

**CITY OF NAPA**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**CITY OF NAPA**  
**SINGLE AUDIT REPORT**  
**For The Year Ended June 30, 2012**

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**CITY OF NAPA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2012**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  X  Yes   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: Unqualified

Internal control over major 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 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>20.205</u>             | <u>Highway Planning and Construction</u>    |
| <u>14.871,<br/>14.879</u> | <u>Housing Voucher Cluster</u>              |
| <u>14.239</u>             | <u>Home Investment Partnerships Program</u> |
| <u>20.600</u>             | <u>State and Community Highway Safety</u>   |

Dollar threshold used to distinguish between type A and type B programs: \$457,172

Auditee qualified as low-risk auditee?   Yes  X  No

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Our audit disclosed certain significant deficiencies and material weaknesses, but no instances of noncompliance material to the basic financial statements. We have communicated the material weakness and significant deficiencies, along with other matters in a separate Memorandum on Internal Control dated April 24, 2013 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.

### **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.

**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.

**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.

#### **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 which we have communicated in a separate Memorandum on Internal control dated April 24, 2013, 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**

##### **SA2011-01 – Unallowable Cost Charged to Grant**

**CFDA number:** 20.205

**CFDA Title:** ARRA – 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 Agency Program Requirements Section A, “Activities Allowed or Unallowed”, federal funds can be used only to reimburse costs that are in accordance with the conditions contained in the project agreement and allocable to a specific project. Per review of grant agreement for project number ESPLESTP-5042(048), City of Napa agreement no.C201046, project is for pedestrian walkway on East Avenue from Clark Street to Alta Heights Elementary School (project no SW06PW01).

**Condition:** During our testing of payroll expenditures charged to the above grant, we noted that there were 32 payroll pay periods charged to the grant of which we tested 4 for expenditure allowability and tracing to reimbursement requests. Out of our samples, we noted that 1 sample pay period had 64 hours charged to grant. However, upon review of employee's timesheet, it appears that only 54 hours were allowable charges to the grant.

**Questioned Costs:** \$562

**Effect:** We determined that \$562 of payroll expenditures were unallowable expenditures charged to the grant.

**Cause:** An employee erroneously input ten hours into to the wrong project number when completing a timesheet. As a result of the error, ten extra hours were charged to the grant.

**Recommendation:** We recommend timesheets be reviewed during the preparation of the grant reimbursement requests to ensure that the correct amount is charged to the program.

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

- **Name of contact person:** Sheila Esser/ Sara Gallegos, Public Works Management Analyst
- **City response:**

This error occurred prior to the implementation of the City's new Payroll system, IFAS. At the time of this error, payroll was processed in the legacy system, and labor distribution (the process by which labor transactions are charged to different projects and credited to the home account) was a manual process by which the information was entered from the timesheets manually into a spreadsheet, and uploaded as a Journal Entry into IFAS.
- **Current Status:** The Public Works department is checking all timesheets to ensure that all payroll expenditures being charged to the grant are allowable. In addition to this, the City has established specific job codes that are entered into their timekeeping system in order to prevent manual entry errors.

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CITY OF NAPA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2012

