

CITY OF CONCORD, CALIFORNIA

Single Audit Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CITY OF CONCORD, CALIFORNIA

SINGLE AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

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



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

The Honorable Mayor and
Members of the City Council
City of Concord, 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 remaining fund information of the City of Concord (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2016. Our report included an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, and No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, effective July 1, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be significant deficiencies.

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*.

City's Response to Finding

The City's response to the finding 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 19, 2016



INDEPENDENT AUDITORS' 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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Concord, 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, 2016. 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 the requirements of 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of finding and questioned costs as item 2016-002. Our opinion on each major federal program is not modified with respect to the matter.

The City's response to the noncompliance finding 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.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated December 19, 2016, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph regarding City's adoption of Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, and No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, effective July 1, 2015. 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 basic financial statements as a whole.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 19, 2016

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Identification Number	Federal Award Expenditures	Expenditures To Subrecipients
Department of Housing and Urban Development				
<i>Direct Program</i>				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant Entitlement Program	14.218	B-15-MC-06-0009	\$ 1,213,111	\$ 175,230
Community Development Block Grant Entitlement Program	14.218	Loans	320,112	-
Total Department of Housing and Urban Development			1,533,223	175,230
Department of Transportation				
<i>Passed through California Department of Transportation</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction-Bridge Preventative Maintenance	20.205	BPMP-5135(039)	68,779	-
Highway Planning and Construction-Bridge Repairs	20.205	BPMP-5135(048)	741,785	-
Highway Planning and Construction-Detroit Ave/Clayton Rd to Monument Blvd	20.205	CML-5135(050)	1,612,442	-
Highway Planning and Construction-Traffic Signal Upgrade	20.205	HSIPCML-5135(043)	114,570	-
Highway Planning and Construction-Downtown Bike Lane Improvements	20.205	RPSTPL-5135(052)	60,883	-
Subtotal Highway Planning and Construction Cluster [1]			2,598,459	-
<i>Passed through California Office of Traffic Safety</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT1636	57,681	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1636	41,179	-
Subtotal Highway Safety Cluster			98,860	-
Total Department of Transportation Programs			2,697,319	-
U.S. Department of Defense				
<i>Direct Program</i>				
Community Economic Adjustment Assistance	12.607	RA0588-14-07	43,768	-
Total U.S. Department of Defense Programs			43,768	-
U.S. Department of Justice				
<i>Direct Program</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0688	30,526	-
DEA Regional OCDEFH-HIS	16.UNKNOWN		1,865	-
Equitable Sharing Program	16.922		68,807	-
Total U.S. Department of Justice Programs			101,198	-
Total Expenditures of Federal Awards			\$ 4,375,508	\$ 175,230

[1] Denotes major federal program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CONCORD, CALIFORNIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE #1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Concord, California (City) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE #2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE #3 – INDIRECT COST RATE

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

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

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

NOTE #5 – PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

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

CITY OF CONCORD, CALIFORNIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE #6 – SUBRECIPIENTS

Of the Federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the City provided Federal awards to subrecipients from the following program:

CFDA No.	Program Title	Pass-Through Entity	Amount
14.218	Community Development Block Grant	Bay Area Legal Aid - Tenant Landlord Counseling	\$ 10,000
14.218	Community Development Block Grant	CC Health Svcs - Adult Interim Housing	10,000
14.218	Community Development Block Grant	Contra Costa Crisis Ctr - Homeless Hotline/211 CC	10,000
14.218	Community Development Block Grant	Court Appointed Special Advocates - Children at Risk (CASA)	9,944
14.218	Community Development Block Grant	Food Bank of CC - Collaborative Food Distribution	10,000
14.218	Community Development Block Grant	Ombudsman of Contra Costa	9,806
14.218	Community Development Block Grant	ECHO (Eden Council for Hope & Opportunity)	10,000
14.218	Community Development Block Grant	Monument Crisis Center - Nutritional Resources	12,500
14.218	Community Development Block Grant	Monument Impact	20,000
14.218	Community Development Block Grant	Workforce Development	17,980
14.218	Community Development Block Grant	Senior Outreach Services - Meals on Wheels	12,500
14.218	Community Development Block Grant	Senior Outreach Services - Care Management	10,000
14.218	Community Development Block Grant	Senior Outreach Services - Senior Nutrition	12,500
14.218	Community Development Block Grant	SHELTER, Inc. - Homeless Prevention	10,000
14.218	Community Development Block Grant	STAND! Against DV - Emergency Shelter	10,000
	Total		<u>\$ 175,230</u>

