

# **City of Stockton**

Stockton, California

## **Single Audit Report**

*For the year ended June 30, 2012*

**City of Stockton**  
**Single Audit Report**  
**For the fiscal year ended June 30, 2012**

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**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***

**Independent Auditors' Report**

To the Honorable Mayor and Members of City Council  
of the City of Stockton  
Stockton, California

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 of Stockton, California (the "City") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 9, 2012. We conducted our audit 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.

**Internal Control over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 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. We consider the deficiencies reported in our separately issued SAS 115—*Communicating Internal Control Related Matters Identified in an Audit* to be material weaknesses as items 2012-01, 2012-02, 2012-03, 2012-04, 2012-05, 2012-06 and 2012-07.

To the Honorable Mayor and Members of City Council  
of the City of Stockton  
Stockton, California  
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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 consider the deficiencies reported in our separately issued SAS 115—*Communicating Internal Control Related Matters Identified in an Audit* to be significant deficiencies as items 2012-08, 2012-09, and 2012-10.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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*.

We have issued a separate SAS 115—*Communicating Internal Control Related Matters Identified in an Audit* dated December 9, 2013, which is an integral part of our audits and should be read in conjunction with this report.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, audit committee and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style.

Walnut Creek, California  
December 9, 2013



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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL  
CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Independent Auditors' Report**

To the Honorable Mayor and Members of City Council  
of the City of Stockton  
Stockton, California

**Compliance**

We have audited the City of Stockton, California's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-11, and 2012-13.

**Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

To the Honorable Mayor and Members of City Council  
of the City of Stockton  
Stockton, California  
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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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-12, 2012-14, 2012-15, and 2012-16. 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

#### **Schedule of Expenditures of Federal Awards**

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, 2012, and have issued our report thereon dated December 9, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of management, City Council, audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Walnut Creek, California  
April 8, 2014

