

CITY OF SACRAMENTO, CALIFORNIA

Single Audit Reports

For the Fiscal Year Ended June 30, 2011

**CITY OF SACRAMENTO, CALIFORNIA
SINGLE AUDIT REPORTS**

For the Fiscal Year Ended June 30, 2011

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CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture			
Passed through State of California Department of Education:			
Child and Adult Care Food Program:			
Snack Program - 2010	10.558	34-2883-1K	\$ 79,952
Snack Program - 2011	10.558	34-2883-1K	500,426
Subtotal Child and Adult Care Food Program			<u>580,378</u>
Summer Food Service Program for Children:			
Year Round Food Program - 2010	10.559	34-83400V	172,864
Year Round Food Program - 2011	10.559	34-83400V	62,328
Subtotal Summer Food Service Program for Children			<u>235,192</u>
Total United States Department of Agriculture			<u>815,570</u>
United States Department of Commerce			
Passed through State of California Emergency Management Agency:			
Public Safety Interoperable Communications Grant Program	11.555	067-64000	2,103,751
Public Safety Interoperable Communications Grant Program	11.555	067-64000	128,944
Total United States Department of Commerce			<u>2,232,695</u>
United States Department of Housing and Urban Development			
Passed through Sacramento Housing and Redevelopment Agency:			
Community Development Block Grants/Entitlement Grants			
City Code Enforcement	14.218	2001-0224-250	51,145
City Code Enforcement	14.218	2001-0224-284	250,000
Chinatown Mall Improvements	14.218	2001-0224-272	23,002
Northeast Line Plan Rezone Implementation	14.218	2001-0224-256	44,714
Ramona Avenue Technology Village Specific Plan - Community Development Department	14.218	2001-0224-259	4,138
Ramona Avenue Technology Village Specific Plan - Department of Utilities	14.218	2001-0224-259	1,764
2010 Prime Time Teen Program	14.218	2001-0224-252	45,218
2011 Prime Time Teen Program	14.218	2001-0224-275	11,615
Infill House Plan Program (SHRA)	14.218	2001-0224-260	27,284
Southside Gardens Artist	14.218	2001-0224-198	9,838
Steve Jones Park Improvement Phase 2	14.218	2001-0224-221	3,487
Earl Warren Park Improvements	14.218	2001-0224-167	30,427
Zapata Park Community Garden Expansion	14.218	2001-0224-215	13,295
Cesar Chavez Plaza Improvements	14.218	2001-0224-241	4,211
Manor Recreation and Swimming Club Acquisition	14.218	2001-0224-246	130,809
Manor Recreation and Swimming Club Master Plan	14.218	2001-0224-246	9,545
Manor Recreation and Swimming Club Site Survey	14.218	2001-0224-246	2,457
Bill Bean Junior Park Safety Improvements	14.218	2001-0224-216	8,618
McClellan Heights/Parker Homes Infrastructure	14.218	2001-0224-233	187,172
Dixieanne "Green" Street Improvements	14.218	2001-0224-208	7,600
Meadowview Fence Replacement	14.218	2001-0224-142	72,239
ADA Street Improvements	14.218	2001-0224-242	320,602
24th Street Landscaping	14.218	2001-0224-209	9,796
Kroy Pathway Improvements	14.218	2001-0224-236	18,283
Main Avenue Sidewalks	14.218	2001-0224-298	80,495
Mayes Jewelers' Clock Restoration	14.218	2001-0224-262	9
Alley Surface Improvements	14.218	2001-0224-251	90,687
I Street and J Street Lighting	14.218	2001-0224-254	29,282
SHRA Capital Improvement Project Scoping	14.218	2001-0224-261	8,318
Alkali Flat Street Lighting	14.218	2001-0224-271	36,758
Mack Road Median Fence Improvements	14.218	2001-0224-277	1,808
Total United States Department of Housing and Urban Development			<u>1,534,616</u>

