

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

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

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CITY OF MANTECA

**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? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

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

Unmodified

Internal control over major federal programs:

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

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:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.507</u>	<u>Federal Transit – Formula Grants (Urbanized Area Formula Program)</u>

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 disclosed significant deficiencies, but no material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 16, 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, but no questioned costs required to be reported in accordance with Uniform Guidance.

Finding: SA 2018-001 Review and Accuracy of Federal Financial Reports and Reimbursement Requests

CFDA number: 20.507

CFDA Title: Federal Transit – Formula Grants (Urbanized Area Formula Program)

Name of Federal Agency: Department of Transportation

Federal Award Identification Numbers: CA-2016-104-00, CA-90-Z172-00

Criteria: The 2 CFR Section 200.303 and the A-102 Common Rule require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. In addition to other implications, this means that grant federal financial reports and drawdown requests should be reviewed and approved by someone other than the preparer to ensure that they agree with supporting accounting records and are accurate.

Condition: Federal financial reports for the Federal Transit Formula Grants program are prepared and submitted to the grantor without a review by an employee other than the preparer. In our examination of the Federal Financial Reports for the first quarter of fiscal year 2018 for both of the above mentioned grants we noted there were no current expenditures included in the report although the City had incurred grant expenditures during that period. We also noted that one of the drawdown requests filed by the City was rejected due to it including ineligible expenditures in the amount of \$10,450.

Effect: The City is not in compliance with the internal control requirements of 2 CFR Section 200.303 and the A-102 Common Rule. In addition, the lack of review resulted in inaccuracies in the above reports.

Cause: City staff indicated that the reviews are not taking place due to a turnover in staffing.

Recommendation: The City should designate someone on staff that is qualified to review and approve the federal financial reports and drawdown requests prior to submission to the grantor.

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

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding: SA2018-002 **Timely Filing and Accuracy of Federal Financial Reports**

CFDA number: 20.507

CFDA Title: Federal Transit – Formula Grants (Urbanized Area Formula Program)

Name of Federal Agency: Department of Transportation

Federal Award Identification Numbers: CA-2016-104-00, CA-90-Z172-00

Criteria: The grant award letters states that the Federal Financial Reports (FFR) and Milestone Progress Reports (MPR) should be filed on a quarterly basis for the operation portion and annually for the capital portion.

Condition: We noted that the quarterly FFR’s and MPR’s for the operations portion of the grant for the period of January 1, 2018 through June 30, 2018 have not been filed. In addition, the annual FFR and MPR for the capital portion of the grant were not filed for the current fiscal year.

Effect: The City is not in compliance with the grant requirements.

Cause: City staff indicated that due to a turnover in staffing, the above reporting requirements were overlooked.

Recommendation: The City should implement processes, such as a grant checklist detailing all reporting requirements specified for that grant, to ensure the City remains in compliance with grant requirements even through the process of staff turnover, making sure there is adequate training and review processes for all required reports and that they are submitted timely where applicable.

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

CITY OF MANTECA

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	Pass-Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development Pass-Through Programs From:				
San Joaquin County Community Development Department Community Development Block Grants/Entitlement Grants Program Expenditures	14.218	A-93-916	<u>\$31,357</u>	<u>\$80,402</u>
Department of Justice Direct Programs				
Edward Byrne Memorial Justice Assistance Grant Program				
2016 Justice Assistance Grant	16.738			12,498
2017 Justice Assistance Grant	16.738			<u>18,416</u>
Program Subtotal				<u>30,914</u>
Department of Transportation Direct Programs				
Federal Transit Administration				
Federal Transit-Formula Grants (Urbanized Area Formula Program)				
Operating Assistance	20.507			545,271
Capital Assistance	20.507			<u>1,060,000</u>
Total Department of Transportation Direct Programs				<u>1,605,271</u>
Department of Transportation Pass-Through Programs From:				
State of California Department of Transportation				
Highway Planning and Construction (Federal-Aid Highway Program)				
Yosemite Ave Main to Cottage	20.205	STPL 5242 (031)		93,789
Main Street Yosemite to Atherton	20.205	STPL 5242 (032)		63,668
Mckinley Ave/SR120	20.205	HPLULN-5242(028)		616,330
Traffic Signal Update	20.205	HSIPL 5242(034)		70,434
Retroreflective Traffic Sign Project	20.205	HSIPL 5242(033)		<u>102,654</u>
Program Subtotal				<u>946,875</u>
State and Community Highway Safety				
State Of California Office of Traffic Safety				
Selective Traffic Enforcement Program (STEP) - 2017	20.600	PT 1762		16,479
Selective Traffic Enforcement Program (STEP) - 2018	20.600	PT 18064		<u>95,115</u>
Program Subtotal				<u>111,594</u>
Subtotal Pass-Through Programs				<u>1,058,469</u>
Total Department of Transportation				<u>2,663,740</u>
Department of Homeland Security Direct Program				
Staffing for Adequate Fire and Emergency Responses (SAFER)	97.083			<u>380,540</u>
Department of Homeland Security - Federal Emergency Management Agency Pass-Through Program From:				
California Governor's Office of Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4308-DR-CA		<u>26,322</u>
Total Department of Homeland Security				<u>406,862</u>
Total Expenditures of Federal Awards			<u>\$31,357</u>	<u>\$3,181,918</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF MANTECA

**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 Manteca, California, and its component units as disclosed in the notes to the Basic Financial Statements.

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 Manteca, 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 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 16, 2018. Our report included an emphasis of a matter paragraph disclosing the implementation of a new accounting principle.

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 City'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control that we consider to be significant deficiencies as described on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated December 16, 2018 which is an integral part of our audits and should be read in conjunction with this report.

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 that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated December 16, 2018 which is an integral part of our audits and should be read in conjunction with this report. 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 result 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.

Mazea Associates

Pleasant Hill, California
December 16, 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 Manteca, California

Report on Compliance for Each Major Federal Program

We have audited City of Manteca'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 and questioned costs as items SA2018-001 and SA2018-002. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit are described in the Corrective Action Plan, separately prepared by the City. 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 items SA2018-001 and SA2018-002, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are described in the Corrective Action Plan, separately prepared by the City. 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 16, 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
March 22, 2019

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