**City of Stockton**  
**Single Audit Report**  
**Schedule of Expenditures of Federal Awards**  
**For the fiscal year ended June 30, 2012**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures
<b>U.S. Department of Commerce</b>			
<i>Direct Program:</i>			
Public Safety Interoperable Communications Grant Program	11.555	0067-64000	\$ 146,270
<b>Total U.S. Department of Commerce</b>			<u>146,270</u>
<b>U.S. Department of Housing and Urban Development</b>			
CDBG - Entitlement Grants Cluster			
<i>Direct Program:</i>			
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-060026	3,858,080
Community Development Block Grants/Entitlement Grants - Program Income	14.218	Program Income	236,037
Community Development Block Grants/Entitlement Grants - Loan Balances	14.218	Loan Balances	20,675,081
Neighborhood Stabilization Program - Loan Balances	14.218	Loan Balances	6,177,482
Neighborhood Stabilization Program	14.218	B-11-MN-06-0009	422,655
Neighborhood Stabilization Program - Program Income	14.218	Program Income	2,563,067
<b>ARRA - Community Development Block Grants/Entitlement Grants</b>	14.253	B-09-MY-06-0026	<u>218,254</u>
<b>Total CDBG - Entitlement Grants Cluster</b>			<u>34,150,656</u>
Emergency Shelter Grants Program	14.231	S-10-MC-060026	<u>184,832</u>
Home Investment Partnership Program	14.239	M-07-MC-060221	248,735
Home Investment Partnership Program - Loan Balances	14.239	Loan Balances	30,445,387
Home Investment Partnership Program - Program Income	14.239	Program Income	<u>713,886</u>
<b>Subtotal of Home Investment Partnership Program Grants</b>			<u>31,408,008</u>
<b>ARRA - Homelessness Prevention &amp; Rapid Re-Housing Program</b>	14.257	S-10-MY-06-0026	<u>575,375</u>
<i>Pass-Through San Joaquin County+B121 Housing Authority:</i>			
Public Housing Drug Elimination Program	14.854	CA-024	<u>280,000</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>66,598,871</u>
<b>U.S. Department of Justice</b>			
JAG Program Cluster			
<i>Direct Program:</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-DJ-BX-1460	152,778
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-DJ-BX-0574	253,249
<i>Pass-Through San Joaquin County District Attorney's Office:</i>			
Edward Byrne Memorial Formula Grant Program	16.738	DC06-17-0390	142,210
Edward Byrne Memorial Formula Grant Program	16.738	2011-DJ-BX-3476	<u>277,437</u>
<b>Total JAG Program Cluster</b>			<u>825,674</u>
<i>Direct Program:</i>			
Public Safety Partnership and Community Policing Grants			
COPS Law Enforcement Technology Grant	16.710	2008-CK-WX-0291	29,194
Methamphetamine Initiative	16.710	2009-CK-WX-0505	130,863
<b>ARRA - COPS Hiring Recovery Program (CHRP)</b>	16.710	2009-RJ-WX-0020	<u>2,695,065</u>
<b>Subtotal Public Safety Partnership and Community Policing Grants</b>			<u>2,855,122</u>
Congressionally Recommended Awards	16.753	2009-D1-BX-0312	<u>190,191</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the fiscal year ended June 30, 2012**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures
<i>Pass-Through State of California Office of Emergency Services</i>			
Violence Against Women Formula Grants	16.588	SU11-01-8019	111,757
Violence Against Women Formula Grants	16.588	LE09-03-8019	98,358
Violence Against Women Formula Grants	16.588	LE10-04-8019	91,073
Subtotal Violence Against Women Formula Grants			<u>301,188</u>
<i>Pass-Through State of California Department of Corrections and Rehabilitation:</i>			
Juvenile Accountability Block Grant	16.523	CSA 182-11	31,660
<b>Total U.S. Department of Justice</b>			<u>4,203,835</u>
<b>U.S. Department of Transportation</b>			
<i>Pass-Through State of California Department of Transportation:</i>			
Highway Planning and Construction Grants			
Safe Routes to School - Montezuma Elementary School	20.205	SRTS-5008 (088)	19,260
Safe Routes to School - Pilot Program	20.205	SRTS-5008 (089)	68,560
Traffic Signal Controller Update and Retiming	20.205	CML-5008 (098)	25,979
McKinley Avenue Bridge	20.205	BRLO-5008 (099)	126,986
Bridge Maintenance	20.205	BPMP-5008(076)	2,093
Bus Rapid Transit Phase II	20.205	CML-5008 (085)	24,062
2008-09 Street Overlay Project	20.205	STPL-5008 (086)	2,833
ARRA - 2009-10 Streetscape -Seal	20.205	ESPL-5008(087)	54,755
ARRA - 2009-10 Streetscape -Seal	20.205	ESPLSTP-5008 (091)	2,950,334
Airport Way at Oak, Park and Fremont	20.205	HSIPL-5008 (093)	7,438
El Dorado and MLK Traffic Signal Modification	20.205	CML-5008 (101)	4,608
Tam O'Shanter and Hammertown Project	20.205	CML-5008 (097)	470,921
Glacier Point Ansel Adams	20.205	HSIPL-5008 (102)	16,040
Fiber Optic Network Expansion	20.205	CML-5008(096)	7,066
Airport Way Beautification Phase 4	20.205	STPL-5008(112)	91,003
Hazelton/UPPR RR Crossing	20.205	STPLR-7500(185)	13,313
Industrial/McKinley/UPPR Xing	20.205	STPLR-7500(183)	16,134
Pacific Ave Median Improvement	20.205	SPTCSPLL-5008(114)	13,746
Aurora Street/BNSF	20.205	STPLR-7500(157)	18,835
University/Miracle Mile Improvement	20.205	SPTCSPLL-5008(115)	10,799
March Lane/Pershing Avenue Interchange	20.205	STPLH-5008(068)	6,104
Pacific Ave/Calaveras Bridge Maintenance	20.205	BHLO-5008(070)	25,752
2010-11 Street Overlay Project RSTP	20.205	STPL-5008(104)	1,761,693
Benjamin Holt Cumberland Traffic Signal	20.205	CML-5008(111)	4,846
Benjamin Holt/Inglewood Traffic Signal	20.205	CML-5008(110)	4,124
Bus Rapid Transit PHIII/Hammer Lane	20.205	CML-5008(106)	204,625
Davis Road/Wagner Heights Traffic Signal	20.205	CLM-5008(109)	4,828
Wilson Way Corridor Adaptive Traffic Control System	20.205	CML-5008(113)	6,193
Center Street/El Dorado Overpass	20.205	BLRLS-5008(103)	15,465
HSIP Radar Speed Feedback Signs	20.205	HSIPL-5008(108)	19,301
Hammer/SR99 Interchange improvement	20.205	STPLN-5008 (072)	231,669
French CMP/Sperry Rd-PERF	20.205	NCPD-5008(059)-HPLUL-5008(081)- DEM112L-5008(082)	1,749,999
Subtotal Highway Planning and Construction Grants			<u>7,979,364</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the fiscal year ended June 30, 2012**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures
<i>Pass-Through State of California Office of Traffic Safety:</i>			
State and Community Highway Safety Grants			
AVOID Grant	20.600	AL1160	74,995
DUI Enforcement and Awareness Program	20.600	AL1118	76,826
AVOID Grant	20.600	20579	93,997
DUI Enforcement and Awareness Program	20.600	20453	145,264
Subtotal State and Community Highway Safety Grants			<u>391,082</u>
<b>Total U.S. Department of Transportation</b>			<u>8,370,446</u>
<b>U.S. Department of Energy</b>			
<i>Direct Program:</i>			
Energy Efficiency and Conservation Block Grant Program			
ARRA - Energy Efficiency and Block Grant	81.128	DE-EE0000886	519,472
<b>Total U.S. Department of Energy</b>			<u>519,472</u>
<b>U.S. Department of Homeland Security</b>			
<i>Direct Program:</i>			
Metropolitan Medical Response System	97.071	2009-0019, OES ID# 077-00000	174,505
Metropolitan Medical Response System	97.071	2008-0006, OES ID# 077-00000	60,311
Metropolitan Medical Response System	97.071	2010-0085, OES ID# 077-00000	220,257
Subtotal Metropolitan Medical Response System			<u>455,073</u>
<i>Pass-Through San Joaquin County Office of Emergency Services:</i>			
Homeland Security Grant Program			
Catastrophic Preparedness	97.067	2009-0019	4,289
<i>Pass-Through Marine exchange of the San Francisco Bay Region:</i>			
FEMA Port Security Grant Program	97.056	2007-GB-T7-K274	51,151
FEMA Port Security Grant Program	97.056	2008-GB-T8-K063	17,995
Subtotal Marine Exchange of the San Francisco Bay Region			<u>69,146</u>
<b>Total U.S. Department of Homeland Security</b>			<u>528,508</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 80,367,402</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**City of Stockton**  
**Single Audit Report**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the fiscal year ended June 30, 2012**

