

CITY OF SAN BUENAVENTURA, CALIFORNIA

**SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS**

JUNE 30, 2017

CITY OF SAN BUENAVENTURA

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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 City Council
of the City of San Buenaventura
San Buenaventura, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 San Buenaventura, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 18, 2018.

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.

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; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding Numbers 2017-001 and 2017-002, to be material weaknesses.

Internal Control over Financial Reporting (Continued)

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 consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding Number 2017-003 to be a 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding Number 2017-004.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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.

White Nelson Dick Evans LLP

Irvine, California
January 18, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Mayor
and Members of City Council
of the City of San Buenaventura
San Buenaventura, California

Report on Compliance for Each Major Federal Program

We have audited the City of San Buenaventura's (the City) compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) 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, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 18, 2018, which contained unmodified opinions 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
(Continued)**

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.

White Nelson Dick Evans LLP

Irvine, California

March 29, 2018, except for the schedule of expenditures of federal awards to which the date is
January 18, 2018

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF SAN BUENAVENTURA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursements to Subrecipient
<u>United States Department of Agriculture</u>				
Passed through State of California:				
Child and Adult Care Food Program	10.558	2571-00	\$ 39,817	\$ -
<u>United States Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grants	14.218	B-14-MC-06-0536	73,662	4,178
		B-15-MC-06-0536	704,798	239,271
		B-16-MC-06-0536	167,178	9,028
		Program Income	142,037	48,417
Total Community Development Block Grants			<u>1,087,675</u>	<u>300,894</u>
HOME Investment Partnerships Program	14.239	M-13-MC-06-0564	1,624	-
		M-15-MC-06-0564	21,755	-
		M-16-MC-06-0564	22,283	-
		Program Income	7,395	-
Total HOME Investment Partnerships Program			<u>53,057</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>1,140,732</u>	<u>300,894</u>
<u>United States Department of the Interior</u>				
Direct Assistance from Bureau of Reclamation:				
Water SMART (Sustaining and Manage America's Resources for Tomorrow)	15.507	R15AP00095	77,164	-
		R15AP00097	126,295	-
Total United States Department of the Interior			<u>203,459</u>	<u>-</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF SAN BUENAVENTURA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursement to Subrecipient
<u>United States Department of Transportation</u>				
Passed through California Department of Transportation:				
Highway Planning and Construction	20.205	RPSTPLE-5026(048)	\$ 189,764	\$ -
		STPL-5026(051)	4,893	-
		SRTSL-5026(052)	28,726	-
		CML-5026(054)	3,938	-
		BRLO-5026(056)	2,237	-
Total Highway Planning and Construction			<u>229,558</u>	<u>-</u>
Passed through the State of California Office of Traffic Safety:				
State and Community Highway Safety	20.600	PT1690	8,369	-
		PT17137	23,868	-
Total State and Community Highway Safety			<u>32,237</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1690	26,048	-
		PT17137	26,475	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>52,523</u>	<u>-</u>
Total Passed through the State of California Office of Traffic Safety			<u>84,760</u>	<u>-</u>
Total United States Department of Transportation			<u>314,318</u>	<u>-</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

CITY OF SAN BUENAVENTURA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursement to Subrecipient
<u>United States Department of Health and Human Services</u>				
Passed through the County of Ventura:				
Special Programs for the Aging Title III, Part C Nutrition Services:	93.045	3500FY17-10	\$ 60,669	\$ -
Total United States Department of Health and Human Services			<u>60,669</u>	<u>-</u>
<u>United States Department of Homeland Security</u>				
Passed through California Office of Emergency Services:				
Reimbursement for Firefighting on Federal Property	97.016	CA-VEN	75,931	-
Passed through the Ventura County Sheriff's Office of Emergency Services:				
Emergency Management Performance Grants	97.042	2016-0010-111-0000	29,527	-
Direct Assistance:				
2015 Assistance to Firefighters Grant	97.044	EMW-2015-FR-00129	107,714	-
Passed through the Ventura County Fire Protection District:				
2015 Assistance to Firefighters Grant	97.044	EMW-2015-FR-00116	20,577	-
Passed through the State of California Department of Parks and Recreation:				
Boating Safety Financial Assistance	97.012	C8956326	<u>16,961</u>	<u>-</u>
Total United States Department of Homeland Security			<u>250,710</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,009,705</u>	<u>\$ 300,894</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF SAN BUENAVENTURA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

1. GENERAL:

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of San Buenaventura (the City). The City's reporting entity is defined in Note 1 of the notes to the City's basic financial statements. All financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies to the City, is included in the accompanying Schedule. The information in the Schedule is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the basic financial statements of the City.

