

CITY OF PLEASANTON
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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CITY OF PLEASANTON
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For The Year Ended June 30, 2016

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CITY OF PLEASANTON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

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

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</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 did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 27, 2016 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: SA2016-001**
- **CFDA number: 14.218**
- **CFDA Title: Community Development Block Grant**
- **Name of Federal Agency: United States Department of Housing and Urban Development**
- **Criteria:** In accordance with the requirements of OMB Uniform Administrative Requirements Subtitle A, Chapter I, Part 180 Subpart C, Section 180.300 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 they intend to do business with is not federally suspended, debarred or otherwise excluded.
- **Condition:** During our review of contracts with Axis Community Health and Neighborhood Solutions, in which CDBG funding was awarded to, City staff was unable to provide documentation that they verified that these entities were not suspended, debarred or otherwise excluded from participating in this transaction.
- **Effect:** The City is not in compliance with the requirements as listed in the OMB Uniform Administrative Requirements for Federal grant program expenditures.
- **Cause:** City staff was unaware this requirement pertained to all covered transactions of grant funds.
- **Recommendation:** We recommend the City verify each entity they enter into contract with are not federally suspended, debarred or otherwise excluded from receiving Federal grants before engaging in any transactions, and that substantial documentation for this verification is maintained.
- **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: SA2016-002**
- **CFDA number: 14.218**
- **CFDA Title: Community Development Block Grant**
- **Name of Federal Agency: United States Department of Housing and Urban Development**
- **Criteria:** In accordance with the requirements of OMB Uniform Administrative Requirements Appendix XI, Part 4, Section L(2) for the Community Development Block Grant, the City is required to file the HUD 60002 Section 3 Summary Report for administering covered housing and community development assistance in excess of \$200,000 in a program year.
- **Condition:** The City was unable to provide a copy of the annual HUD 60002 Section 3 Summary Report that was submitted for the fiscal year ending June 30, 2016.
- **Effect:** We are unable to verify that the information submitted on the HUD 60002 Section 3 Summary Report was complete and accurate.
- **Cause:** Inability to access the annual HUD 60002 was due to City staff turnover and the City not having access to the HUD website to generate the report that was submitted.
- **Recommendation:** We recommend that the City maintain proper documentation of all reports that are submitted.
- **View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

CITY OF PLEASANTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development Direct Programs				
Community Development Block Grants	14.218	Not Applicable	\$40,000	\$261,619
Community Development Block Grants - Section 108 Loan Guarantees	14.218	Not Applicable		950,000
Subtotal			<u>40,000</u>	<u>1,211,619</u>
Public and Indian Housing	14.850	Not Applicable		119,269
Public Housing Capital Fund	14.872	Not Applicable		47
Subtotal U.S. Department of Housing and Urban Development Direct Programs			<u>40,000</u>	<u>1,330,935</u>
U.S. Department of Housing and Urban Development Pass-Through Programs From:				
County of Alameda, Housing and Community Development Home Investment Partnership Program Loan	14.239	Not Available		232,151
Subtotal U.S. Department of Housing and Urban Development Pass-Through Programs				<u>232,151</u>
Total U.S. Department of Housing and Urban Development			<u>40,000</u>	<u>1,563,086</u>
U.S. Department of Justice Direct Program				
Equitable Sharing Program	16.922	Not Applicable		2,442
Total U.S. Department of Justice Direct Programs				<u>2,442</u>
U.S. Department of Transportation Direct Programs				
State and Community Highway Safety	20.600	Not Applicable		15,370
Subtotal U.S. Department of Transportation Direct Programs				<u>15,370</u>
U.S. Department of Transportation Pass-Through Programs From:				
State of California Office of Traffic Safety Highway Planning and Construction				
Bridge Preventative Maintenance Program	20.205	BHLS-5101(027)		707,642
Bridge Preventative Maintenance Program	20.205	BHLS-5101(028)		12,945
Bridge Preventative Maintenance Program	20.205	BHLS-5101(029)		11,724
Subtotal U.S. Department of Transportation Pass-Through Programs				<u>732,311</u>
Total U.S. Department of Transportation Development				<u>747,681</u>
Total Expenditures of Federal Awards			<u>\$40,000</u>	<u>\$2,313,209</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF PLEASANTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016**

NOTE 1-REPORTING ENTITY

The Schedule of Expenditures of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Pleasanton, California, and its component units as disclosed in the notes to the Basic Financial Statements.

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 – HOME INVESTMENT PARTNERSHIPS PROGRAM RECONCILIATION

City of Pleasanton Single Audit Report Reconciliation to County of Alameda:

Total FY 2015-16 Payments from County of Alameda	\$173,091
City's FY 2015-16 Expenditures Per Single Audit Report (page 4)	<u>232,151</u>
Variance	<u><u>\$59,060</u></u>

Unreimbursed expenditures at June 30, 2016:

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
AmeriNational Services, Inc.	Housing Rehabilitation Program	\$24,480
MidPen Housing Corporation	Kottinger Gardens Predevelopment	10,000
Abode Services	HOME Rent Subsidies	19,836
City of Pleasanton	HOME program administration	<u>4,744</u>
Total unreimbursed expenditures at June 30, 2016		<u><u>\$59,060</u></u>

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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 Pleasanton, 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 basic financial statements of the City of Pleasanton (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2016. Our report 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 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 were not identified. 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 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
December 27, 2016

**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 Pleasanton, California

Report on Compliance for Each Major Federal Program

We have audited City of Pleasanton'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, 2016. 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 the requirements of laws, regulations, contracts, and grants 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 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, 2016.

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 SA 2016-001 and SA 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance 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.

Report on Internal Control Over Compliance

Management 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. 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 the 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 27, 2016 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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
March 9, 2017

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