

**CITY OF NAPA**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**CITY OF NAPA**  
**SINGLE AUDIT REPORT**  
**For The Year Ended June 30, 2013**

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**CITY OF NAPA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**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?       X       Yes            No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.871 and 14.879</u>	<u>Housing Voucher Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>
<u>14.218</u>	<u>Community Development Block Grants/Entitlement Grants</u>

Dollar threshold used to distinguish between type A and type B programs: \$418,514

Auditee qualified as low-risk auditee?            Yes       X       No

## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed certain 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 February 10, 2014, 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 and questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

### **SA2013-01 – Award Package Submittal**

**CFDA number:** 20.205

**CFDA Title:** Highway Planning and Construction

**Name of Federal Agency:** U.S. Department of Transportation

**Name of Pass-Through Entity:** State of California Department of Transportation

**Criteria:** According to the Special Covenants #4, in the Program Supplement agreement No. 029-N to Administering Agency-State Agreement No. 04-5042 award information must be submitted to the District Local Assistance Engineer within 60 days of the project contract award and prior to the submittal of the City's first invoice for the construction contract.

**Condition:** During the audit, we noted that the Award Package for the 2011 Cape Seal Project was submitted to the District Local Assistance Engineer on November 30, 2012, which was more than 60 days after the contract was awarded on August 7, 2012.

**Effect:** The City is not in compliance with the award agreement.

**Cause:** This project was managed by a consultant who failed to submit the award package within the required timeframe.

**Recommendation:** We recommend that the City comply with all Special Covenants or Remarks specified in the Grant Agreement.

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

- **Name of contact person:** Mark Tomko, Senior Engineer
- **Corrective action:** The City will submit award packages on time for future grants. As in 2012, the City experience difficulties managing this grant because there was a part time consultant who was delegated to manage the paperwork and award package submissions. This consultant failed to submit the package on time for this particular project resulting in the City being non-compliant. The consultant has now left the City, and Award Packages and all grant paperwork will be completed in house. This should eliminate the likelihood of non-compliance in the future.

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

Prepared by Management

### Financial Statement Prior Year Findings

There were financial statement findings reported in the prior year. The current year status of these findings are listed on a separate Memorandum on Internal control dated February 10, 2014, which is an integral part of our audits and should be read in conjunction with this report.

### Federal Award Prior Year Findings and Questioned Costs

#### SA2012-01 – Award Package Submittal

**CFDA number:** 20.205

**CFDA Title:** Highway Planning and Construction

**Name of Federal Agency:** U.S. Department of Transportation

**Name of Pass-Through Entity:** State of California Department of Transportation

**Criteria:** According to the Special Covenants #4, in the Program Supplement agreement No. 026-N to Administering Agency-State Agreement No. 04-5042R award information must be submitted to the District Local Assistance Engineer within 60 days of the project contract award and prior to the submittal of the City's first invoice for the construction contract.

**Condition:** During the audit, we noted that the Award Package was submitted to the District Local Assistance Engineer on October 10, 2012, which was more than 60 days after the contract was awarded on August 2, 2012.

**Effect:** Due to the Award Package being submitted late, the first reimbursement request submitted by the City to the State of California Department of Transportation (DOT) was rejected.

**Cause:** This project was managed by a consultant who failed to submit the Award Package within the required timeframe.

**Recommendation:** We recommend that the City comply with all Special Covenants or Remarks specified in the Grant Agreement.

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

- **Name of contact person:** Sara Gallegos, Public Works Management Analyst
- **Corrective action:** The City will submit Award Packages on time for future grants. The City experienced difficulties managing this grant because there was a part-time consultant who was delegated to manage the paperwork and award package submissions. This consultant failed to submit the package on time for this particular project resulting in the City being noncompliant. The consultant has since left her position with the City. The Public Works Department now files all grant paperwork in-house and will continue to do so in the future to reduce the likelihood of noncompliance in the future.
- **Current Status:** See 2013-1 above.

## **SA2012-02 – Certification of Suspension/Debarment**

**CFDA number:** 20.600

**CFDA Title:** State and Community Highway Safety

**Name of Federal Agency:** U.S. Department of Transportation

**Name of Pass-Through Entity:** State of California Department of Transportation

**Criteria:** According to the Exhibit D (Certifications and Assurances) of the Office of Traffic and Safety Collision Response and Extrication Program Grant Agreement, the City must include a clause regarding debarment and suspension in all solicitations for lower tier covered transactions.

**Condition:** During the audit we noted that the City had not included such a clause in their solicitations with vendors from whom they purchased equipment using grant funds, nor did they take any action to ensure that the vendors were not debarred or suspended from any Federal department or agency.

**Effect:** The City is at risk of noncompliance due to increased risk that vendors could be debarred or suspended.

**Cause:** Lack of due care by City employees responsible for grant compliance.

**Recommendation:** We recommend that the City read and comply with all instructions and restrictions in the Grant Agreement. The City must ensure that all current and future vendors funded by Federal grants are not debarred or suspended from participating in Federal grants.