2. BASIS OF ACCOUNTING:

The accompanying Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in the Note 1 of the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE:

The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule agree to amounts reported within the City's Comprehensive Annual Financial Report.

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule agree with amounts reported in federal financial reports.

6. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

CITY OF SAN BUENAVENTURA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2017

7. SUBRECIPIENT:

During the fiscal year ended June 30, 2017, the City disbursed federal funds to the following subrecipients under the Community Development Block Grants program (CFDA #14.218):

	<u>Amount Disbursed</u>
Economic Development Collaborative EDC-VC	\$ 27,500
Habitat for Humanity	7,646
Housing Authority of Ventura	26,678
Housing Rights Center	10,000
Downtown Ventura Organization	30,000
Ventura County Library	70,000
Westside Community Development Corp.	78,070
Ventura County Area Agency on Aging	1,000
Women's Economic Ventures	<u>50,000</u>
	<u>\$ 300,894</u>

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2017

1. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

Material weaknesses identified? X yes ___ no
Finding Numbers 2017-001 through 2017-002

Significant deficiencies identified? X yes ___ none reported
Finding Number 2017-003

Noncompliance material to financial statements noted: X yes ___ no
Finding Number 2017-004

Federal Awards

Internal control over major programs:

Material weaknesses identified? ___ yes X no

Significant deficiencies identified? ___ yes X none reported

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

- Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ___ yes X no

Identification of major programs:

CFDA Number
14.218

Name of Federal Program or Cluster
United States Department of Housing and Urban
Development, Community Development Block Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes ___ no

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

2. FINDINGS - FINANCIAL STATEMENT AUDIT:

Finding Number 2017-001 - Material Weakness - Bank Reconciliation Process

Condition

We noted that the monthly bank reconciliation process has still not been completed and reviewed in a timely manner. This finding is being repeated from the prior year (Finding Number 2016-002).

Criteria

An important element of internal control over cash is the completion of the bank reconciliations to allow City staff to identify any differences between the bank balances and general ledger balances and resolve such differences in a timely manner.

Cause

Lack of Treasury staff to complete the monthly process; accounting staff completed the reconciliation processes as their regular duties allowed.

Effect

Financial reporting could be materially misstated and potential misappropriations of cash are more at-risk of not being recoverable.

Recommendation

We recommend that the monthly bank reconciliation process be completed and reviewed in a timelier manner.

View of Responsible Officials and Planned Corrective Action

Treasury Division was approved for an accountant position recently. This accountant will complete all accounting tasks in Treasury, including bank reconciliations. Although there are still financial system issues that cannot be addressed until a new financial system is implemented, this new accounting position will be concentrating on the bank reconciliation process.

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

2. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED):

Finding Number 2017-002 - Material Weakness - Year-End Close Process

Condition

During the past several years, there have been numerous postclose journal entries provided to us after the receipt of the initial trial balance. The resulting changes in the account balances caused delays in the preparation and completion of the audit working papers, as well as the financial statements themselves. This finding is being repeated from the prior year (Finding Number 2016-003).

Criteria

An important element in producing timely and accurate audited financial statements is a planned and organized closing process.

Cause

New accounting staff and change in staff's responsibilities added additional time to the year-end process.

Effect

There were delays in the completion of the audit and the preparation of the City's financial statements.

Recommendation

We recommend that a detailed year-end closing procedures checklist be developed that indicates, in detail, the person responsible for each closing procedure, when each closing procedure is expected to be completed, when each closing procedure has actually been completed, and when each related supporting audit schedule has been reviewed and agreed to the general ledger balance(s) that it supports by an appropriate person.

View of Responsible Officials and Planned Corrective Action

The Accounting Manager and staff have developed and documented individual accountability, monthly JE checklists, and monthly account reconciliation requirements. By having monthly analyses and quarterly reviews, staff will find and correct problems earlier and smooth out the year-end process. Finally, there will be a list of all year-end entries to be reviewed prior to submitting the trial balances to the auditors.

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

2. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED):

Finding Number 2017-003 - Significant Deficiency - Deposits Payable

Condition

During our review of deposits payable, it was noted that there were stale dated balances within these accounts (relating to developer deposits and refundable water projects) that have not been analyzed in the current year to determine if the deposits should be refunded to customers.