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**Note 1 – Reporting Entity**

The financial reporting entity consists of the primary government, City of Stockton (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The Redevelopment Agency of the City of Stockton
- The Stockton Public Financing Authority
- Fiduciary Component Unit

**Note 2 – Summary of Significant Accounting Policies**

Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue and capital projects funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City’s basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State of California, the County of San Joaquin, and the City of San Joaquin is included in the Schedule. The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**Note 3 – Subrecipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants/Entitlement Grants	\$ 442,639
14.231	Emergency Shelter Grants Program	184,832

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs**  
**For the fiscal year ended June 30, 2012**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Types of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditor’s report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of OMB Circular A-133	Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	Expenditures
14.218	Community Development Block Grants	\$ 33,932,402
14.253	ARRA - Community Development Block Grants/Entitlement Grants	218,254
14.239	HOME Investment Partnership Program	31,408,008
14.257	Homeless Prevention and Rapid Re-Housing Program - ARRA	575,375
16.710	Public Safety Partnership and Community Policing Grants	2,855,122
16.738	Edward Byrne Memorial Justice Assistance Grant Program	825,674
20.205	Highway Planning and Construction	7,979,364
81.128	Energy Efficiency and Conservation Block Grant Program	519,472
97.071	Metropolitan Medical Response System	455,073
	<b>Total Expenditures of All Major Federal Programs</b>	<b>\$ 78,768,744</b>
	<b>Total Expenditures of Federal Awards</b>	<b>\$ 80,367,402</b>
	<b>Percentage of Total Expenditures of Federal Awards</b>	<b>98.01%</b>

Dollar threshold used to distinguish between type A and type B program	\$444,262
Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133?	No

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section II – Financial Statements Findings**

Our audit disclosed material weaknesses and significant deficiencies in internal control over financial reporting. We have communicated these deficiencies, along with other matters, in a separate SAS 115—*Communicating Internal Control Related Matters Identified in an Audit* dated December 9, 2013, which is an integral part of our audits and should be read in conjunction with this report.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit**

**Finding 2012-11 Direct Labor Allocations for Program Activities**

**Information on the Federal Program:**

Community Development Block Grant (CFDA# 14.218, Department of Housing and Urban Development)

**Criteria:**

According to OMB Circular A-87, attachment B (8) (h), where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Per OMB Circular A-87, payroll costs must be adequately documented.

