

CITY OF SACRAMENTO, CALIFORNIA

**SINGLE AUDIT REPORT
(UNIFORM GUIDANCE)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CITY OF SACRAMENTO, CALIFORNIA

**SINGLE AUDIT REPORT
(UNIFORM GUIDANCE)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sacramento, California (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 December 20, 2018. Our report contained an emphasis of matter regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 20, 2018



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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and
Members of the City Council
City of Sacramento, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

As discussed in Note 6 to the Schedule of Expenditures of Federal Awards (Schedule), this report is replacing the report previously issued on March 1, 2019. On the June 30, 2018 Schedule, the City previously reported federal award expenditures listed under CFDA No. 66.468 - Drinking Water State Revolving Fund Cluster in the amount of \$3,074,597. Subsequently, the City was notified by the pass-through entity that the expenditures reported on the Schedule for this program are no longer federal expenditures. As a result, the pass-through entity is requiring the City to revise the June 30, 2018 Schedule and remove the program listed under CFDA No. 66.468 - Drinking Water State Revolving Fund Cluster. The Schedule has been revised to remove the program. The Schedule of Findings and Questioned Costs has been revised to remove the program name from the Summary of Auditors' Results section and remove the program findings from the Federal Awards Findings and Questioned Costs section.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 20, 2018, which contained unmodified opinions on those financial statements. Our report includes an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Statement No. 85, *Omnibus 2017*. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California

March 1, 2019, except as reported above in the Other Matters paragraph and disclosed in Note 6 to the Schedule of Expenditures of Federal Awards, for which the date is June 19, 2020.