Criteria

Deposits payable should be analyzed on a regular basis to determine if the deposits should be refunded to customers.

Cause

Deposits payables have not been reviewed over a long period of time. Accounting Manager is working with responsible departments to address this issue. Progress has been made and newer deposits are being reviewed. Review of old deposits will be a long term process.

Effect

Deposits payable account balances could be misstated.

Recommendation

We recommend that the City develops and implements a policy to review deposit accounts to determine the accuracy of items within the accounts. We recommend that this policy be incorporated into the year-end closing procedures checklist noted above (Material Weakness - Year-End Close Process).

View of Responsible Officials and Planned Corrective Action

Accounting Manager has met with departmental staff to review processes and update as necessary in order to ensure deposits are accounted for correctly. This new process was implemented this past year, and new deposits are accounted for correctly. Tracking and documentation of new deposits is occurring. Departmental staff will continue to review older deposits and process refunds or assign as revenue as appropriate.

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

2. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED):

Finding Number 2017-004 - Noncompliance - Senate Bill 341

Condition

The City submitted the Annual Progress Report (APR) for the fiscal year ended June 30, 2016, on October 6, 2017, which was after the due date of April 1, 2017.

Criteria

Senate Bill 341 requires all successor housing entities to comply with annual report requirements. One requirement is for the City to report housing financial and activity information by including specified information with the APR required to be annually submitted to the Department of Housing and Community Development (HCD) by April 1 of the subsequent year pursuant to the State of California housing law in reporting progress in implementing the housing element.

Cause

The April deadline was missed due to multiple deadlines.

Effect

The City is not in compliance with state reporting regulations.

Recommendation

We recommend that the City implements policies and procedures to ensure timely reporting of the APR to HCD.

View of Responsible Officials and Planned Corrective Action

Procedures have already been implemented to ensure it does not happen again. Fiscal year 2016/17 has already been completed and submitted to HCD on January 2, 2018.

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT:

None noted.

CITY OF SAN BUENAVENTURA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2017

Findings Relating to Financial Statement

Finding Number 2016-001 - Significant Deficiency - Construction in Progress

Condition

The City had capitalized several expenditures in the governmental activities construction in progress account in the prior year, which management deleted during the current year as a result of those expenditures not meeting the City's capitalization policy.

Recommendation

We recommend that the City evaluates and modifies, as necessary, the existing year-end procedures in place to ensure that governmental activity capital project costs are properly analyzed for potential capitalization and inclusion in the construction-in-progress account.

Current Status

This finding has been corrected.

Finding Number 2016-002 - Significant Deficiency - Bank Reconciliations

Condition

We noted several instances in which the monthly bank reconciliation process was not completed and reviewed in a timely manner. This finding is being repeated from the prior year (Finding Number 2015-002).

Recommendation

We recommend that the monthly bank reconciliation process be completed and reviewed in a more timely manner.

Current Status

This finding has not been corrected and is repeated as Finding Number 2017-001.

CITY OF SAN BUENAVENTURA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(CONTINUED)

For the year ended June 30, 2017

Findings Relating to Financial Statement (Continued)

Finding Number 2016-003 - Significant Deficiency - Year-End Close Process

Condition

For the current-year audit, there were numerous post-close journal entries provided to us after the receipt of the initial trial balance. The resulting changes in the numbers caused delays in the preparation and completion of the audit working papers.

Recommendation

In order to provide for a year-end closing process that will produce accurate financial data, in a more timely manner, we recommend that a detailed year-end closing procedures checklist be developed that shows the person responsible for each closing procedure, when each closing procedure is expected to be completed, and when each closing procedure has actually been completed and reviewed by an appropriate person.

Current Status

This finding has not been corrected and is repeated as Finding Number 2017-002.

Findings and Questioned Costs Relating to Major Federal Awards

Finding Number 2016-004

Major Program

United States Department of Housing and Urban Development, Direct Assistance, Community Development Block Grant (CDBG) Program (CFDA 14.218), Grant Identification Number: B-14-MC-06-0536

Condition

The City used a small local business credit in awarding the Ventura Avenue Sidewalks Improvements - DeAnza to Shoshone Project, which was partially funded with CDBG funds.

Recommendation

We recommend that the City implements procedures to ensure that the City's small local business credit is not applied to federally funded procurements.

Current Status

This finding has been corrected.