**Condition:**

Payroll charges for Housing Activities are based on predetermined allocations. A large portion of Housing activities are funded with federal awards which are subject to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. This regulation requires the use of contemporaneous time keeping records as a basis for charging direct labor costs to federal awards. The use of allocations is permitted if time studies conducted in accordance with requirements of OMB Circular A-87 are conducted and allocations are trued up.

**Questioned Costs:**

Known questioned cost is \$4,970

Likely questioned cost is \$129,245

**Context and Effect:**

A lack of understanding of federal regulations and their application to direct labor charges to programs has resulted in the City not being in compliance with the OMB Circular A-87 requirements and direct labor costs charged to federal program may not be fair and equitable.

**Recommendation:**

We recommend the City review OMB Circular A-87 and employ those requirements as they relate to direct labor costs charged to federal award programs.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding 2012-11 Direct Labor Allocations for Program Activities (Continued)**

**Views of Responsible Officials and Planned Corrective Actions:**

The City is in agreement with the finding and the recommendation. We are aware of the OMB A-87 requirements and will be working with the Indirect Cost Plan consultant and City's Internal Auditor to improve the activity based costing currently used by the City for charging payroll costs to federal programs. City's current indirect cost allocation plan consultant has finalized the fiscal year 2011-12 OMB A-87 cost plan. The City engaged current consultant to prepare fiscal year 2012-13 cost plan with anticipated completion by June 2014.

In addition, staff will be taking to City Council a request for authorization later this fall to issue a Request for Proposal (RFP) to hire a consultant to evaluate the City's overall cost allocation methodology as well as prepare the indirect cost plan that complies with OMB A-87. In the Moss Adams Internal Audit Plan dated September 23, 2013, a recommendation was made to staff to build upon recent initiatives to centralize and strengthen grant management, and work with other cities retained consultants to improve the indirect cost allocation. That plan covers a two-year period. The RFP to hire a consultant will also include work to develop a system to comply with best practices as it relates to time sheet data collection.

In the interim, staff completed a thorough review of time sheets and informed departments on the importance of substantiating payroll costs charged to federal programs. In the future, an annual true up will be performed for non-housing staff charges. Housing program employees report and charge actual time worked using the City's payroll time sheets. In addition, City's internal auditors will perform a review of the City's overall grant management and indirect cost allocation. This work is expected to begin in the late spring of 2014.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding 2012-12 Accurate Preparation of the Schedule of Expenditures of Federal Awards**

**Information on the Federal Program:**

ARRA – Community Development Block Grants/Entitlement Grants (CFDA# 14.253, U.S. Department of Housing and Urban Development)

Edward Byrnes Memorial Justice Assistance Grant (CFDA# 16.738, U.S. Department of Justice, passed through the San Joaquin County District Attorney’s Office)

Highway Planning and Construction Grants (CFDA# 20.205, U.S. Department of Transportation, passed through the State of California Department of Transportation)

**Criteria:**

In accordance with the requirements of OMB Circular A-133, the City should report all Federal grant expenditures, grant award and CFA numbers in the Schedule of Expenditures of Federal Awards (SEFA) accurately.

**Conditions:**

- The SEFA prepared by the City did not include expenditures under the Highway Planning and Construction Grant for award# STPLN-5008(072) for \$231,669 and award# NCPD-5008(059), HPLUL-5008(081) and DEM112L-5008(082) for \$1,749,999, which resulted in a total understatement of expenditures reported on the SEFA of \$1,981,668.
- The SEFA prepared by the City did not correctly identify CFDA# and grant award # for the ARRA – Community Development Block Grant.
- The CFDA provided to us for the Edward Byrnes grant by the client and in last year's SEFA is not correct per review of supporting award letters. The award DC06-17-0390 was listed with the CFDA# 16.579, the correct CFDA# is 16.738.

**Questioned Costs:**

Not applicable

**Context and Effect:**

The City did not accurately account for all federally funded grants throughout the fiscal year due to its current accounting system set-up and policies to account for Federal grant expenditures and therefore are not in compliance with the requirements of OMB Circular A-133 to prepare an accurate SEFA.

**Recommendation:**

The City should implement new policy, procedure and accounting system to ensure that expenditures for all Federal grants are reported accurately on the SEFA.

