

**CITY OF MANTECA**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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**CITY OF MANTECA**  
**SINGLE AUDIT REPORT**  
**For The Year Ended June 30, 2015**

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CITY OF MANTECA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: 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 programs: Unmodified

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?            Yes   X   No

Identification of major programs:

CFDA#(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants
20.205	ARRA - Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$300,000

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 30, 2015 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 did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

**SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –**

Prepared by Management

**Financial Statement Prior Year Findings**

We have included the current status of prior year significant deficiencies in our separately issued Memorandum on Internal Control dated December 30, 2015 which is an integral part of our audit and should be read in conjunction with this report.

**Federal Award Prior Year Findings and Questioned Costs**

<b>Finding: SA2014-001</b>	<b><u>Documentation of Grant Reimbursement Filing</u></b>
<b>CFDA Number:</b>	14.218
<b>CFDA Title:</b>	Community Development Block Grants/Entitlement Grants
<b>Name of Federal Agency:</b>	Department of Housing and Urban Development
<b>Name of Pass-through Entity:</b>	San Joaquin County

**Criteria:** The City’s Community Development Block Grant program is funded on a reimbursement basis from the grantor, therefore the City must incur costs prior to requesting draw downs from the grantor. As part of this process, documentation of the date on which a document was created, reviewed, approved and/or submitted should be retained in the grant files.

**Condition:** During our testing of expenditures for the Community Development Block Grant program, we noted that two of the three tested reimbursement requests filed with the County were not dated and therefore the exact date of review, approval and submission to the grantor were unknown. We did note that the grant reimbursements were received by the City on January 28, 2014 and June 3, 2014, after the related costs were incurred.

**Effect:** The City does not have documentation that the grant reimbursement requests are reviewed and approved and when they were submitted to the County.

**Cause:** It appears the City forgot to date the submission of their reimbursement and keep proper records for backup.

**Recommendation:** The City should retain documentation for grant reimbursement requests that includes evidence that the reimbursement requests were reviewed and approved prior to submission to the grantor, as well as the date the reimbursements were filed with the grantor.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued) –  
Prepared by Management

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

**Name of contact person:** Jeri Tejada, Accounting Manager, (209) 456-8770

**Corrective action:** The City has added a date field to its reimbursement request form. Additionally, a cover letter will be included with each grant reimbursement request.

**Current Status:** Implemented - The City added a date field to its reimbursement request form and a cover letter is included with each grant reimbursement request.

**Finding: SA2014-002**                      **Quality Assurance Program Update**

**CFDA Number:** 20.205  
**CFDA Title:** ARRA – Highway Planning and Construction (Federal-Aid Highway Program)  
**Name of Federal Agency:** Department of Transportation  
**Name of Pass-through Entity:** California Department of Transportation (CalTrans)

**Criteria:** As a subrecipient of Highway Planning and Construction funds from CalTrans, the City is required to comply with Division of Local Assistance Construction Oversight Information Notice (DLA COIN) #09-03. DLA COIN #09-03 states that “Local agencies must have a Quality Assurance Program (QAP) prior to receiving their "Construction Authorization" for a Federal-aid project. Recently it was found that some local agencies do not have a QAP or that their QAP needed to be updated (over 5 years old).” DLA COIN #09-03 requires the filing of a QAP with CalTrans every five years.

**Condition:** The City of Manteca has not updated its QAP since fiscal year 2008-2009 and therefore, the City should have updated and submitted a new QAP to CalTrans in fiscal year 2013-2014. The City failed to do so.

**Effect:** The City has failed to comply with CalTrans’ DLA COIN #09-03 program requirements.

**Cause:** It appears the City staff was aware of the requirement, but did not yet complete the updating of the QAP.

**Recommendation:** The City should update and submit a new QAP to CalTrans as soon as possible.

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

**Name of contact person:** Fernando Ulloa, Senior Engineer, (209) 456-8427

**Corrective action:** An updated QAP was prepared and submitted to CalTrans on January 29, 2015.

**Current status:** Implemented.

CITY OF MANTECA

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	Grant or Pass-Through Identifying Number	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	\$228,998
Subgrants	14.218	A-93-916	<u>56,195</u>
<b>Total Department of Housing and Urban Development</b>			<u>285,193</u>
Department of Justice Direct Programs			
Edward Byrne Memorial Justice Assistance Grant Program			
2013 Justice Assistance Grant	16.738	2014-DJ-BX-0017	<u>15,613</u>
Department of Transportation Direct Programs			
Federal Transit Administration			
Federal Transit-Formula Grants (Urbanized Area Formula Program)			
Multimodal Station Construction	20.507	CA-95-X168	369,037
Multimodal Station Construction	20.507	CA-90-Y998	4,538
Multimodal Station Construction	20.507	CA-90-Z040	<u>106,240</u>
<b>Subtotal Federal Transit-Formula Grants (Urbanized Area Formula Program)</b>			<u>479,815</u>
Department of Transportation Pass-Through Programs From:			
State of California Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)			
ARRA 99/120 Landscape	20.205	ESPL-5242 (025)	39,349
ARRA 99/120 Corridor	20.205	ESPL-5242 (027)	53,372
Louise Avenue Median Beautification and Bicycle Enhancements	20.205	RPSTPLE-5242 (030)	1,300,520
McKinley Ave/SR120 Interchange	20.205	HPLULN-5242 (028)	<u>99,500</u>
<b>Subtotal Highway Planning and Construction</b>			<u>1,492,741</u>
State and Highway Community Safety Programs			
State of California Office of Traffic Safety			
Sobriety Checkpoint	20.600	PT 1534	81,246
City of Stockton			
AVOID the 10 DUI Campaign	20.600	AL1510	38,960
<b>Subtotal State and Highway Community Safety Programs</b>			<u>120,206</u>
<b>Total Department of Transportation</b>			<u>1,612,947</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$2,393,568</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, 2015**

**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 - BASIS OF ACCOUNTING**

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 - DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS**

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs when they occur.

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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 basic financial statements of the City of Manteca as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2015. Our report included emphasis of a matter paragraphs disclosing the dissolution of the Redevelopment Agency and the implementation of new accounting principles.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 identified certain deficiencies in internal control, we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies and Status of Prior Year of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated December 30, 2015, 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*

City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated December 30, 2015 which is an integral part of our audits and should be read in conjunction with this report. 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.

*Marx & Associates*

Pleasant Hill, California  
December 30, 2015



**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 OMB CIRCULAR A-133**

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 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.

***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 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 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 basic financial statements of the City as of and for the year ended June 30, 2015, and have issued our report thereon dated December 30, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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.

*Maup & Associates*

Pleasant Hill, California  
March 29, 2016

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