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Fund #	Grant #	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
United States Department of Housing and Urban Development						
Passed through Sacramento Housing and Redevelopment Agency:						
Community Development Block Grants (CDBG)/Entitlement Grants:						
2700	L19101200	Multi-Site Water Cross-Connection Improvement	14.218	2016-0896	\$ 73,700	
2700	L19103300	4th Avenue Park/Playground	14.218	2016-1002	89,533	
2700	L19120100	Hite Park/ Playground Project	14.218	2016-0998	2,076	
2700	L19126100	Carl Johnston Park Improvements	14.218	2017-1153	249,708	
2700	S15131801	Downtown Riverfront Street Car Design	14.218	2015-0467	812	
2700	T15103304	Mack Road Pedestrian Lighting	14.218	2016-0233	306,459	
2700	T15140100	Transportation Project Funding Pre-Planning and Outreach	14.218	2017-0195	2,065	
2700	T15155201	Midtown Street Lighting	14.218	2015-1286	543	
2700	T15165000	12th Street Complete Streets Engineering, Design and Environmental Clearance	14.218	2015-0113	91,151	
2700	T15165300	Fourth Street Pedestrian Access	14.218	2016-0201	70,078	
2700	T15165400	North 16th Street Streetscape Design Plan	14.218	2016-0203	69,832	
2700	T15165500	Franklin Blvd Complete Streets	14.218	2016-0202	186,288	
2700	T15175200	Midtown Street Lighting Phase III Design	14.218	2017-0172	19,229	
2700	T15175300	Lower Broadway Preliminary Design	14.218	2017-0171	50,298	
2700	T15175400	24th Street Feasibility Study	14.218	2017-0174	29,391	
2700	T15185400	SIM Center Signal Crossings	14.218	2018-0346	1,633	
2700	T15185500	Sutterville Road Pedestrian Crossing	14.218	2018-0347	563	
1001/2700	N/A	Del Paso Heights Fab Lab and Entrepreneurship Center Study	14.218	2017-0252	55,200	
Subtotal CDBG/Entitlement Grants Cluster					<u>1,298,559</u>	
Total United States Department of Housing and Urban Development					<u>1,298,559</u>	
United States Department of the Interior						
Direct Programs:						
Central Valley Improvement Act, Title XXXIV						
7104	G14140103	Lower American River Gravel Augmentation	15.512	N/A	<u>269,689</u>	
6205	I14120403	California Water Security and Environmental Enhancement	15.533	N/A	<u>52,398</u>	
7104	G14140202	Central Valley Project Improvement Act (CVPIA) Anadromous Fish Restoration Program (AFRP) - Gravel Restoration	15.648	N/A	<u>150,911</u>	
Total United States Department of the Interior					<u>472,998</u>	
United States Department of Justice						
Passed through Sacramento County Sheriff's Department:						
2702	G11016600	Missing Children's Assistance	16.543	2017-1403	<u>70,000</u>	
Direct Programs:						
Public Safety Partnership and Community Policing Grants (COPS):						
2702	G11012100	Public Safety Partnership and Community Policing Grants - COPS Hiring Program - 2013	16.710	N/A	44,767	
2702	G11012500	Public Safety Partnership and Community Policing Grants - COPS Hiring Program - 2014	16.710	N/A	594,790	
2702	G11014400	Public Safety Partnership and Community Policing Grants - COPS Hiring Program - 2015	16.710	N/A	633,935	
Subtotal Public Safety Partnership and Community Policing Grants					<u>1,273,492</u>	
2702	F11100105	Edward Byrne Memorial Justice Assistance Grant Program - 2013	16.738	N/A	12,937	
2702	G11011400	Edward Byrne Memorial Justice Assistance Grant Program - 2013	16.738	N/A	1,694	
2702	G11012300	Edward Byrne Memorial Justice Assistance Grant Program - 2014	16.738	N/A	118,293	
2702	G11013600	Edward Byrne Memorial Justice Assistance Grant Program - 2015	16.738	N/A	12,392	
2702	G11014500	Edward Byrne Memorial Justice Assistance Grant Program - 2015	16.738	N/A	89,769	
2702	G11014900	Edward Byrne Memorial Justice Assistance Grant Program - 2016	16.738	N/A	137,099	
Subtotal Edward Byrne Memoria Justice Assistance Grants					<u>372,184</u>	
2703	E11003300	Equitable Sharing Program	16.922	N/A	<u>174,845</u>	
Total United States Department of Justice					<u>1,890,521</u>	
United States Department of Labor						
Passed through Sacramento Employment and Training Agency:						
Workforce Innovation and Opportunity Act (WIOA) Cluster:						
2702	G19090170	WIOA Youth Activities - 2018	17.259	0463011S-16(E)	<u>164,314</u>	
Total United States Department of Labor					<u>164,314</u>	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title		Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
United States Department of Transportation					
Passed through State of California Department of Transportation (CALTRANS):					
Highway Planning and Construction Cluster					
3703	K15125000				
	Highway Planning and Construction	20.205	CML-5002(155)		138,106
3703	K15155000				
	Highway Planning and Construction	20.205	CML-5002(178)		53,016
3703	K15165100				
	Highway Planning and Construction	20.205	ATPL-5002(189)		503,754
3703	K15175000				
	Highway Planning and Construction	20.205	CML-5002(193)		32,897
3703	S15131701				
	Highway Planning and Construction	20.205	STPL-5002(156)		65,253
3703	T15018400				
	Highway Planning and Construction	20.205	HP21L-5002(068)		1,748,413
3703	T15018403				
	Highway Planning and Construction	20.205	STPLR-7500(251)		7,723
3703	T15036300				
	Highway Planning and Construction	20.205	STPL-5002(175)		40,000
3703	T15095200				
	Highway Planning and Construction	20.205	BRLS-5002(134)		301,158
3703	T15135100				
	Highway Planning and Construction	20.205	STPCML-5002(159)		429,002
3703	T15135900				
	Highway Planning and Construction	20.205	DEMOSL-5002(163)		2,987,000
3703	T15136000				
	Highway Planning and Construction	20.205	BRLS-5002(164)		734,415
3703	T15136400				
	Highway Planning and Construction	20.205	HSIPLN-5002(165)		31,061
3703	T15145100				
	Highway Planning and Construction	20.205	STPL-5002(170)		139,156
3703	T15145300				
	Highway Planning and Construction	20.205	BRLS-5002(168)		94,138
3703	T15145400				
	Highway Planning and Construction	20.205	STPL-5002(172)		226,626
3703	T15145500				
	Highway Planning and Construction	20.205	STPL-5002(173)		56,561
3703	T15145600				
	Highway Planning and Construction	20.205	STPL-5002(174)		147,638
3703	T15145800				
	Highway Planning and Construction	20.205	STPL-5002(171)		591,989
3703	T15165100				
	Highway Planning and Construction	20.205	STPL-5002(195)		32,516
3703	T15165400				
	Highway Planning and Construction	20.205	STPL-5002(191)		140,391
3703	T15165500				