**Views of Responsible Officials and Planned Corrective Actions:**

In the summer 2013 (which is after the audit period of this Single Audit), the Administrative Services staff developed a comprehensive procedures manual for preparing the Schedule of Expenditures of Federal Awards (SEFA). The manual makes an emphasis on how to identify and report federal awards on the SEFA. In addition, the procedures manual contains templates, checklists, definitions and other resources to assist departmental staff in preparing an accurate SEFA as required by OMB Circular A-133. The Administrative Services Department has provided training on the new procedures to the accounting and department’ staff in the Fall of 2013. The SEFA and underlying accounting records for these grants were prepared prior to the new guideline and training therefore these were not captured and reported. The new guidelines, training, and review process are in place for fiscal year 2013-14 Single Audit.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding 2012-13 Reporting**

**Information on the Federal Program:**

Community Development Block Grant (CFDA # 14.218, Department of Housing and Urban Development)

ARRA – CDBG (CFDA# 14.253, Department of Housing and Urban Development)

HOME Investment Partnership Program (CFDA# 14.239, Department of Housing and Urban Development)

Edward Byrnes Memorial Justice Assistance Grant (CFDA# 16.738, Department of Justice)

**Criteria:**

Financial reports should be accurate, reviewed and submitted to the appropriate Federal agency on a timely basis per OMB Circular A-110 – Financial reporting, 2 CFR section 215.52.

**Conditions:**

- For the grants administered under the Department of Housing and Urban Development the Federal Financial Report (SF-425) for the quarter ended 3/31/2012 was submitted 9/14/2012 outside the required time frame for submission.
- Quarterly and annual reports prepared and submitted under the Edward Byrnes Memorial Justice Assistance Grant were not reviewed and approved by someone independent of the preparation process or there was no indication of such review.

**Questioned Costs:**

Not applicable

**Context and Effect:**

The City experienced a high volume of staff turnover during the fiscal year under audit and did not have sufficient resources available to perform a secondary level review of the aforementioned submitted report to ensure all the information was accurate and completed in a timely manner. Though no errors in the financial information was found in the results of our test, there is risk that errors could occur and go undetected without a secondary review.

**Recommendation:**

The City should implement policies to ensure that the information provided in its submitted reports is current, accurate and complete.

**Views of Responsible Officials and Planned Corrective Actions:**

HUD SF-425 Form: The City agrees with the finding. This was part of the clean-up efforts in prior years as part of getting the City's "Fiscal House in Order". After new management team was hired, housing grant management and reporting were scrutinized due to staff's lack of understanding of the grant requirements. The City hired a consultant to assist with housing grant reconciliation and reporting. Numerous errors and inconsistencies were identified and corrected, which resulted in delayed reporting. Additional training on the reconciliation process was provided and staff now have a better understanding of the grant requirements. In the future, the City will make every effort to submit accurate and timely reports to the granting agency.

DOT JAG reports: The City agrees with the finding. Police Department has updated its internal Grant Administration Guidelines and procedures, which establishes proper segregation of duties between preparer and the approver of the required reports as well as how such review and approval should occur. All employees in the Fiscal Affairs Unit of the Police Department have received training on the updated procedures. Going forward, grant reporting and its approval will be performed by more than one person and department will maintain documentation of such approval.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding 2012-14 Subrecipients**

**Information on the Federal Program:**

Community Development Block Grant (CFDA # 14.218, Department of Housing and Urban Development)

**Criteria:**

A pass through entity is responsible for at the time of the subaward, identifying to the subrecipient the Federal award information (i.e. CFDA title and number, award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements

**Condition:**

We determined that the City does not formally communicate the CFDA# to subrecipients under the Community Development Block Grant during the time of the subaward.

**Questioned Costs:**

Not applicable

**Context and Effect:**

The City was not aware they were required to inform subrecipients of the CFDA# in the subaward communication letter.

**Recommendation:**

The City should incorporate the CFDA# into subaward letters.

**Views of Responsible Officials and Planned Corrective Actions:**

The City agrees with the findings. Staff will provide current award year subrecipients the CFDA title and number of their award. Beginning with fiscal year 2014-15, award letters will include the required information as well.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding 2012-15 Suspension and Debarment Review**

**Information on the Federal Program:**

HOME Investment Partnership Program (CFDA# 14.239, Department of Housing and Urban Development)  
Edward Byrne Memorial Justice Assistance Grant (CFDA Number 16.738, US Department of Justice)

**Criteria:**

OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689.

- Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria.
- 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 is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA)

**Condition:**

- Per discussion with the Economic development department (which administers the HOME Investment Partnership Program) determined that the department does not investigate potential vendors for suspension/debarment of covered transactions if the vendor is going to be funded with non-ARRA sources.
- Based on our inquiry and discussion with the grant administrator of the Edward Byrnes Memorial Justice Assistance Grant (Police Department), it was noted that for procurement of goods or services over \$25,000 no verification of vendors was made to ensure that they were not suspended or debarred or other wise excluded.

**Questioned Costs:**

Not applicable

**Context and Effect:**

Due to the lack of internal control, covered transactions could be entered into with vendors that may be suspended or debarred or excluded from receiving federal funds. Although the City did not verify that the vendors or contractors that they entered into covered transaction with for the HOME Investment Partnership, Edward Byrnes Memorial Justice Assistance Grant, we found that the vendors or contractors were not on the suspended/debarred list during our testing.

**Recommendation:**

Procedures should be implemented establishing proper protocol to ensure that all procurement and suspension and debarment requirements are made and properly documented in the city’s files.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding 2012-15 Suspension and Debarment Review (Continued)**

**Views of Responsible Officials and Planned Corrective Actions:**

The City's Economic Development Department (EDD) partially agrees with this finding. EDD's labor compliance consultant verifies contractors and vendors are not suspended, debarred, or excluded from receiving federal funds for projects assigned to them for labor compliance under Davis-Bacon Act. The City agrees the non Davis-Bacon projects were not validated. Staff currently verifies that contractors have a valid contractor's license, and will also review the Excluded Parties List System (EPLS). Department's grant management procedures will be revised to include this step.

The Police Department will revise the Grant Administrative Guidelines currently used to include the procedure for staff when receiving a federal award to verify with EPLS before any contract awarded in the purchase of equipment. Most federal grant awards received by the Police Department are largely for personnel costs

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding 2012-16 Cash Management**

**Information on the Federal Program:**

Edward Byrne Memorial Justice Assistance Grant (CFDA Number 16.738, US Department of Justice)

**Criteria:**

In accordance with OMB Circular A-133 Sec .105 – *Internal Control Pertaining to the Compliance Requirements for Federal Programs*, Internal control over Federal programs is a process—affected by an entity's management and other personnel—designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs:

- 1) Transactions are properly recorded and accounted for to:
  - a) Permit the preparation of reliable financial statements and Federal reports;
  - b) Maintain accountability over assets; and
  - c) Demonstrate compliance with laws, regulations, and other compliance requirements;
- 2) Transactions are executed in compliance with:
  - a) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
  - b) Any other laws and regulations that are identified in the compliance supplement; and
- 3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

**Condition:**

During our testing of the grants cash management requirements we noted that reimbursement requests were prepared and submitted without being reviewed and approved by someone independent of the preparation process or there was no indication of such review.

**Questioned Costs:**

Not applicable

**Context and Effect:**

Due to the lack of internal control, reimbursement requests were made without proper review and approval before they were submitted to the granting agency. Without proper secondary review and approval, improper reimbursements requests could be made.

**Recommendation:**

Procedures should be implemented establishing proper segregation of duties between the preparation and approval of reimbursement requests. Segregation of duties should be designed and implemented such that reimbursement requests are independently reviewed and approved to mitigate the risk of noncompliance.

**Views of Responsible Officials and Planned Corrective Actions:**

The City agrees with the finding though this is not new information. The Police Department has updated its internal Grant Administration Guidelines and procedures, which establishes proper segregation of duties between preparer and the approver of the required reports as well as how such review and approval should occur. All employees in the Fiscal Affairs Unit of the Police Department have received training on the updated procedures. Going forward, grant reporting and its approval will be performed by more than one person and department will maintain documentation of such approval.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit**

**Finding 2011-01 Accurate Preparation of the Schedule of Expenditures of Federal Awards**

**Information on the Federal Program:**

ARRA – CDBG (CFDA# 14.218, Department of Housing and Urban Development)  
HOME Investment Partnership Grant (CFDA# 14.239, Department of Housing and Urban Development)  
Highway Planning and Construction Grant (CFDA# 20.205, Department of Transportation)

**Criteria:**

In accordance with the requirements of OMB Circular A-133, the City should report all Federal grant expenditures in the Schedule of Expenditures of Federal Awards (SEFA) accurately.

