

**CITY OF SANTA FE SPRINGS**

**Single Audit Report**

**For the Year Ended June 30, 2013**



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**For the Year Ended June 30, 2013**

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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***

The Honorable City Council  
of the City of Santa Fe Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Fe Springs, California (City), as of and for the year ended June 30, 2013, 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 13, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2013-001, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

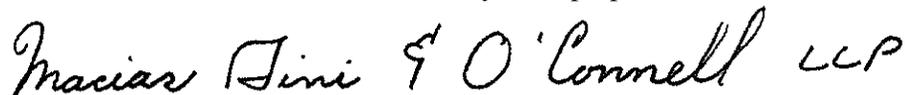
We noted certain matters that we reported to management of the City in a separate letter dated December 13, 2013.

## **The City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

A handwritten signature in cursive script that reads "Macias Jini & O'Connell LLP".

Newport Beach, California

December 13, 2013

**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 OMB Circular A-133**

The Honorable City Council  
of the City of Santa Fe Springs, California

**Report on Compliance for the City’s Major Federal Program**

We have audited the City of Santa Fe Spring, California’s (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended June 30, 2013. The City’s major federal program is 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 the City’s major federal program 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 the 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 its major federal program for the year ended June 30, 2013.

## **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 requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the City as of and for the year ended June 30, 2013, and have issued our report thereon dated December 13, 2013, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Macias Jini & O'Connell LLP*

Newport Beach, California  
March 21, 2014

**CITY OF SANTA FE SPRINGS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	<u>CFDA Number</u>	<u>Program Identification Number</u>	<u>Federal Award Expenditures</u>
U. S. Department of Agriculture:			
Pass-through from the California State			
Department of Education:			
Child and Adult Care Food Program	10.558	19.2155-9C	\$ 72,957
Total U.S. Department of Agriculture			<u>72,957</u>
U. S. Department of Housing and			
Urban Development:			
Pass-through from the County of			
Los Angeles:			
Community Development Block Grants/ Entitlement Grants	14.218	D96602-12	<u>18,542</u>
Total U.S. Department of Housing and Urban Development			<u>18,542</u>
U. S. Department of Transportation:			
Pass-through from the State of California			
Department of Transportation:			
Highway Planning and Constructions	20.205	DEML02-5340(011)	<u>14,163,871</u>
Total U.S. Department of Transportation			<u>14,163,871</u>
U. S. Department of Treasury:			
Pass-through from the City of Whittier:			
Equitable Sharing Program - Asset Forfeiture	21.000	-	<u>13,751</u>
Total U.S. Department of Treasury			<u>13,751</u>

(Continued)

See Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SANTA FE SPRINGS**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	CFDA <u>Number</u>	Program Identification <u>Number</u>	Federal Award <u>Expenditures</u>
U. S. Department of Health and Human Services:			
Pass-through from the State of California			
Department of Education:			
Child Care and Development Block Grant	93.575	CSPP-1173	28,353
Child Care and Development Block Grant	93.575	CFCC-1009	30,312
Child Care and Development Block Grant	93.575	CSPP-2168	22,689
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CSPP-1173	51,505
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CFCC-1009	55,064
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CSPP-2168	<u>41,241</u>
Total Child Care and Development Fund Cluster			<u>229,164</u>
Total U.S. Department of Health and Human Services			<u>229,164</u>
U.S. Department of Homeland Security:			
Pass-through from the County of Los Angeles			
Office of Emergency Management:			
Homeland Security Grant Program	97.067	2008-2009	369,526
Homeland Security Grant Program	97.067	2009-2010	142,987
Homeland Security Grant Program	97.067	2011-2012	7,500
Homeland Security Grant Program	97.067	C-112251	<u>47,856</u>
Total U.S. Department of Homeland Security			<u>567,869</u>
Total Federal Expenditures			<u><u>\$ 15,066,154</u></u>

See Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF SANTA FE SPRINGS**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

Monies received under the various grant programs have been recorded within the general, special revenue, capital projects and agency funds of the City of Santa Fe Springs (City). The City utilizes the accrual basis of accounting for the agency funds, and the modified accrual basis of accounting for the remaining aforementioned funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule Presentation

The Schedule is prepared from the accounts of the various grant programs and, therefore, does not present the financial position or results of operations of the City of Santa Fe Springs.

Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree, or can be reconciled, with amounts reported in the related federal financial assistance reports.

Relationship to Basic Financial Statements

Federal award expenditures agree or can be reconciled with amounts reported in the City's basic financial statements.

**(2) PAYMENT TO SUBRECIPIENTS**

Included in the Schedule are the following amount passed through to subrecipients:

<u>Program title</u>	<u>CFDA number</u>	<u>Amount Provided to Subrecipients</u>
Child Care and Development Block Grant	93.575	\$ 30,312
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	<u>55,064</u>
Total		<u><u>\$ 85,376</u></u>

These subrecipient expenditures relate to fiscal year 2012. See Note 3.

**(3) PRIOR YEAR PROGRAM EXPENDITURES**

The Schedule includes prior year Child Care and Development Fund Cluster expenditures of \$165,234, that were not previously reported in the June 30, 2012 Schedule.

**CITY OF SANTA FE SPRINGS**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Section I - Summary of Auditor's Results**

***A. Financial Statements:***

- |   |                       |
|---|-----------------------|
| 1. Type of auditor's report issued:   | Unmodified            |
| 2. Internal control over financial reporting:                                       |                       |
| a. Material weakness(es) identified?  | No                    |
| b. Significant deficiency(ies) identified not considered to be material weaknesses? | Yes – Finding 2013-01 |
| 3. Noncompliance material to financial statements noted?                            | No                    |

***B. Federal Awards:***

- |  |   |
|--|---|
| 1. Internal control over major programs:   |   |
| a. Material weakness(es) identified?   | No  |
| b. Significant deficiency(ies) identified not considered to be material weakness?                                | None reported                             |
| 2. Type of auditor's report issued on compliance for major programs:   | Unmodified                                |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510? | No  |
| 4. Identification of major program:  |   |
| <u>CFDA Number(s)</u>  | <u>Name of Federal Program or Cluster</u> |
| 20.205   | Highway Planning and Construction         |
| 5. Dollar threshold used to distinguish between Type A and Type B programs:                                      | \$451,985                                 |
| 6. Auditee qualified as a low-risk auditee?  | Yes                                       |

**CITY OF SANTA FE SPRINGS**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2013**

**Section II - Financial Statement Findings**

**Funding 2013-001: Completeness of Schedule of Expenditures of Federal Awards**  
(Significant Deficiency)

***Criteria or Specific Requirement***

In accordance with OMB A-133; §\_\_.310(b) *Schedule of Expenditures of Federal Awards*, the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. Further, under §\_\_.205 *Basis for determining Federal awards expended*, the determination of when an award is expended should be based on when the activity related to the award occurs.

***Condition***

During our audit, we noted that the City of Santa Fe Springs (City) did not include certain prior year expenditures related to the Child Care and Development Fund Cluster in the prior year Schedule of Expenditures of Federal Awards (Schedule), which included amounts passed-through to subrecipients .

***Cause***

The federal expenditure of the Child Care and Development Fund Cluster was not reported to the Schedule due to a clerical error.

***Effect***

The expenditures reported in the fiscal year 2012 Schedule were understated by \$165,234, of which \$85,376 was passed through to subrecipients.

***Questioned Costs***

None.

***Recommendation***

We recommend that the City identify all funds that pertain to federal grant expenditures when preparing the Schedule to ensure the integrity and completeness of the Schedule.

***Views of Responsible Officials***

The City included the federal expenditure amounts in the separately required Child Care Program compliance and financial audit performed for the California Department of Education. Due to a clerical error, the federal expenditure portion of the program was not transferred to the Schedule. The Child Care and Development Fund awards were subjected to the City's internal controls for administering federal and state grant funds and no findings related to the program were noted as a result of the Child Care Program audit for fiscal year 2012. The City will ensure that future Schedule include all federal programs

**CITY OF SANTA FE SPRINGS**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2013**

**Section III - Federal Award Findings and Questioned Costs**

None reported.

**CITY OF SANTA FE SPRINGS**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2013**

There were no prior year findings.