

**CITY OF SANTA FE SPRINGS, CALIFORNIA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2014**

CITY OF SANTA FE SPRINGS, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2014

**CITY OF SANTA FE SPRINGS**

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INDEPENDENT AUDITORS' 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 Mayor and Members of the City Council  
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, (the City) as of and for the year ended June 30, 2014, 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 30, 2014.

#### **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 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 consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-001 to be significant deficiency.

#### **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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Mayor and Members of the City Council  
City of Santa Fe Springs, California

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

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and 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 results 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.

*Lance, Solt & Lingham, LLP*

Brea, California  
December 30, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council  
City of Santa Fe Springs, California

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

We have audited the City of Santa Fe Springs' (the 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 each of the City of Santa Fe Springs' major federal programs for the year ended June 30, 2014. 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 of Santa Fe Springs 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, 2014.

**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 item 2014-002. Our opinion on each major federal program is not modified with respect to these matters.



To the Honorable Mayor and Members of the City Council  
City of Santa Fe Springs, California

The City's response to the noncompliance findings 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 compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. However, we identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002 that we consider to be significant deficiency

The City's response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Santa Fe Springs, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying



To the Honorable Mayor and Members of the City Council  
City of Santa Fe Springs, California

schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

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.

*Lance, Soll & Lughard, LLP*

Brea, California  
December 30, 2014

CITY OF SANTA FE SPRINGS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program / Project Identification Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the State of California			
Department of Education			
Child Care and Adult Care Food Program	10.558	19.2155-9C	\$ 83,276
<b>Total U.S. Department of Agriculture</b>			<b>83,276</b>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the County of Los Angeles			
Community Development Block Grant	14.218	D96602-13	16,522
<b>Total U.S. Department of Housing and Urban Development</b>			<b>16,522</b>
<u>U.S. Department of Justice</u>			
Direct Program:			
Bureau of Justice Assistance:			
Bullet Proof Vest Program	16.607		749
<b>Total U.S. Department of Justice</b>			<b>749</b>
<u>U.S. Department of Transportation</u>			
Passed through the State of California			
Department of transportation			
Highway Planning and Construction*	20.205	DEML02-5340	519,026
<b>Total U.S. Department of Transportation</b>			<b>519,026</b>
<u>U.S. Department of Health and Human Services</u>			
Passed through the State of California			
Department of Education			
Child Care & Development Block Grant	93.575	CSPP-3160	24,257
Child Care Mandatory & Matching Funds	93.596	CSPP-3160	44,050
<b>Total U.S. Department of Homeland Security</b>			<b>68,307</b>
<u>U.S. Department of Homeland Security</u>			
Direct Program:			
Assistance to Firefighters Grant	97.044	2012	39,824
Passed through the County of Los Angeles:			
Office of Emergency Management			
Homeland Security Grant Program	97.067	2010-2011	205,052
Homeland Security Grant Program	97.067	2011-2012	253,228
Homeland Security Grant Program	97.067	2012-2013	89,950
<b>Total U.S. Department of Homeland Security</b>			<b>588,054</b>
<b>Total Federal Expenditures</b>			<b>\$ 1,275,934</b>

\* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

**CITY OF SANTA FE SPRINGS**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

**a. Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by the City of Santa Fe Springs, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

**b. Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

**CITY OF SANTA FE SPRINGS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?  yes  no
- Material weaknesses identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?  yes  no
- Material weaknesses identified?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee?  yes  no

**CITY OF SANTA FE SPRINGS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding 2014-001**

Loans Receivable:

During our audit, we noted that there were loans receivable pertaining to the Low and Moderate Income Housing Assets Fund in the amount of \$807,000. These loans were not accrued. We recommend that the City identify all loans and record the loans receivable.

Management's Response:

The City concurs with the audit finding and recommendation. The entry to loans receivable has been made.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2014-002**

Significant Deficiency:

Reporting

Federal Program:

Federal Agency: U.S. Department of Transportation  
CFDA number: 20.205  
Title: Highway Planning and Construction  
Grant number: DEMLO2-5340

Criteria or specified requirement:

The *March 2014 Office of Budget and Management (OMB) Circular A-133 Compliance Supplement* requires quarterly progress reports to be submitted within 10 days following the end of the quarter being reported.

Condition:

During our examination of the quarterly progress reports, we noted that the second quarter reported covering the period of November 5, 2013 to February 5, 2014, was not submitted until the subsequent quarterly report was completed and submitted in May, 2014.

Questioned Costs:

None

Context:

The condition was identified through the testing of the Reporting requirements of the program.

Effect:

The City is not in compliance with the A-133 requirements with respect to Reporting. The City increases its risk of noncompliance with laws, regulations and provisions related to federal funds used for Highway Planning and Construction.

Recommendation:

We recommend that the City reinforce its internal control procedures to ensure that required quarterly progress reports are submitted timely.

**CITY OF SANTA FE SPRINGS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**

Management's Response:

Management concurs with the finding. While the second quarter progress report was not timely filed, it was eventually submitted along with the subsequent quarter reported. The City is currently unaware of any federal penalty for the late filing of the report. No correspondence has been received from the Department of Transportation regarding this matter. Going forward, the City will reinforce its internal control procedures to ensure that the quarterly progress reports are submitted in a timely manner.

**CITY OF SANTA FE SPRINGS**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**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.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.