**Condition:**

At the start of the Single Audit, the City provided a SEFA which included negative expenditures for one of the projects funded by Department of Transportation. In addition, for the programs funded by the Department of Housing and Urban Development, the City initially was unable to provide general ledger details to substantiate the amounts reported on the SEFA.

**Questioned Costs:**

Not applicable

**Context and Effect:**

The City did not accurately account for all federally funded grants throughout the fiscal year due to its current accounting system set-up and policies to account for Federal grant expenditures and therefore are not in compliance with the requirements of OMB Circular A-133 to prepare an accurate SEFA.

**Recommendation:**

The City should implement new policy, procedure and accounting system to ensure that expenditures for all Federal grants are reported accurately on the SEFA.

**Status:**

Finding is uncorrected because our audits have been ongoing during our implementation period of the corrective action. Though the City did not have continued reporting issues with the most of the above major programs, there continue to be errors in reporting in the SEFA that will be corrected when procedures and processes are fully implemented. For current status of corrective actions see 2012-12.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding: 2011-02, Preparation of Federal Reimbursement Requests and Disallowed Costs**

**Information on the Federal Program:**

ARRA - Public Partnership and Community Policing Grants (CFDA # 16.710, Department of Justice)

**Criteria:**

In accordance with the requirements of OMB Circular A-133, the City should only be requesting federal reimbursements for actual costs incurred; and it should ensure all costs being submitted are allowable per the requirements of the grant agreement.

**Condition:**

In accordance with the requirements of OMB Circular A-133, the City should only be requesting federal reimbursements for actual costs incurred; and it should ensure all costs being submitted are allowable per the requirements of the grant agreement.

In addition, the City did not request the reimbursement of grant funds based on actual costs incurred. The total amount of money allotted for year two under the COPS Hiring Recovery Program was \$2,617,800. The City drew down \$2,615,120 during fiscal year 2011; however, it only had actual costs of \$2,422,593 which the City could substantiate. As a result, the City should not have requested and received reimbursement for the additional \$192,527 because the City could not substantiate these costs.

**Questioned Costs:**

Total questioned cost is \$248,658. See discussion above.

**Context and Effect:**

The City misinterpreted the terms of the grant agreement and did not adhere to its stipulations, which included only drawing down funds for costs it actually incurred and for those which are allowable per the terms of the agreement as a result the City was reimbursed, a total of \$248,658 of expenses which were not allowable

**Recommendation:**

The City should implement policies and procedures to ensure that only allowable costs are charged to the grant based on the terms of grant agreement. Additionally, it must also ensure only actual costs incurred are requested for reimbursement; and that reimbursement request should not be based on budgeted amounts. The City should contact the grantor to resolve any overdrawn reimbursement.

**Status:**

The grantor performed a monitoring visit in January 2013 for this grant. During the visit grantor reviewed expenditures and reimbursement claims submitted by the City. In the process, grantor identified costs disallowed under the grant. The staff further performed grant reconciliation, which resulted in the City issuing a \$168,000 payment back to the grantor for over-claimed costs. This payment approved by City Council at their August 27, 2013 meeting. The City staff is working with the granting agency to resolve open findings from past Single Audits for this grant and anticipates these will be corrected and the grant closed within the next three months.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding: 2011-03, Preparation of Program Income and Expenditures Reconciliation**

**Information on the Federal Program:**

ARRA - CDBG (CFDA# 14.218, Department of Housing and Urban Development)

**Criteria:**

In accordance with the requirements of OMB Circular A-102, program income should be used to help defray program costs prior to the City drawing down any additional grant funds. In order to ensure this occurs accordingly, the City should have an accounting mechanism in place which accurately tracks all the expenditures and program income generated from the grant proceeds.

**Condition:**

During our testing of program income for the Neighborhood Stabilization Program (NSP), it was noted that the City was unable to provide a reconciliation of the program income used to defray expenditures incurred under the program during the fiscal year. A total of \$2,646,658 of program income was reported for fiscal year 2011. In addition, the City also had numerous journal entries to reclassify and correct balances to internally track the revenues and expenditures. However, the City could not reconcile the expenditures for the NSP.

