

CITY OF ALAMEDA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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For the Year Ended June 30, 2018

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CITY OF ALAMEDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>Community Development Block Grants/Entitlement Grants</u>
<u>20.205</u>	<u>Highway Planning and Construction (Federal-Aid Highway Program)</u>
<u>97.083</u>	<u>Staffing for Adequate Fire and Emergency Response (SAFER)</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed significant deficiencies, but no material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated March 27, 2019, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with Uniform Guidance.

Finding reference number: SA2018-001 Timely Reimbursement Requests

CFDA number: 20.205

CFDA Title: Highway Planning and Construction (Federal-Aid Highway Program)

Name of Federal Agency: Department of Transportation

Federal Award Identification Number: ATPLNI 5014(043)

Name of pass-through Entity: State of California, Department of Transportation (CalTrans)

Criteria: Section 1E of the Special Covenants or Remarks to the grant agreement for the Cross Alameda Trail project require the City to submit at least one invoice every six months commencing after funds are encumbered, or submit a written explanation to the grantor of the absence of project activity along with a target billing date and target billing amount. Otherwise, the project becomes inactive and is listed on the CalTrans website as an inactive project and is at risk of being defunded.

Condition: The City entered into the grant agreement for the project on April 17, 2017 with the State. During our testing of expenditures under the grant, we noted that work on the project incurred in September 2017 was not paid until January 2018 and was not included on a reimbursement request to the grantor until June 2018.

Effect: The City is not in compliance with the Special Covenants or Remarks to the grant agreement.

Cause: We understand the City experienced a shortage of staff to establish a process to submit invoices for reimbursement in accordance with the required intervals in the grant agreement.

Recommendation: The City must develop procedures to ensure that invoices are submitted every six months for each project, or the required written explanation is provided to the grantor.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding reference number: SA2018-002 Subrecipient Award Contract Documentation and Monitoring

CFDA number: 14.218

CFDA Title: Community Development Block Grants/Entitlement Grants Cluster

Name of Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Identification number: B17MC060007

Criteria: The 2018 Compliance Supplement and Title 2 CFR Section 200.331(a) of the Uniform Guidance require that the pass-through entity must identify the award and applicable requirements to the subrecipient with certain information as well as all the requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award. In addition, the City is required to obtain the Data Universal Numbering System (DUNS) number from its subrecipients.

Condition: The City passed through federal grant monies to seven subrecipients in fiscal year 2018. We tested two of the seven subrecipient award agreements and noted that they did not identify all of the required elements of the subaward in accordance with 2 CFR 200.331(a) of the Uniform, including the CFDA number. In addition, the City did not request the DUNS number from its subrecipients.

Effect: The City did not identify the required elements of the subaward to the subrecipient and did not obtain the subrecipient's DUNS number, increasing the likelihood of noncompliance in relation to the program.

Cause: The City does not have procedures in place to ensure that the subawards contain the required elements pursuant to 2 CFR 200.331(a) or to obtain the subrecipient's DUNS number.

However, we understand that starting fiscal year 2019, the City has included in the subrecipient application process the request for the subrecipient's DUNS number.

Identification as a repeat finding: Repeat finding from fiscal year 2017.

Recommendation: We recommend the City prepare subawards agreements that contain all of the required elements as specified in 2 CFR 200.311(a)(1) and the City should ensure that the process for requesting and documenting the subrecipient DUNS number is implemented for all existing subrecipients.

View of Responsible Officials and Planned Corrective Actions: Please see Corrective Action Plan separately prepared by the City.

CITY OF ALAMEDA

**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 Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Housing and Urban Development Direct Program:				
Community Development Block Grants (CDBG) /Entitlement Grants	14.218			
Subgrants			\$281,368	\$281,368
Program Expenditures				1,451,403
Loan Program Balance, Beginning of Year				2,571,208
New Loans				551,600
Program subtotal			<u>281,368</u>	<u>4,855,579</u>
Department of Housing and Urban Development Pass-Through Program:				
County of Alameda				
HOME Investment Partnerships Program	14.239			
Program Expenditures		M17DC060201		10,314
Loan Program Balance, Beginning of Year		M17DC060201		6,446,628
New Loans		M17DC060201		152,282
Program subtotal				<u>6,609,224</u>
Total Department of Housing and Urban Development			<u>281,368</u>	<u>11,464,803</u>
Department of Transportation Pass-Through Programs:				
California Department of Transportation				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205			
Park Street Arterial Management		HSIPL 5014(038)		141,965
Jean Sweeney Open Space		ATPL 5014(042)		1,842,000
Cross Alameda Trail-Education & Outreach		ATPLNI 5014(043)		34,395
Program subtotal				<u>2,018,360</u>
National Highway Traffic Safety Administration				
Bay Area Rapid Transit (BART)				
Federal Transit Cluster				
Federal Transit - Capital Investments Grants (Fixed Guideway				
Capital Investment Grants)	20.500			
Transit and Access Study/Pedestrian-Bike Path Design		CA-04-0043		145,981
Total Department of Transportation				<u>2,164,341</u>
Department of Homeland Security Direct Programs:				
Assistance to Firefighters Grant - Operations and Safety Program	97.044			11,288
Homeland Security Grant Program - AFD CERT Program	97.067			15,797
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083			923,537
Total Department of Homeland Security				<u>950,622</u>
Total Expenditures of Federal Awards			<u>\$281,368</u>	<u>\$14,579,766</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF ALAMEDA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

NOTE 1-REPORTING ENTITY

The Schedule of Expenditures of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Alameda, California, and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the Alameda Municipal Power (AMP) Enterprise Fund. Federal awards expended by AMP, if any, are excluded from the Schedule and are subject to a separate audit of compliance.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

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

NOTE 4 – OUTSTANDING LOANS OF FEDERAL FUNDS AT JUNE 30, 2018

The following loan programs balances and transactions relating to these programs are included in City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2018 consists of the following:

CFDA Number	Program Name	Outstanding Balance at June 30, 2018
14.218	Community Development Block Grants/Entitlement Grants	\$2,963,228
14.239	HOME Investment Partnerships Program	6,577,882

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the City Council
City of Alameda, 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 Alameda, California, 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 March 27, 2019. Our report includes a reference to other auditors who audited the financial statements of the Alameda Municipal Power Enterprise Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report also included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated March 27, 2019, which is an integral part of our audits and should be read in conjunction with this report.

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 that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated March 27, 2019, which is an integral part of our audits and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

A handwritten signature in black ink that reads "Mary & Associates". The script is fluid and cursive, with the ampersand being particularly stylized.

Pleasant Hill, California
March 27, 2019

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

To the Honorable Members of the City Council
City of Alameda, California

Report on Compliance for Each Major Federal Program

We have audited City of Alameda's 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 auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The City's basic financial statements include the operations of the Alameda Municipal Power (AMP) Enterprise Fund, which received no federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of AMP, because AMP engaged other auditors to perform an audit of compliance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 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 SA2018-001 and SA2018-002. Our opinion on each major federal program is not modified with respect to these matters.

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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item SA2018-002, that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit are 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 March 27, 2019, which contained an unmodified opinion on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Alameda Municipal Power Enterprise Fund. Our report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors. Our audit was conducted for the purpose of forming an opinion 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Pleasant Hill, California
March 27, 2019

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