

**CITY OF ALAMEDA, CALIFORNIA**

**Single Audit Report  
(OMB Circular A-133)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**CITY OF ALAMEDA, CALIFORNIA**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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**

The Honorable Mayor and  
Members of the City Council  
City of Alameda, 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 Alameda, California (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 8, 2016. Our report included an emphasis of a matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, both effective July 1, 2014, and an emphasis of matter regarding the reclassification of Alameda Municipal Power to an enterprise fund.

**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. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a significant deficiency.

## **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 Findings**

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  
March 8, 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 OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Alameda, California's (City), compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***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 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 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, 2015.

## **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 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.

*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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated March 8, 2016, which contained unmodified opinions on those financial statements. Our report included an emphasis of a matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, both effective July 1, 2014 and an emphasis of matter regarding the reclassification of Alameda Municipal Power to an enterprise fund. 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 OMB Circular A-133 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  
March 24, 2016

**CITY OF ALAMEDA, CALIFORNIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct / Pass-through Identifying Number	Federal Expenditures
United States Department of Housing and Urban Development			
Direct Awards:			
Community Development Block Grant/Entitlement Grants:			
Community Development Block Grant - Program Income	14.218	B14MC060007	\$ 25,523
Community Development Block Grant - Program Expenditures	14.218	B14MC060007	870,913
Community Development Block Grant - Loan Program:			
Community Development Block Grant - New Loans	14.218	B14MC060007	119,430
Subtotal Community Development Block Grant Program			<u>1,015,866</u>
Passed through the County of Alameda:			
Home Investment Partnerships Program - Program Income			
Home Investment Partnerships Program - Program Expenditures	14.239	M14DC060201	2,799
Home Investment Partnerships Program - Program Expenditures	14.239	M14DC060201	303,506
Subtotal Home Investment Partnerships Program			<u>306,305</u>
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	CALHB0495-11	21,676
Total United States Department of Housing and Urban Development			<u>1,343,847</u>
United States Department of Justice			
Passed through the County of Alameda:			
Edward Byrne Memorial Justice Assistance Grant Program			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0685	3,049
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0363	13,957
Total United States Department of Justice			<u>17,006</u>
United States Department of Transportation			
Passed through the State of California Department of Transportation (CalTRANS):			
Highway Planning and Construction Cluster:			
Park Street Arterial Management			
Park Street Arterial Management	20.205	HSIPL 5014(038)	12,832
Shoreline Drive, Westline Dr and Broadway	20.205	HSIPL-5014(037)	312,640
Otis Dr/Pacific Ave Street Resurfacing	20.205	STPL-5014(041)	13,627
Subtotal Highway Planning and Construction Cluster			<u>339,099</u>
Passed through the Bay Area Rapid Transit (BART):			
Federal Transit Cluster:			
Federal Transit - Capital Investment Grant - Transit and Access Study / Shuttle Service Improvements			
Federal Transit - Capital Investment Grant - Transit and Access Study / Shuttle Service Improvements	20.500	E2009-BUSP-071	275,275
Total United States Department of Transportation			<u>614,374</u>
United States Department of Homeland Security			
Direct Programs:			
Staffing for Adequate Fire and Emergency Response (SAFER) Grant			
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2011-FH-00362	487,775
Assistance to Firefighters Grant	97.044	EMW-2013-FP-00574	44,409
Total United States Department of Homeland Security			<u>532,184</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,507,411</u>

See accompanying notes to schedule of expenditures of federal awards.



**CITY OF ALAMEDA, CALIFORNIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**A. Reporting Entity**

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

**B. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the City's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 1 to the City's basic financial statements. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

**C. Relationship to Basic Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the City's financial statements. Federal award revenues are reported principally in the City's financial statements as intergovernmental revenues in the General, Special Revenue and Enterprise funds.

**D. 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.

**E. 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 ALAMEDA, CALIFORNIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 2 – 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	Alameda Food Bank	\$ 5,000
14.218	Community Development Block Grant	Building Futures with Women & Children	105,199
14.218	Community Development Block Grant	Family Violence Law Center	15,893
14.218	Community Development Block Grant	Legal Assistance for Seniors	14,765
14.218	Community Development Block Grant	ECHO	31,050
14.218	Community Development Block Grant	Alameda Point Collaborative	100,000
14.218	Community Development Block Grant	Eden I&R	19,150
		Subtotal CDBG	<u>291,057</u>
14.239	Home Investment Partnerships Program	Resources for Community Development	299,376
		<b>Total Subrecipient Expenditures</b>	<u><u>\$ 590,433</u></u>

**CITY OF ALAMEDA, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**I. SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<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 Section 510(a) of OMB Circular A-133	<u>No</u>
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Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>14.218</u>	<u>Community Development Block Grant</u>
<u>14.239</u>	<u>Home Investment Partnerships Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee under OMB Circular A-133, Section 530?	<u>Yes</u>

**CITY OF ALAMEDA, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**II. FINANCIAL STATEMENT FINDINGS**

**FINDING 2015-001**

**SUPER USER STATUS IN THE GENERAL LEDGER SYSTEM**

**Criteria:**

A fundamental element of an effective system of internal controls is the proper segregation of duties. Proper segregation of duties provides for a system of checks and balances such that the functions of one employee are subject to review through the performance of the interrelated functions of another employee. With respect to the general ledger system, access rights of users of the accounting software should be limited to correlate with each individual's assigned and delegated responsibilities.

**Condition:**

*Significant Deficiency* – As a result of our audit procedures over the City's financial accounting system, we noted two management level employees in the finance department have administrative rights or "Super-User" access, with unlimited rights and access to the general ledger system.

**Context:**

The system administrator rights, or Super-User rights, allow full access of all the financial system functions as well as assigning access functions to other staff.

**Effect:**

Unauthorized transactions may go undetected when employees are granted unlimited access to the financial system.

**Cause:**

The City has not revised its financial accounting system access policies or access controls in relation to the finance system to determine who needs access to which modules and functionalities.

**Recommendation:**

We recommend that the City review the current system access profiles for these two individuals within the financial accounting system to ensure the level of authority is appropriate and subject to review and the City formalizes the review of a roll change report to ensure proper segregation of duties. To establish stronger controls, we recommend that full access be given to only one key user with others having limited access only to areas in which they would need to perform their job responsibilities.

**CITY OF ALAMEDA, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**II. FINANCIAL STATEMENT FINDINGS**

**View of Responsible Officials and Planned Corrective Action:**

The City does not wish to be put in the position of having only one employee with knowledge and access of the administrative functions of the City's financial system, which is why there are two managers with Super-User rights. In order to mitigate the chances of unauthorized transactions, the City has implemented other internal controls. These measures include, but are not limited to, restricted access to check stock, all wire transfers are required to have second approval from another manager, the Super-Users do not have access to Human Resource functions, such as setting up employees, all journal entries and check requisitions must be approved by a manager but not the one initiating the procedures, the City's checking account is reconciled on a monthly basis and the investment accounts are reconciled on a quarterly basis by someone other than the managers with Super-User Access.

**CITY OF ALAMEDA, CALIFORNIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Reported.

**CITY OF ALAMEDA, CALIFORNIA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Finding No.</b>	<b>Finding</b>	<b>CFDA No.</b>	<b>Compliance Requirement</b>	<b>Status of Corrective Action</b>
2014-01	Continuing Disclosure Requirement of Long-Term Debt	N/A	N/A	Implemented
2014-02	Super User Status in the General Ledger System	N/A	N/A	Not implemented – See Finding 2015-001