	Highway Planning and Construction	20.205	CML-5002(190)		246,318
3703	T15165600				
	Highway Planning and Construction	20.205	HSIPL-5002(183)		43,938
3703	T15165700				
	Highway Planning and Construction	20.205	HSIPL-5002(184)		27,603
3703	T15165800				
	Highway Planning and Construction	20.205	HSIPL-5002(185)		71,654
3703	T15165900				
	Highway Planning and Construction	20.205	HSIPL-5002(186)		66,921
3703	T15166000				
	Highway Planning and Construction	20.205	HSIPL-5002(187)		65,504
3703	T15166100				
	Highway Planning and Construction	20.205	HSIPL-5002(188)		71,278
3703	T15166200				
	Highway Planning and Construction	20.205	CML-5002(192)		49,944
3703	T15175000				
	Highway Planning and Construction	20.205	STPL-5002(196)		22,706
3703	T15185600				
	Highway Planning and Construction	20.205	HSIPL-5002(198)		4,316
3703	T15185700				
	Highway Planning and Construction	20.205	HSIPL-5002(199)		3,292
3703	T15185800				
	Highway Planning and Construction	20.205	HSIPL-5002(200)		2,921
3703	T15185900				
	Highway Planning and Construction	20.205	HSIPL-5002(201)		1,548
	Subtotal Highway Planning and Construction Cluster				<u>9,178,756</u>
Passed through Sacramento Area Council of Governments:					
Federal Transit Cluster:					
2702	G21120100				
	Federal Transit Capital Investment Grants Streetcar Toolkit	20.500	2016-0750		131,225
	Subtotal Federal Transit Cluster				<u>131,225</u>
Passed through California Office of Traffic Safety:					
Highway Safety Cluster:					
2702	G11015400				
	State and Community Highway Safety	20.600	PT17103		61,907
2702	G11015500				
	State and Community Highway Safety	20.600	PS1712		34,435
2702	G11016200				
	State and Community Highway Safety	20.600	PT18072		122,151
2702	G11016300				
	State and Community Highway Safety	20.600	PS18013		52,008
2702	G15180100				
	State and Community Highway Safety	20.600	PS18024		90,970
	Subtotal Highway Safety Cluster				<u>361,471</u>
2702	G11015400				
	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT17103		114,857
2702	G11016200				
	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18072		91,025
	Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated				<u>205,882</u>
Total United States Department of Transportation					<u>9,877,334</u>
United States Department of Veterans Affairs					
Direct Program:					
2702	G19100500				
	VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces	64.034	N/A		22,060
Total United States Department of Veteran Affairs					<u>22,060</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title		Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
United States Environmental Protection Agency					
Direct Programs:					
2702	G18334500	Brownfields Assessment and Cleanup Cooperative Agreement Revolving Loan Fund	66.818	N/A	624,597
2702	G02001200	Brownfields Assessment and Cleanup Cooperative Agreement - Northeast Sacramento	66.818	N/A	42,194
					<u>591,188</u>
				<u>666,791</u>	<u>591,188</u>
Total United States Environmental Protection Agency					
United States Department of Education					
Passed through California Department of Education:					
2501	G19030504	Twenty-First Century Community Learning Centers - 2016	84.287	16-14349-2192-8A	18,240
2501	G19030506	Twenty-First Century Community Learning Centers - 2017	84.287	17-14349-2192-8A	251,709
					<u>269,949</u>
				<u>269,949</u>	
Total United States Department of Education					
United States Department of Health and Human Services					
Passed through California Department of Education:					
CCDF Cluster:					
6012	N/A	Child Care and Development Block Grant	93.575	CCTR-7184	63,470
6012	N/A	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-7184	138,080
					<u>201,550</u>
				<u>201,550</u>	
Total United States Department of Health and Human Services					
United States Department of Homeland Security					
Passed through California Department of Parks and Recreation, Division of Boating and Waterways:					
2702	G11015300	Boating Safety Financial Assistance	97.012	C16L0603	406
					<u>406</u>
Direct Programs:					
National Urban Search & Rescue (US&R) Response System:					
2702	G12501400	National Urban Search and Rescue 2014	97.025	N/A	45,082
2702	G12501500	National Urban Search and Rescue 2015	97.025	N/A	9,328
2702	G12501600	National Urban Search and Rescue 2016	97.025	N/A	260,287
2702	G12501700	National Urban Search and Rescue 2017	97.025	N/A	711,934
2702	G12703000	National Urban Search and Rescue Matthew Hurricane	97.025	N/A	1,441
2702	G12703100	National Urban Search and Rescue Harvey Hurricane	97.025	N/A	576,644
2702	G12703200	National Urban Search and Rescue Irma Hurricane	97.025	N/A	123,135
2702	G12703300	National Urban Search and Rescue Maria Hurricane	97.025	N/A	440,729
2702	G12703400	National Urban Search and Rescue Nate Tropical Storm	97.025	N/A	8,273
					<u>2,176,853</u>
2702	G12902100	Staffing for Adequate Fire and Emergency Response (SAFER) - 2010	97.083	EMW-2010-FH-00609	1,004
2702	G12902500	Assistance to Firefighters Grant - 2016	97.044	EMW-2016-FO-03798	130,656
Passed through State of California Office of Emergency Services:					
2702	G11015200	Homeland Security Grant Program - 2016	97.067	2016-0102	1,067,798
2702	G11016900	Homeland Security Grant Program - 2017	97.067	2017-0083	43,285
Passed through the Sacramento County Office of Emergency Services:					
2702	G12902400	Homeland Security Grant Program - 2015	97.067	2015-SS-00078	28,695
2702	G11005800	Homeland Security Grant Program - 2016	97.067	2016	29,631
					<u>58,326</u>
				<u>1,169,409</u>	<u>548,122</u>
Total United States Department of Homeland Security					
				<u>3,478,328</u>	<u>548,122</u>
Total Expenditures of Federal Awards				<u>18,342,404</u>	<u>1,139,310</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF SACRAMENTO, CALIFORNIA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Sacramento, California (City) under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds. Such expenditures are recognized following the cost principles continued in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown, if any, in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in the accompanying Schedule were determined based on the program name, review of grant contract information, and the General Service Administration’s Catalog of Federal Domestic Assistance.