**Questioned Costs:**

Unknown

**Context and Effect:**

The City experienced a high volume of staff turnover which contributed to the reconciliation of NSP program income and expenditures being overlooked as a result the City is not properly tracking program income, and therefore cannot assure that accurate program income was being used to defray program costs under the grant agreement and compliance requirements.

**Recommendation:**

The City should have an accounting mechanism in place which accurately tracks all the expenditures and program income generated from the Neighborhood Stabilization Program.

**Status:**

The City corrected this finding. Economic Development Department staff preformed a thorough reconciliation of the NSP program income and expenditures from its inception through September 2013. Since then, the program staff internally tracks and regularly reviews program income and reconciles it with City's general ledger. Final program income reconciliation is done at fiscal year-end. Program expenditures are reconciled prior to completion of draws. Expenditures are applied against available program income prior to drawing on entitlement funds.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding: 2011-04, Direct Labor Allocations for Housing Activities**

**Information on the Federal Program:**

ARRA - CDBG (CFDA# 14.218, Department of Housing and Urban Development)

HOME Investment Partnership Program (CFDA# 14.239, Department of Housing and Urban Development)

**Criteria:**

Payroll charges for Housing Activities are based on predetermined allocations. A large portion of Housing activities are funded with federal awards which are subject to Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. This regulation requires the use of contemporaneous time keeping records as a basis for charging direct labor costs to federal awards. The use of allocations is permitted if time studies conducted in accordance with requirements of A-87 are conducted and allocations are trueed up.

**Condition:**

During our testing of Housing Division payroll costs we noted that nine employees charged time to federally funded housing activities under the HOME Investment Partnership Program, and thirty six employees charged time to federally funded housing activities under the Neighborhood Stabilization Program. Per conversation with Housing staff, the allocation of payroll is based on an estimate of how much time each employee is going to spend working on Housing activities. We noted staff conducts two forms of time studies, but neither conforms to A-87 requirements. Further, we found no evidence that the time study results are used to true up allocations.

**Questioned Costs:**

Total amount of questioned compensation costs is \$1,330,706 for the ARRA - Community Development Block Grant/Entitlement Grant Program and \$155,755 for the HOME Investment Partnership Program.

**Context and Effect:**

A lack of understanding of federal regulations and their application to direct labor charges to programs has resulted in the City not being in compliance with the A-87 requirements and direct labor costs charged to federal program may not be fair and equitable.

**Recommendation:**

We recommend the City review Circular A-87 and employ those requirements as they relate to direct labor costs charged to federal award programs.

**Status:**

This is not new information. Finding is uncorrected because our audits have been ongoing during our implementation period of the corrective action. The finding will be repeated until procedures and processes are fully implemented. See repeat finding and status at 2012-11. In addition, staff will be taking to City Council a request for authorization later this fall to issue a Request for Proposal (RFP) to hire a consultant to evaluate the City's overall cost allocation methodology as well as prepare the indirect cost plan that complies with OMB A-87. In the Moss Adams Internal Audit Plan dated September 23, 2013, a recommendation was made to staff to build upon recent initiatives to centralize and strengthen grant management, and work with other cities retained consultants to improve the indirect cost allocation. That plan covers a two-year period. The RFP to hire a consultant will also include work to develop a system to comply with best practices as it relates to time sheet data collection.

**City of Stockton**  
**Single Audit Report**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the fiscal year ended June 30, 2012**

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**Section III – Federal Awards Findings (Continued)**

**B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)**

**Finding 2011-05 Accuracy of PR-26 Form**

**Information on the Federal Program:**

ARRA - CDBG (CFDA# 14.218, Department of Housing and Urban Development)

**Criteria:**

Financial reports should be accurate, and the City should be able to provide documentation supporting the amounts reported to the Department of Housing and Urban Development.

**Condition:**

During our report testing, it was noted that in the PR-26 form submitted by the City, the City entered duplicate expenditures in the amount of \$439,528; resulting in an inaccurate report with overstated expenditures of \$439,528.

**Questioned Costs:**

N/A

**Context and Effect:**

The City experienced a high volume of staff turnover during the fiscal year under audit and did not have sufficient resources available to perform a thorough enough review of the aforementioned submitted report to ensure all the information was accurate. As a result the City is not accurately reporting its financial status in the required report; therefore it is not in compliance with reporting requirements.

**Recommendation:**

The City should implement policies to ensure that the information provided in its submitted reports is current, accurate and complete.

**Status:**

The City corrected this finding.