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

- **Name of contact person:** Shirley Perkins, Public Safety Administrative Services Manager
- **Corrective action:** When required by the granting agency, the City will ensure the clause regarding debarment and suspension is included in applicable solicitations. The corrective action will include the development and maintenance of a grant database to ensure specific requirements of various granting agencies are identified and followed. The Purchasing Manager and City Auditor have been informed of this finding and will ensure the debarment and suspension certification is included for OTS transactions requiring their authorization.
- **Current Status:** The City now includes a Department and Suspension Affidavit in all solicitations for lower tier covered transactions. Additionally, a review of all grant funded vendor payments are checked through the SAM (System for Award Management) database to ensure no grant funds were spent with vendors who had been debarred or suspended.

**SA2012-03 – Notification to the State of California of Auditor**

**CFDA number:** 14.239

**CFDA Title:** HOME Investment Partnership Program

**Name of Federal Agency:** U.S. Department of Housing and Urban Development

**Name of Pass-Through Entity:** State of California Department of Housing and Community Development

**Criteria:** Per review of the grant agreement exhibit C number 28F. It states that the City will notify the State of California Department of Housing and Urban Development of the name and address of the auditor.

**Condition:** The City was unable to provide proof of communication that they notified the State of California Department of Housing and Community Development of the name and address of the selected auditor immediately upon selection of the auditor.

**Effect:** City is out of compliance with the HOME grant agreement with the State of California.

**Cause:** It appears that city did not fully read the grant agreement.

**Recommendation:** In order to comply with the grant agreement, we recommend that the City formally notify the State of California.

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

- **Name of contact person:** Anette Heun, Accountant
- **Corrective action:** In accordance with the specific grant agreements, the City will ensure all notification and reporting requirements are fully adhered to in the future on all grant documents. The corrective action will include the development and maintenance of a grant database to document the date notifications or reporting requirements are due, and also include a tracking of when each requirement has been satisfied.
- **Current Status:** The Grant database has been developed and is being utilized to ensure the City remains in compliance with all grant requirements.

**CITY OF NAPA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
for the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Energy <b>Direct</b> Programs			
ARRA - Energy Efficiency and Conservation Block Grant Program	81,128		\$17,767
Total Department of Energy			17,767
Department of Federal Emergency Management Agency			
Cooperating Technical Partners	97,045		4,640
Total Federal Emergency Management Agency			4,640
Department of Transportation <b>Pass-Through</b> Programs From:			
State of California Department of Transportation			
Highway Planning and Construction Grants	20,205		
Trancas Bridge Scour		BHLS-5042(042)	13,855
Cape Seal Project		STPL-5042-052	602,244
Linda Vista Fed Overlay		STPL-5042-055	562,906
Lincoln Avenue Bike Lanes		CML-5042 (053)	199,891
Subtotal Department of Transportation <b>Pass-Through</b> Programs			1,378,896
Department of Transportation <b>Direct</b> Programs			
State and Community Highway Safety	20,600		202,492
Subtotal Department of Transportation <b>Direct</b> Program			202,492
Total Department of Transportation			1,581,388
Department of Housing and Urban Development <b>Direct</b> Programs			
Community Development Block Grants/Entitlement Grants	14,218		619,285
Housing Voucher Cluster:			
Mainstream Vouchers	14,879		296,603
Section 8 Housing Choice Vouchers	14,871		11,070,787
Subtotal Housing Voucher Cluster Programs			11,367,390
Housing Development Programs:			
Supportive Housing Program	14,235		8,811
Shelter Plus Care Program	14,238		73,097
Section 8 Moderate Rehabilitation Single Room Occupancy	14,249		923
Subtotal Housing Development Programs			82,831
HOME Investment Partnerships Program	14,239		177,571
Total Department of Housing and Urban Development Programs			12,247,077
Department of Justice <b>Direct</b> Programs			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)	16,738		91,924
Total Department of Justice Programs			91,924
Total Expenditures of Federal Awards			\$13,942,796

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**CITY OF NAPA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2013**

**NOTE 1-REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Napa, 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.

**NOTE 4 - SUBRECEIPIENTS**

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grants/Entitlement Grants	\$148,443

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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***

Honorable Mayor and City Council  
City of Napa, 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 Napa as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated February 10, 2014. Our report included an emphasis of a matter paragraph disclosing 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 included as part of our separately issued Memorandum on Internal Control dated February 10, 2014, 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 or other matters 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 February 10, 2014, 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.



Pleasant Hill, California  
February 10, 2014

**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**

Honorable Mayor and City Council  
City of Napa, California

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

We have audited City of Napa'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, 2013. 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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-01. Our opinion on each major federal program is not modified with respect to these matters.

### ***City's Response to Findings***

The City's response to the noncompliance findings identified in our audit are 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 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, 2013, and have issued our report thereon dated February 10, 2014, 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.

*Maze & Associates*

Pleasant Hill, California  
March 17, 2014

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