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title                      | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying<br>Number | Federal<br>Expenditures |
|--|---------------------------|---------------------------------------|-------------------------|
| Department of Energy <b>Direct</b> Programs  |                           |                                       |                         |
| <b>ARRA</b> - Energy Efficiency and Conservation Block Grant Program               | 81.128                    |                                       | <u>\$268,008</u>        |
| Total Department of Energy   |                           |                                       | <u>268,008</u>          |
| Department of Transportation <b>Pass-Through</b> Programs From:                    |                           |                                       |                         |
| State of California Department of Transportation                                   |                           |                                       |                         |
| Highway Planning and Construction Grants   | 20.205                    |                                       |                         |
| Freeway Drive/Climate Change   |                           | STPL-5042-051                         | 2,000,000               |
| California Boulevard Widening  |                           | CML- 5042 (054)                       | 40,000                  |
| Lincoln Avenue Bike Lanes  |                           | CML-5042 (053)                        | <u>37,698</u>           |
| Subtotal Department of Transportation <b>Pass-Through</b> Programs                 |                           |                                       | <u>2,077,698</u>        |
| Department of Transportation <b>Direct</b> Programs                                |                           |                                       |                         |
| State and Community Highway Safety   | 20.600                    |                                       | <u>406,597</u>          |
| Subtotal Department of Transportation <b>Direct</b> Program                        |                           |                                       | <u>406,597</u>          |
| Total Department of Transportation   |                           |                                       | <u>2,484,295</u>        |
| Department of Housing and Urban Development <b>Direct</b> Programs                 |                           |                                       |                         |
| Community Development Block Grants Entitlement Cluster:                            |                           |                                       |                         |
| Community Development Block Grants/Entitlement Grants                              | 14.218                    |                                       | 620,992                 |
| <b>ARRA</b> - Community Development Block Grants/Entitlement Grants                | 14.253                    |                                       | <u>24</u>               |
| Subtotal Community Development Block Grants Cluster <b>Direct</b> Programs         |                           |                                       | <u>621,016</u>          |
| Housing Voucher Cluster:   |                           |                                       |                         |
| Mainstream Vouchers  | 14.879                    |                                       | 297,088                 |
| Section 8 Housing Choice Vouchers  | 14.871                    |                                       | <u>10,850,017</u>       |
| Subtotal Housing Voucher Cluster Programs  |                           |                                       | <u>11,147,105</u>       |
| Housing Development Programs:  |                           |                                       |                         |
| Supportive Housing Program   | 14.235                    |                                       | 10,182                  |
| Shelter Plus Care Program  | 14.238                    |                                       | 79,608                  |
| Section 8 Moderate Rehabilitation Single Room Occupancy                            | 14.249                    |                                       | <u>26,160</u>           |
| Subtotal Housing Development Programs  |                           |                                       | <u>115,950</u>          |
| Department of Housing and Urban Development <b>Pass-Through</b> Programs           |                           |                                       |                         |
| Community Development Block Grants Cluster:  |                           |                                       |                         |
| HOME Investment Partnership Program  | 14.239                    | B-09-MC-06-0028                       | <u>463,625</u>          |
| Subtotal Community Development Block Grants Cluster <b>Pass-Through</b> Programs   |                           |                                       | <u>463,625</u>          |
| Total Department of Housing and Urban Development Programs                         |                           |                                       | <u>12,347,696</u>       |
| Department of Justice <b>Direct</b> Programs                                       |                           |                                       |                         |
| <b>ARRA</b> - Edward Byrne Memorial Justice Assistance Grant (JAG)                 | 16.804                    |                                       | <u>44,244</u>           |
| Subtotal Department of Justice <b>Direct</b> Programs                              |                           |                                       | <u>44,244</u>           |
| Department of Justice <b>Pass-Through</b> Programs From:                           |                           |                                       |                         |
| County of Napa   |                           |                                       |                         |
| National Institute of Justice Research, Evaluation, and Development Projects Grant | 16.560                    | DN-BX-K018                            | <u>94,815</u>           |
| Subtotal Department of Justice <b>Pass-Through</b> Programs                        |                           |                                       | <u>94,815</u>           |
| Total Department of Justice Programs   |                           |                                       | <u>139,059</u>          |
| Total Expenditures of Federal Awards   |                           |                                       | <u>\$15,239,058</u>     |

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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**CITY OF NAPA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2012**

**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<br/>Provided to<br/>Subrecipients</u> |
|--------------------|---|---|
| 14.218             | Community Development Block Grants/Entitlement Grants | \$298,382                                       |
| 20.600             | State and Community Highway Safety                    | 15,575  |

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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  
of the City of Napa, California

We have audited the financial statements of the City of Napa as of and for the year ended June 30, 2012, and have issued our report thereon dated April 24, 2013. The report included a special emphasis paragraph concerning redevelopment dissolution. We conducted our audit in accordance with generally accepted auditing standards 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.

***Internal Control over Financial Reporting***

Management of the City of Napa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We have identified certain deficiencies we consider to be material weaknesses. These are listed as 2012-01 in our separately issued Memorandum on Internal Control, dated April 24, 2013.

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. We have identified certain deficiencies we consider to be significant deficiencies. They are listed as items 2012-02 and 2012-03 in our separately issued Memorandum on Internal Control, dated April 24, 2013.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about the whether City financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in our separately issued Memorandum on Internal Control dated April 24, 2013.

We have also issued a separate Memorandum on Internal Control dated April 24, 2013 which is an integral part of our audits and should be read in conjunction with this report.

The City's responses to the findings identified in our audit are described in the Memorandum on Internal Control. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Maze & Associates*

April 24, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council  
of the City of Napa, California

***Compliance***

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 SA2012-01, SA2012-02, and SA2012-03.

***Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

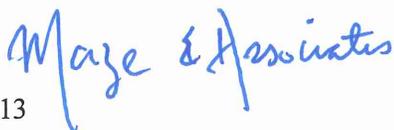
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items SA2012-02. 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.

#### ***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated April 24, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 other 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



April 24, 2013