fairly disclosed in reports.



Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degrees of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above except for fixed asset controls. Fixed asset amounts were tested substantively without significant reliance on internal accounting controls. During the year ended June 30, 1986, the City expended 100 percent of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the City, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of the City did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the City. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the City. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the City.

Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our examination disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the City.

This report is intended solely for the use of the Mayor, City Council and management of the City and the City's federal cognizant audit agency, the U.S. Department of Housing and Urban Development, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City, is a matter of public record.



Certified Public Accountants