

**CITY OF SAN BUENAVENTURA, CALIFORNIA**

**SINGLE AUDIT OF FEDERALLY ASSISTED  
GRANT PROGRAMS**

**JUNE 30, 2016**

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, 2016, 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 30, 2017.

**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 City'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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding Numbers 2016-001 through 2016-003 that we consider to be significant deficiencies.

## **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 30, 2017

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

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, 2016. 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 U.S. *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, 2016.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-004. Our opinion on each major federal program is not modified with respect to this matter.

The City of San Buenaventura's response to the noncompliance 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 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 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 of San Buenaventura, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 30, 2017, 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.

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 Nick Evans LLP*

Irvine, California

March 27, 2017, except for the Schedule of Expenditures of Federal Awards to which the date is January 30, 2017

**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, 2016

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	\$ 29,587	\$ -
<u>United States Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grants	14.218	B-13-MC-06-0536	8,395	-
		B-14-MC-06-0536	665,636	326,099
		Program Income	195,689	-
Total Community Development Block Grants			<u>869,720</u>	<u>326,099</u>
HOME Investment Partnerships Program	14.239	M-12-MC-06-0564	201,066	-
		M-13-MC-06-0564	108,349	-
		M-14-MC-06-0564	19,416	-
		M-15-MC-06-0564	5,424	-
		Program Income	110,728	-
Total HOME Investment Partnerships Program			<u>444,983</u>	<u>-</u>
Total United States Department of Housing and Urban Development			<u>1,314,703</u>	<u>326,099</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	111,619	-
		R15AP00097	278	-
Total United States Department of the Interior			<u>111,897</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, 2016

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 Justice</u>				
Passed through City of Oxnard:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-1010	\$ 24,932	\$ -
		2014-DJ-BX-0862	4,477	-
		2015-DJ-BX-0764	21,019	-
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>50,428</u>	<u>-</u>
Direct Assistance:				
Federal Equity Sharing Program	16.922	CA0560800	9,443	-
Total United States Department of Justice			<u>59,871</u>	<u>-</u>
<u>United States Department of Transportation</u>				
Passed through California Department of Transportation:				
Highway Planning and Construction	20.205	RPSTPLE-5026(048)	670,809	-
		STPL-5026(051)	33,163	-
		SRTSL-5026(052)	34,757	-
		CML-5026(054)	20,233	-
Total Highway Planning and Construction			<u>758,962</u>	<u>-</u>
Passed through the State of California Office of Traffic Safety:				
State and Community Highway Safety	20.600	PT1542	7,361	-
		PT1690	22,896	-
Total State and Community Highway Safety			<u>30,257</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1542	18,696	-
		PT1690	32,846	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>51,542</u>	<u>-</u>
Total passed through the State of California Office of Traffic Safety			<u>81,799</u>	<u>-</u>
Total United States Department of Transportation			<u>840,761</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, 2016

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	3C-012-071212	\$ 58,568	\$ -
		Program Income	16,014	-
Total Special Programs for the Aging Title III Part C Nutrition Services			74,582	-
Passed through the California Department of Alcohol and Drug Programs:				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	SPF-SIG 13-15 15-92171	50,741	-
			62,889	-
Total Substance Abuse and Mental Health Services- Projects of Regional and National Significance			113,630	-
Total United States Department of Health and Human Services			188,212	-
<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	347,981	-
Passed through the Ventura County Sheriff's Office of Emergency Services:				
Emergency Management Performance Grants	97.042	2015-00049	11,912	-
Passed through the City of Oxnard:				
Homeland Security Grant Program	97.067	2014-00093	22,552	-
Passed through the Ventura County Sheriff's Office of Emergency Services:				
Homeland Security Grant Program	97.067	2014-00093	3,227	-
		2015-0078	44,806	-
Total Homeland Security Grant Program			70,585	-

(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, 2016

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 Homeland Security (continued)</u>				
Passed through the State of California Department of Parks and Recreation:				
Boating Safety Financial Assistance	97.012	C8956326	\$ 43,473	\$ -
Direct Assistance:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00444	758,437	-
Total United States Department of Homeland Security			1,232,388	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,777,419	\$ 326,099

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, 2016

1. GENERAL:

The accompanying Schedule of Expenditures of Federal Awards 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 this Schedule is presented in accordance with the requirements of Title 2 U.S. *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 of Expenditures of Federal Awards 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 notes to the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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 of Expenditures of Federal Awards agree to amounts reported within the City's Comprehensive Annual Financial Report.

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards 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, 2016

7. SUBRECIPIENT:

During the fiscal year ended June 30, 2016, 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	\$ 34,979
Habitat for Humanity	30,000
Housing Authority of Ventura	18,322
Housing Rights Center	10,000
Downtown Ventura Organization	43,798
Ventura County Library	84,000
Westside Community Development Corp.	55,000
Women's Economic Ventures	<u>50,000</u>
	<u>\$ 326,099</u>

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2016

1. SUMMARY OF AUDITORS' RESULTS:

*Financial Statements*

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

Material weaknesses identified?                    \_\_\_ yes        X no

Significant deficiencies identified?            X yes        \_\_\_ none reported  
Finding Numbers: 2016-001 through 2016-003

Noncompliance material to financial statements noted: \_\_\_ yes        X no

*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)? X yes        \_\_\_ no  
Finding Number 2016-004

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	United States Department of Housing and Urban Development, Community Development Block Grants
20.205	United States Department of Transportation, Highway Planning and Construction

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, 2016

2. FINDINGS - FINANCIAL STATEMENT AUDIT:

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

Criteria

Capital project costs should be analyzed to determine what amounts meet the City's capitalization policy prior to inclusion in the construction in progress account. Only those costs that will be eligible for capitalization and future depreciation should be added to 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.