NOTE 4 – INDIRECT COST RATE

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

NOTE 5 – SCHEDULE OF SACRAMENTO EMPLOYMENT AND TRAINING AGENCY (SETA) EXPENDITURES

The following represents expenditures of the grants from the Sacramento Employment and Training Agency for the fiscal year ended June 30, 2018:

CFDA Number	Sub-grant Number	Federal Expenditures		
		Personnel Service	Other	Total
17.259	046301IS-16(E)	\$ 162,117	\$ 2,197	\$ 164,314

NOTE 6 – REVISION AND REISSUANCE OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SINGLE AUDIT REPORT

This report is replacing the report previously issued on March 1, 2019. On the June 30, 2018 Schedule, the City previously reported federal award expenditures listed under CFDA No. 66.468 - Drinking Water State Revolving Fund Cluster in the amount of \$3,074,597. Subsequently, the City was notified by the pass-through entity that the expenditures reported on the Schedule for this program are no longer federal expenditures. As a result, the pass-through entity required the City to revise the June 30, 2018 Schedule and remove the program listed under CFDA No. 66.468 - Drinking Water State Revolving Fund Cluster.

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>Yes</u>

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>
<u>97.067</u>	<u>Homeland Security Grant Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

None Reported.

CITY OF SACRAMENTO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2018-001

Program: Homeland Security Grant Program

CFDA No.: 97.067

Federal Agency: U.S. Department of Homeland Security

Passed-through: State of California Office of Emergency Services

Award Year: 2016

Compliance Requirement: Subrecipient Monitoring

Criteria:

The *2017 OMB Compliance Supplement* requires a pass-through entity to be responsible for:

Evaluate Risk – Evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)).

Monitor – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the Federal award proceeded to the subrecipient from the PTE as required by 2 CFR section 200.521.

Condition Found:

Significant Deficiency, Instance of Noncompliance – As a result of our audit, we noted the following based on our testing performed over subrecipient monitoring:

- For one out of the one subrecipient file tested, the City did not perform a risk assessment of the subrecipient.
- For one out of the one subrecipient file tested, the City did not request and did not receive issued single audit reports for the most recent fiscal years.
- For one out of the one subrecipient files tested, the City did not maintain adequate documentation of site visits for the during-the-award monitoring.

Questioned Costs:

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

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Context:

The condition noted above was identified during our procedures related to subrecipient monitoring for the Homeland Security Grant Program. The Department currently lacks a method of formally documenting this process, both during the initial risk assessment and subsequent monitoring.

Effect:

There is an increased risk of non-compliance by the sub-recipients as a result of these conditions.

Cause:

The City's procedures did not ensure that ongoing monitoring is adequately documented, and that all subrecipients that require a Single Audit, file one with the City and the City issue a management decision on the results of the Single Audit, as necessary.

Recommendation:

We recommend the City review its policies and formalize written procedures related to subrecipient monitoring.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

CITY OF SACRAMENTO, CALIFORNIA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Summarized below is the current status of corrective action on audit findings reported in the prior year schedule of audit findings and questioned costs.

Finding No.	Program Name	CFDA No.	Compliance Requirement	Status of Corrective Action
2017-001	Central Valley Project Improvement Act, Title XXXIV	15.512	Procurement and Suspension and Debarment	Implemented
2017-002	Public Safety Partnership and Community Policing Grants	16.710	Subrecipient Monitoring	Implemented
2017-003	Public Safety Partnership and Community Policing Grants	16.710	Procurement and Suspension and Debarment	Implemented