CITY OF ALAMEDA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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CITY OF ALAMEDA

SINGLE AUDIT REPORT
For the Year Ended June 30, 2019

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CITY OF ALAMEDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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?	X	Yes		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?		Yes	X	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)?		Yes	X	No

Identification of major program(s):

CFDA#(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program
20.500	Federal Transit – Capital Investment Grants (Fixed Guideway Capital Investment Grants)

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 did disclose significant deficiencies and material weaknesses, but no instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated May 4, 2020, 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 did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.

CITY OF ALAMEDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

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			$290,865	$290,865
Program Expenditures				689,534
Loan Program Balance, Beginning of Year				2,963,228
Program subtotal			290,865	3,943,627
Department of Housing and Urban Development **Pass-Through** Program:				
County of Alameda				
HOME Investment Partnerships Program	14.239			
Program Expenditures		M-18-DC-060001		17,235
Loan Program Balance, Beginning of Year		M-18-DC-060001		6,577,882
Program subtotal				6,595,117
Total Department of Housing and Urban Development			290,865	10,538,744
Department of Justice **Pass-Through** Program:				
County of Alameda				
Edward Byrne Memorial Justice Assistance Grant Program	16.738			
Justice Assistance Grant 2014		2014-DJ-BX-0275		12,454
Justice Assistance Grant 2015		2015-DJ-BX-0209		12,241
Justice Assistance Grant 2016		2016-DJ-BX-0748		11,734
Total Department of Justice				36,429
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)		100,631
Jean Sweeney Open Space		ATPL 5014(042)		40,000
Cross Alameda Trail-Education & Outreach		ATPLNI 5014(043)		68,974
Otis/Pacific Resurfacing		STPL 5014(041)		79,213
Clement Avenue Safety Improvements		CML 5014(046)		176,723
Program subtotal				465,541
National Highway Traffic Safety Administration				
Bay Area Rapid Transit (BART)				
Federal Transit - Capital Investments Grants (Fixed Guideway Capital Investment Grants)	20.500			
Transit and Access Study/Pedestrian-Bike Path Design		CA-04-0126		192,621
Transit and Access Study/Pedestrian-Bike Path Design		CA-04-0043		357,762
Program subtotal				550,383
Total Department of Transportation				1,015,924
Department of Homeland Security **Direct** Programs:				
Homeland Security Grant Program - AFD CERT Program	97.067			11,959
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083			473,856
Total Department of Homeland Security				485,815
Total Expenditures of Federal Awards			$290,865	$12,076,912

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF ALAMEDA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditure 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, 2019

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, 2019 consists of the following:

CFDA Number	Program Name	Outstanding Balance at June 30, 2019
14.218	Community Development Block Grants/Entitlement Grants	$2,813,263
14.239	HOME Investment Partnership Program	6,554,506

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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 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 4, 2020. 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 controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We identified certain deficiencies in internal control, we consider to be material weaknesses as listed on the Schedule of Material Weaknesses, included as part of our separately issued Memorandum on Internal Control dated May 4, 2020, which is an integral part of our audits and should be read in conjunction with this report.

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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. We identified 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 date May 4, 2020, 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 or other matters 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 May 4, 2020, 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.

Maze & Associates

Pleasant Hill, California
May 4, 2020

MAZE
& ASSOCIATES

**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, 2019. 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, 2019. 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.

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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, 2019.

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 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, 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 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 4, 2020, 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.

Maze & Associates

Pleasant Hill, California
July 1, 2020

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SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2019

CORRECTIVE ACTION PLAN

FINANCIAL STATEMENT FINDINGS - CURRENT YEAR

Finding Reference Number: 2019-01: Timeliness of Year End Close

- *Fiscal Year of Initial Finding: 2019*

- Name(s) of the contact person: *Tran Nguyen, Financial Services Manager, Nancy Bronstein, Human Resources Director/Acting Finance Director*

- ***Corrective Action Plan:*** This is a top priority to us, and the City has acquired the services of Management Partners to assist us in identifying key deficiencies in our staffing and management of assignments. We have hired 2 new Accountants in the past 5 months, and expect to make some significant changes to work assignments and possibly reporting relationships in the upcoming months. We also plan on supplementing our accounting staff with contract service support to assist in catching up on general ledger duties. We expect, over the next several months to make sure all regular general ledger review items are assigned to a staff member. All of this will make our year end close process more effective. While we hope this year end close process is completed timely, due to continued staff vacancies and Shelter in Place restrictions, we are certain it will be timely by the end of fiscal year 2020-21.

- Anticipated Completion Date: *November 30,2020*

Finding Reference Number: 2019-02: Segregation of Duties in Major Control Areas

- *Fiscal Year of Initial Finding: 2018*

- Name(s) of the contact person: *Tran Nguyen, Financial Services Manager, Nancy Bronstein, Human Resources Director/Acting Finance Director*

- ***Corrective Action Plan:***
  Access to Customer Database and Cash Receipts/ Non-Sufficient Funds Checks - We believe these issues will be solved in the new financial system, as it will create a log of changes. Unfortunately, the current system does not do that. We note that the City does not generate a significant number of Accounts Receivable billings. In the meantime, we will have an Accountant with no access to the cash to review and sign off on all accounts receivable billings and NSF recordings.

<u>Finding Reference Number</u>: 2019-02: Segregation of Duties in Major Control Areas (Continued)

Finance Staff with General Ledger Super User Rights - We agree with the finding on super-user access, and will be working to reassign super-user responsibility to either the Financial Services Manager or to an Accountant in the upcoming weeks, as this will take training.

- Anticipated Completion Date: *September 30, 2020*

<u>Finding Reference Number</u>: 2019-03: Timely Review of Bank Reconciliations

- *Fiscal Year of Initial Finding: 2019*
- Name(s) of the contact person: *Tran Nguyen, Financial Services Manager, Nancy Bronstein, Human Resources Director/Acting Finance Director*
- ***Corrective Action Plan:*** We agree that the preparation of timely bank reconciliations should be assigned to an Accountant and signed off on by either an Accountant II or the Financial Services Manager. We are now working on procedures and template tools for ongoing bank reconciliations going forward. Our goal is to have them completed by the third week following the end of each month and plan to be caught up by September 30, 2020.
- Anticipated Completion Date: *September 30, 2020*

<u>Finding Reference Number</u>: 2019-04: Timely Preparation and Review of Quarterly Investment Reports

- *Fiscal Year of Initial Finding: 2019*
- Name(s) of the contact person: *Nancy Bronstein, Human Resources Director/Acting Finance Director*
- ***Corrective Action Plan:*** We agree that this needs to be corrected. We are now caught up with the 2nd Quarter Investment Report, which is about to be issued, and will then complete the 3rd Quarter Report. We have identified some efficiencies that should expedite future preparation.
- Anticipated Completion Date: *June 30, 2020*

FEDERAL AWARD FINDINGS - CURRENT YEAR

There were no federal award findings in the current year.