

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

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CITY OF SAN RAFAEL
SINGLE AUDIT REPORT
For The Year Ended June 30, 2018

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CITY OF SAN RAFAEL

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

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major programs:

Table with 2 columns: CFDA#(s) and Name of Federal Program or Cluster. Row 1: 20.205 Highway Planning and Construction

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 October 5, 2018 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: 2018-001

CFDA number: 20.205

CFDA Title: *Highway Planning and Construction*

Name of Federal Agency: *U.S. Department of Transportation*

Federal Award Identification number and year: BRLO-5043(038) – awarded in 2017, HSIPL 5043 (037) – awarded in 2017 and RSTPL-6406(014) – awarded in 2015

Name of pass-through Entity: *State of California Department of Transportation*

Criteria: In accordance with the Uniform Guidance Standards Section 200.303 – Internal Controls, “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in ‘Standards for Internal Control in the Federal Government’ issued by the Comptroller General of the United States and the ‘Internal Control Integrated Framework’, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).” In order to maintain effective internal controls, all reimbursement requests should be prepared and approved by two separate employees before being submitted to the grantor.

Condition: During our review of reimbursement requests, it was noted that the reimbursement requests for the grant projects were not reviewed by another employee prior to being submitted to the grantor.

Effect: The City is not in compliance with the above requirement as listed in the Uniform Guidance Standards for Federal grants.

Cause: The City’s current practice of preparing reimbursement requests does not include a separate layer of review prior to being submitted to the grantor.

Recommendation: We recommend that the City ensure that all reimbursement requests be prepared and approved by two separate employees before they are submitted to the grantor.

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

Finding reference number: 2018-002

CFDA number: 20.205

CFDA Title: *Highway Planning and Construction*

Name of Federal Agency: *U.S. Department of Transportation*

Federal Award Identification number and year: HSIPL 5043 (037) – awarded in 2017

Name of pass-through Entity: *State of California Department of Transportation*

Criteria: In accordance with the Compliance Supplement Requirements– Wage Rate Requirements – “All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance.....”.

Condition: During our review of certified payrolls for the grant project, we noted that the subcontractors failed to submit a copy of payroll and a certificate of compliance to the City.

Effect: The City is out of compliance with the Compliance Supplement Requirements Wage Rate Requirements.

Cause: The prime contractor for the project failed to submit certified payrolls to the City for subcontractors for the duration of the project.

Recommendation: We recommend that the City obtain certified payrolls from the subcontractors and ensure that future certified payrolls are obtained throughout the duration of the grant.

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

Finding reference number: 2018-003

CFDA number: 20.205

CFDA Title: *Highway Planning and Construction*

Name of Federal Agency: *U.S. Department of Transportation*

Federal Award Identification number and year: HSIPL 5043 (037) – awarded in 2017 and BRLO 5043 (038) – awarded in 2017

Name of pass-through Entity: *State of California Department of Transportation*

Criteria: In accordance with the requirements of Uniform Guidance, the City should only report federal grant expenditures in the Schedule of Expenditures of Federal Awards (SEFA).

Condition: During our testing, we found that the City incorrectly included local match amounts in the original SEFA provided for our audit.

Effect: The City is not in compliance with the Uniform Guidance requirements for reporting federal grant expenditures on the SEFA.

Cause: The City accounts for federal award expenditures in the same general ledger accounts that the City accounts for local match expenditures. During the preparation of the SEFA, the City used the entire account balance and did not exclude the non-federal amounts.

Recommendation: It is recommended the City develop procedures to compile information regarding federal awards the City receives and ultimately expends. A record keeping system which allows City staff to track federal expenditures separately from non-federal expenditures throughout the year could help alleviate the pressure of compiling the SEFA at the end of the year. The information derived from this system should be complete, accurate, and easily accessible by City staff in order to prepare the SEFA at year end.

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

CITY OF SAN RAFAEL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development Pass-Through County of Marin, California Community Development Block Grants/ Entitlement Grants Childcare	14.218	40CDBG17CD4527	\$ 20,000
Total U.S. Department of Housing and Urban Development			<u>20,000</u>
U.S. Department of Health and Human Services Pass-Through the California Health and Human Services Agency Medical Assistance Program Department of Health Care Services - Ground Emergency Medical Transportation	93.778	SFY 2013-14	<u>168,272</u>
Pass-Through County of Marin, California Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	10-204	<u>10,000</u>
Total U.S. Department of Health and Human Services			<u>178,272</u>
U.S. Department of Transportation, Pass-Through Programs Pass-Through State of California Department of Transportation Highway Planning and Construction Southern Heights Bridge Replacement	20.205	BRLO-5043(038)	251,998
SR Downtown Parking and Wayfinding Study	20.205	RSTPL-6406(014)	2,495
2nd Street at Grand Ave Intersection Modification	20.205	HISPL-5043 (037)	<u>499,907</u>
Subtotal for Highway Planning and Construction			<u>754,400</u>
Pass-Through California Office of Traffic Safety State and Community Highway Safety Selective Traffic Enforcement Program FY2017	20.600	PT17115	44,325
Selective Traffic Enforcement Program FY2018	20.600	PT18131	<u>56,982</u>
Subtotal for State and Community Highway Safety			<u>101,307</u>
Total U.S. Department of Transportation			<u>855,707</u>
U.S. Department of Justice, Direct Program Bulletproof Vest Partnership Program PD Vest Grant 2018	16.607		<u>13,789</u>
Total U.S. Department of Justice			<u>13,789</u>
U.S. Department of Homeland Security, Pass-Through Programs Pass-Through State of California Governor's Office of Emergency Services Local Hazard Mitigation Plan Emergency Slide Repair	97.047	FEMA-PDM-2015-CA	<u>269,129</u>
Total U.S. Department of Homeland Security			<u>269,129</u>
Total Federal Expenditures			<u>\$ 1,336,897</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF SAN RAFAEL

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

NOTE 1 - REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of San Rafael, California, and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the San Rafael Sanitation District (District). Federal awards expended by this entity, if any, are excluded from the Schedule and are subject to a separate Single Audit performed by other auditors.

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.

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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 San Rafael, 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, the aggregate discretely presented component unit each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 5, 2018. Our report includes a reference to other auditors who audited the financial statements of San Rafael Sanitation District, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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*. We have also issued a separate Memorandum on Internal Control dated October 5, 2018 which is an integral part of our audit and should be read in conjunction with this report.

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 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
October 5, 2018

**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 San Rafael, California

Report on Compliance for Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings as items 2018-001, 2018-002, and 2018-003. 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 are described in the accompanying 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.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-003 that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 5, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements as a whole.

Maze & Associates

Pleasant Hill, California
October 5, 2018

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