

CITY OF ALAMEDA, CALIFORNIA

**Single Audit Report
(Uniform Guidance)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CITY OF ALAMEDA, CALIFORNIA

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	
I. Summary of Auditors' Results	9
II. Financial Statement Findings	10
III. Federal Award Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	13



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

VALUE THE *difference*

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

The Honorable Mayor and
Members of 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 City of Alameda, California (the City) as of and for the year ended June 30, 2017, 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 29, 2017. Our report included an emphasis-of-matter regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, effective July 1, 2016. Our opinion is not modified with respect to this matter.

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

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 29, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; 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 Alameda, California

Report on Compliance for Each Major Federal Program

We have audited the City of Alameda, 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, 2017. 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.

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, 2017.

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 2017-001 and 2017-002. 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 as item 2017-002 that we consider to be significant deficiencies.

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 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.

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, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated December 29, 2017, which contained unmodified opinions on those financial statements. Our report included an emphasis-of-matter regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, effective July 1, 2016. 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 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 basic financial statements as a whole.

Vaurinik, Trine, Day & Co. LLP

Sacramento, California

March 7, 2018

CITY OF ALAMEDA, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct/Pass-through Identifying Number	Federal Expenditures	Passed Through to Subrecipients
United States Department of Housing and Urban Development				
Direct Awards:				
CDBG/Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants - Program Expenditures	14.218	B15MC060007	\$ 756,657	\$ 279,271
Community Development Block Grants/Entitlement Grants - Program Income	14.218	B15MC060007	251,908	
Community Development Block Grants/Entitlement Grants - Loan Balance	14.218	B15MC060007	2,823,116	
Subtotal CDBG-Entitlement Grants Cluster			<u>3,831,681</u>	<u>279,271</u>
Passed through the County of Alameda:				
Home Investment Partnerships Program - Program Income	14.239	M15DC060201	11,525	10,563
Home Investment Partnerships Program - Program Expenditures	14.239	M15DC060201	9,259	
Home Investment Partnerships Program - Loan Balance	14.239	M15DC060201	6,267,173	
Home Investment Partnerships Program - New Loans	14.239	M15DC060201	195,740	
Subtotal Home Investment Partnerships Program			<u>6,483,697</u>	<u>10,563</u>
Total United States Department of Housing and Urban Development			<u>10,315,378</u>	<u>289,834</u>
United States Department of Justice				
Passed through the County of Alameda:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0748	12,033	
Total United States Department of Justice			<u>12,033</u>	
United States Department of Transportation				
Passed through the State of California Department of Transportation (CalTRANS):				
Highway Planning and Construction Cluster:				
Highway Planning and Construction - Park Street Arterial Management	20.205	HSIPL 5014(038)	141,676	
Highway Planning and Construction - Otis Dr/Pacific Ave Street Resurfacing	20.205	STPL-5014(041)	4,245	
Subtotal Highway Planning and Construction Cluster			<u>145,921</u>	
Passed through the Bay Area Rapid Transit (BART):				
Federal Transit Cluster:				
Federal Transit Capital Investment Grants - BART - Transit and Access Study				
Pedestrian - Bike Path Design	20.500	CA-04-0043	114,421	
Total Federal Transit Cluster			<u>114,421</u>	
Passed through the Metropolitan Transportation Commission:				
Transit Services Programs Cluster:				
New Freedom Program - Pedestrian Signals	20.521	CA-57-X074	148,272	
Job Access and Reverse Commute Program - Estuary Crossing Shuttle	20.516	CA-37-X177	21,119	
Total Transit Services Programs Cluster:			<u>169,391</u>	
Total United States Department of Transportation			<u>429,733</u>	
United States Department of Homeland Security				
Direct Programs:				
Assistance to Firefighters Grant - Operations and Safety Program (FEMA)	97.044	EMW-2015-FO-04514	503,619	
Homeland Security Grant Program - AFD CERT Program (FEMA)	97.067	2016-0102	13,017	
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2014-FH-00221	550,250	
Total United States Department of Homeland Security			<u>1,066,886</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,824,030</u>	<u>\$ 289,834</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ALAMEDA, CALIFORNIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE #1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Alameda, California (City) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE #3 – INDIRECT COST RATE

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

NOTE #4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE #5 – DIRECT/PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule will show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City has determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

CITY OF ALAMEDA, CALIFORNIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE #6 – OUTSTANDING LOANS OF FEDERAL FUNDS AT JUNE 30, 2017

The following schedule represents the amount of outstanding loans by CFDA No. that have continuing compliance requirements. The loans are provided by the U.S Department of Housing and Urban Development (HUD):

CFDA No.	Federal Program	Outstanding at June 30, 2017
14.218	Community Development Block Grants/Entitlement Grants	\$ 2,571,208
14.239	HOME Investment Partnerships Program	6,446,628

CITY OF ALAMEDA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report 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</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>CDBG-Entitlement Grants Cluster</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 ALAMEDA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

II. FINANCIAL STATEMENT FINDINGS

None Reported.

CITY OF ALAMEDA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2017-001

Program: Community Development Block Grants/Entitlement Grants Cluster

CFDA No.: 14.218

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

Award Year: 2016-2017

Compliance Requirement: Cash Management

Criteria:

Per the *2017 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:

Instance of Noncompliance – As a result of our audit procedures over cash management, we noted the City has not established written procedures to implement the cash management requirements of 2 CFR Section 200.305 (Payments).

Questioned Costs:

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

Context:

The condition noted above was identified during our testing over cash management requirements of the program.

Effect:

The City has not complied with the specific requirements for written procedures over cash management as described in 2 CFR 200.305 (Payments).

Cause:

The City's did not have the required written procedures implemented in accordance with 2 CFR 200.302(b)(6).

Recommendation:

It is recommended that the City implement written procedures to comply with the requirements of 2 CFR Section 200.305 (Payments).

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

CITY OF ALAMEDA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2017-002

Program: Community Development Block Grants/Entitlement Grants Cluster

CFDA No.: 14.218

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

Award Year: 2016-2017

Compliance Requirement: Subrecipient Monitoring

Criteria:

Per the *2017 Compliance Supplement* and Title 2 CFR Section 200.331(a) of the Uniform Guidance states 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.

Condition Found:

Significant Deficiency, Instance of Non-Compliance – We noted 3 instances out of 3 where the City did not identify all of the required elements of the subaward in accordance with 2 CFR 200.331(a) of the Uniform Grant Guidance.

Questioned Costs:

We identified no questioned costs in our tests of compliance with this requirement.

Context:

The conditions noted above were identified in 3 of the 3 subrecipients selected during our testing procedures over subrecipient monitoring compliance requirements.

Effect:

The City did not identify the required elements of the subaward to the subrecipient, 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).

Recommendation:

It is recommended that the City prepare subawards agreements that contain all of the required elements as specified in 2 CFR 200.331(a)(1).

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

CITY OF ALAMEDA, CALIFORNIA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

None Reported.