NOTE #7 – LOAN PROGRAM WITH CONTINUING COMPLIANCE REQUIREMENTS

The City administers loans that are made from funds provided by the Community Development Block Grant (CFDA No. 14.218). As of June 30, 2016, the outstanding loan receivable balance is as follows:

CFDA No.	Program Title	Outstanding Balance at June 30, 2016
14.218	Community Development Block Grant	<u>\$ 320,112</u>

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</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>None Reported</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 Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>

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

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

II. FINANCIAL STATEMENT FINDINGS

The following findings represent significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards:

FINDING 2016-001

HUMAN RESOURCES APPROVAL OF PERSONNEL CHANGES

Criteria:

Internal controls should be implemented over the payroll and human resources processes to ensure appropriate review and approval of changes to personnel records.

Condition Found:

Significant Deficiency – As a result of our test of controls over the City’s human resources policies and procedures, we noted that 4 of 12 new hire employees selected did not have evidence of approval by the Human Resources Director.

Context:

The condition noted above was identified during our testing of internal controls over the Payroll and Human Resources cycle.

Cause:

The Personnel Action Forms did not have evidence of approval by the Human Resources Director.

Effect:

Changes made to the Personal Action Forms, including the approval of newly hired employees, could go undetected by City management.

Recommendation:

We recommend that the City implement policies and procedures to ensure that all changes to personnel records are appropriately authorized prior to changes being recorded into the employee personnel records and show evidence of approval.

View of Responsible Officials and Planned Corrective Action:

The City concurs. Refer to separate Corrective Action Plan Report for management’s response.

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2016-002

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205

Federal Agency: U.S. Department of Transportation

Passed-through: California Department of Transportation

Award Year: 2015-2016

Compliance Requirement: Special Tests and Provisions - Administration of Engineering and Design-Related Service Contracts

Criteria:

The *June 2016 OMB Compliance Supplement* states that contracting agencies (State DOTs and LPAs) are required to accept the indirect cost rates for consultants and sub-consultants that have been established by a cognizant agency in accordance with the Regulation (48 CFR part 31) for 1-year applicable accounting periods, if such rates are not currently under dispute. Consultants and sub-consultants providing engineering and design-related services contracts must certify to contracting agencies that costs used to establish indirect cost rates are in compliance with the applicable cost principles contained in the Federal Acquisition Regulation (48 CFR part 31) by submitting a "Certificate of Final Indirect Costs" (23 USC 112(b)(2)(C); 23 CFR section 172.11)..

Condition Found:

Instance of Non-Compliance – For the one engineering or design-related contract selected for test work, the City did not obtain the Certificate of Final Indirect Costs for the accounting period under audit.

Questioned Costs:

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

Context:

The condition noted above was identified during our testing over special tests and provisions requirements of the program.

Effect:

By not obtaining the required Certificate of Final Indirect Costs for the 1-year applicable accounting period, the City increases its risk of noncompliance with special tests and provisions requirements set forth in the *OMB Compliance Supplement*.

Cause:

The City did not adhere to its policies and procedures requiring the Certificate of Final Indirect Costs from the consultants and sub-consultants providing engineering and design-related services.

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

It is recommended that the City establish procedures to ensure that the City obtains the required Certificate of Final Indirect Costs for the applicable accounting periods for contracts with consultants or sub-consultants for engineering or design-related services.

Views of Responsible Officials and Planned Corrective Actions:

The City concurs. Refer to separate Corrective Action Plan Report for management's response.

CITY OF CONCORD, CALIFORNIA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

None Reported.