

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

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

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**CITY OF SAN PABLO**

**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?  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: Unmodified

Internal control over major programs:

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

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

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
16.710	ARRA – Department of Justice - Public Safety Partnership and Community Policing Grant
20.205	Department of Transportation - Highway Planning and Construction Grants

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

Auditee qualified as low-risk auditee?   Yes  X  No

## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did disclose significant deficiencies and material weaknesses, but no instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 18, 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 did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

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

Prepared by Management

### **Finding: 2012-01**

### **Vendor Required Subcontract Vendor Flow-Down Provisions**

**CFDA Number:** 81.128  
**CFDA Title:** ARRA – Energy Efficiency and Conservation Block Grant  
**Name of Federal Agency:** Department of Energy  
**Name of Pass-through Entity:** California Energy Commission

**Criteria:** Section 10 of the General Terms and Conditions (Contracting and Procurement Procedures) to the City’s ARRA-funded grant agreement from the California Energy Commission requires that vendor subcontracts include the provisions of Section 25 listed in Exhibit C Attachment C-7, “Vendor Flow-Down Provisions (Federal).”

**Condition:** During our testing of the City’s vendor subcontracts with Contra Costa Community College and Republic ITS we noted that the contracts were missing eleven of the thirty-one the Provisions.

**Effect:** City is not in compliance with the requirements of the grant agreement that hold the subcontractor responsible for compliance with certain provisions of the grant agreement. Without these provisions, the subcontractor might not follow the terms of the grant agreement.

**Cause:** City staff did not include the required flow down provisions in two of its subcontracts.

**Recommendation:** The City should develop procedures to ensure that all grant provisions are followed and vendor subcontracts comply with the requirements set forth by the grant agreement.

**Current status prepared by management:** The City did not amend the above vendor contracts, because the project has been completed and the grant is now closed. However, the City has revised its template for vendor subcontracts to include a section for “Federal Law Compliance” that will be customized to include the specific requirements of future federal grants.

**CITY OF SAN PABLO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2013**

<b>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant or Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
Environment Protection Agency <b>Direct</b> Program ARRA - Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00t27501-0	\$73,910
Environment Protection Agency <b>Pass-Through</b> Program From: City of El Cerrito Climate Showcase Communities Grant Program	66.041	AF-83452201	34,123
Total Environment Protection Agency			<u>108,033</u>
Department of Housing and Urban Development <b>Pass-Through</b> Programs From: Contra Costa County Community Development Block Grants/Entitlement Grants Infrastructure/Public Facilities Project	14.218	12-42-IPF	50,000
Department of Justice <b>Direct</b> Programs Bureau of Justice Assistance Edward Byrne Memorial Justice Assistance Grant Program	16.738		21,758
Public Safety Partnership and Community Policing Grants ARRA - COPS Hiring Recovery Program	16.710	2009RKWX0095	328,397
Secure Our Schools	16.710	2010CKWX0630	8,697
Program subtotal			<u>337,094</u>
Total Department of Justice			<u>358,852</u>
Department of Transportation <b>Pass-Through</b> Programs From: Highway Safety Cluster State of California Office of Traffic Safety State and Community Highway Safety	20.600	PT1399	8,015
Contra Costa County Alcohol Impaired Driving Countermeasures Incentives Grants I Avoid the 25 DUI	20.601	AL0925	5,004
Total Highway Safety Cluster			<u>13,019</u>
State of California Office of Traffic Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1399	17,529
University of California, Berkeley Sobriety Checkpoint Program	20.608	SC12380	21,004
Program subtotal			<u>38,533</u>
State of California Department of Transportation Highway Planning and Construction Grants Rumrill Bridge Replacement	20.205	BRLS-5303(003)	181,698
Total Department of Transportation			<u>233,250</u>
Total Expenditures of Federal Awards			<u><u>\$750,135</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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**CITY OF SAN PABLO**

**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 San Pablo, California and its component units as disclosed in the notes to the Basic Financial Statements.

**NOTE 2-BASIS OF ACCOUNTING**

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

**NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS**

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

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**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the City Council  
City of San Pablo, 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 San Pablo 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 November 18, 2013. Our report included emphasis of a matter paragraphs disclosing the implementation of new accounting principle and advances from the Successor Agency to the former Redevelopment Agency.

***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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, we identified certain deficiencies that we consider to be material weaknesses and 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control, we consider to be material weaknesses as listed on the Status of Prior Year Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated November 18, 2013 which is an integral part of our audits and should be read in conjunction with this report.

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 identified certain deficiencies in internal control, we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies and Status of Prior Year Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated November 18, 2013, 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated November 18, 2013 which is an integral part of our audits and should be read in conjunction with this report. 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.



Pleasant Hill, California  
November 18, 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 BY OMB CIRCULAR A-133**

To the Honorable Members of the City Council  
City of San Pablo, California

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

We have audited City of San Pablo'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.

## ***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 November 18, 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 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.

*Mane & Associates*

Pleasant Hill, California  
March 4, 2014