Effect

Construction in progress was overstated.

Recommendation

We recommend that the City evaluate and modify, 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.

View of Responsible Officials and Planned Corrective Action

Management agrees with the auditor's assessment and recommendation. Staff will review capital improvement projects with the appropriate department to ensure all costs in the Construction in Progress account are verified as asset costs that should be capitalized and depreciated or if they are operational expenditures based on the City's capitalization policy.

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2016

2. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED):

**Finding Number 2016-002 - Significant Deficiency - Bank Reconciliations**

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.

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.

View of Responsible Officials and Planned Corrective Action

Management agrees with the auditor's assessment and recommendation. Staff has continues to make progress to implement process improvements; however, there are a number of ongoing challenges. The City's financial system, receives cash transaction data from a number of major external revenue/income applications throughout the City. The integrations with these systems are poor, which makes the bank and cash reconciliation process very labor intensive.

The City has cash management internal controls in place, in addition to monthly bank reconciliations, that are designed to prevent and detect unauthorized activity or accounting errors. Although the reconciliation does occur, and there are other internal controls in place, the delay in the reconciliation process means that it could take longer to detect unauthorized or erroneous transactions. The long term fix for this issue is to implement an Enterprise Resource Platform (ERP) that has seamless, automated integration with the applications that departments use to accept cash. Presently, there is one Accounting Technician in Treasury who is assigned to all banking functions. There is no staffing capacity within Treasury to complete the monthly bank reconciliation. Consequently, the general ledger accounting team completes the bank reconciliation as time permits.

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2016

2. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED):

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

Criteria

An important element in producing accurate financial data is the implementation of a timely and accurate year-end closing 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.

View of Responsible Officials and Planned Corrective Action

Management agrees with the auditor's assessment and recommendation. Staff currently has a closing procedure check list; however, staff will upgrade it to be more detailed, which in turn will ensure a timely year-end adjustments, reconciliations, year-end revenue accruals, etc. In addition, the City's new staff accountants will have more City experience and knowledge, which will contribute to timely closing and completion of the financial statements.

CITY OF SAN BUENAVENTURA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2016

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

**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

Criteria

Administratively-imposed local geographical preferences in the evaluation of bids or proposals are not to be applied to federally-funded procurements (2 CFR section 215.43)

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.

Cause

The cause was due to an oversight in the bidding process for this project.

Effect

The lowest responsible bidder, whose bid was \$5,580 lower, was not awarded the contract.

Questioned Costs

There were no questioned costs.

Recommendation

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

View of Responsible Officials and Planned Corrective Action

As a result of monitoring of CDBG activities, the City's CDBG staff had created a CDBG Construction Checklist that will become part of the CDBG Memorandum of Understanding with Internal City Departments for any project where CDBG funds are involved beginning with the 2017-2018 program year. This Checklist has a line item that indicates “\*No Local Preference Added to Bid Package – per Federal Requirements” as a reminder.

CITY OF SAN BUENAVENTURA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2016

**Findings Relating to Financial Statement:**

**Finding Number 2015-001 - Significant Deficiency - Capital Assets**

Condition

The City's CIP included several projects that had been completed and placed in service. However, these assets were not transferred out of CIP to their appropriate assets classes and depreciation had not commenced. In addition, the City had not capitalized certain capital expenditures in the prior year.

Recommendation

We recommend that the City evaluate the existing procedures in place and determine what changes are necessary to ensure that completed projects are identified and reclassified to the appropriate fixed asset classes in a timely manner for completed projects. In addition, we recommend that the City evaluate the existing procedures in place and determine what changes are necessary to ensure that expenditures meeting the City's capitalization policy are identified and recorded as fixed assets in a timely manner.

Current Status

This finding has been corrected.

**Finding Number 2015-002 - 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.

Recommendation

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

Current Status

This finding has been repeated in fiscal year 2015-2016 and is reported as finding number 2016-002.

CITY OF SAN BUENAVENTURA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(CONTINUED)

For the year ended June 30, 2016

**Findings Relating to Financial Statement (Continued):**

**Finding Number 2015-003 - Noncompliance - Compliance with Senate Bill 341**

Condition

Senate Bill 341 (SB 341) requires all successor housing entities beginning with the fiscal year ended 2014, to comply with annual report requirements within six months after the end of each fiscal year. The annual report must be posted to the City's website and contain all of the required items as described in Health and Safety Code Section 34176.1 beginning with subsection (f). We noted that the City did not produce the required annual report for fiscal year ended June 30, 2014.

Recommendation

We recommend the City implement policies and procedures to ensure compliance with all required elements for SB 341 in the future.

Current Status

This finding has been corrected.

**Findings and Questioned Costs Relating to Major Federal Awards:**

There were no findings related to federal programs reported for the year ended June 30, 2015.