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of the Interior			
Passed through Sacramento Suburban Water District:			
ARRA - WaterSMART (Sustaining and Manage America's Resources for Tomorrow):			
Water Meter Retrofit Project - Phase XII	15.507	R09AP20R23	608,363
Water Meter Retrofit Project - Phase XIII	15.507	R09AP20R23	255,445
Subtotal ARRA - WaterSMART (Sustaining and Manage America's Resources for Tomorrow)			<u>863,808</u>
Direct Programs:			
Central Valley Project Improvement (CVPI)			
Anadromous Fish Restoration Program (AFRP):			
Lower American River Salmonid Spawning Gravel Work	15.648	N/A	439,030
Lower American River Salmonid Spawning Gravel Work	15.648	N/A	78,131
Subtotal Anadromous Fish Restoration Program (AFRP)			<u>517,161</u>
Total United States Department of the Interior			<u>1,380,969</u>
United States Department of Justice			
Direct Programs:			
Federal Forfeitures	16.Unknown	N/A	327,435
Part E - Developing, Testing and Demonstrating Promising New Programs:			
Attendance Centers - Working Towards a Brighter Future	16.541	N/A	213,872
Office of Juvenile Justice and Delinquency Prevention Safe Community Partnership	16.541	N/A	73,913
Subtotal Part E - Developing, Testing and Demonstrating Promising New Programs			<u>287,785</u>
Office of Justice Programs:			
Bulletproof Vest Partnership Program - 2006	16.607	N/A	50,812
Bulletproof Vest Partnership Program - 2009	16.607	N/A	18,773
Bulletproof Vest Partnership Program - 2010	16.607	N/A	20,229
Subtotal Bulletproof Vest Partnership Program			<u>89,814</u>
Public Safety Partnership and Community Policing Grants:			
ARRA - COPS Hiring Recovery Program	16.710	N/A	2,497,195
COPS Regional Community Policing Institute Integrity/Public Trust Initiative - 2003	16.710	N/A	2,948
COPS Technology Program - 2007	16.710	N/A	246,253
Subtotal Public Safety Partnership and Community Policing Grants			<u>2,746,396</u>
Gang Resistance Education and Training - 2008	16.737	N/A	1,175
Justice Assistance Grant (JAG) Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	31,226
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Government	16.804	N/A	791,608
Subtotal JAG Program Cluster			<u>822,834</u>
Congressional Recommended Awards Program - 2010:			
Sacramento Cold Case Justice	16.753	N/A	53,703
Passed through State of California Emergency Management Agency:			
Project Safe Neighborhoods	16.609	US08017901	126,676
Total United States Department of Justice			<u>4,455,818</u>
United States Department of Labor			
Passed through Sacramento Employment and Training Agency:			
Workforce Investment Act (WIA) Cluster:			
Workforce Investment Act - Youth Activities - 2011	17.259	046301IS (E4)	183,219
ARRA - Workforce Investment Act - Youth Activities - 2010	17.259	046107SYE(2)	21,867
Total United States Department of Labor			<u>205,086</u>

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Transportation			
Highway Planning and Construction Cluster:			
Passed through State of California Department of Transportation (CALTRANS):			
Highway Planning and Construction	20.205	STPLER-5002(066)	2,330,454
Highway Planning and Construction	20.205	STLP-5002(5)	2
Highway Planning and Construction	20.205	STPL-5002(146)	1,044,683
Highway Planning and Construction	20.205	BNPN-5002(114)	1,486
Highway Planning and Construction	20.205	BRLS-5002(123)	937
Highway Planning and Construction	20.205	HSIPL-5002(130)	21,607
Highway Planning and Construction	20.205	STPL-5002(103)	99,631
Highway Planning and Construction	20.205	HP21L-5002(068)	159,723
Highway Planning and Construction	20.205	STPL-5002(097)	99,719
Highway Planning and Construction	20.205	HP21L-5002(090)	46,597
Highway Planning and Construction	20.205	PNRSL-5002(135)	712,972
Highway Planning and Construction	20.205	CML-5002(109)	136,772
Highway Planning and Construction	20.205	BRLS-5002(098)	4,138
Highway Planning and Construction	20.205	DEM05L-5002(112)	1,383,107
Highway Planning and Construction	20.205	CML-5002(117)	1,929,650
Highway Planning and Construction	20.205	CML-5002(047)	208,389
Highway Planning and Construction	20.205	BHLS-5002(111)	794,646
Highway Planning and Construction	20.205	BRLS-5002(115)	78,329
Highway Planning and Construction	20.205	STPLR-7500(067)	7,703
Highway Planning and Construction	20.205	SRTSL-5002(131)	45,678
Highway Planning and Construction	20.205	CML-5002(119)	583,067
Highway Planning and Construction	20.205	HPLUL-5002(128)	179,451
Highway Planning and Construction	20.205	BRLS-5002(134)	14,098
Highway Planning and Construction	20.205	SRTSL-5002(143)	21,676
Highway Planning and Construction	20.205	HSIPL-5002(133)	19,846
Highway Planning and Construction	20.205	HSIPL-5002(145)	11,893
Highway Planning and Construction	20.205	STPL-5002(148)	85,269
Highway Planning and Construction	20.205	HPO2L-5002(089)	814,502
ARRA - Highway Planning and Construction:			
Economic Stimulus Overlay, Phase I	20.205	ESPL-5002(138)	402,963
Economic Stimulus Overlay, Phase II	20.205	ESPL-5002(140)	4,865
Economic Stimulus, Intermodal Facility - RR Track Relocation	20.205	ESPLCM-5002(142)	2,013,919
Passed through State of California Department of Parks and Recreation:			
Recreational Trails Program	20.219	RT-34-015	9,108
Subtotal Highway Planning and Construction Cluster			<u>13,266,880</u>
Passed through Sacramento Regional Transit District:			
Federal Transit - Capital Investment Grants:			
Sacramento Intermodal Transportation Facility Retrofit Project	20.500	CA-04-0013-01	<u>812,353</u>
Passed through State of California Office of Traffic Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	AL0336	205
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	AL0951	50,814
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	AL1048	209,841
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	AL1172	406,990
Subtotal Highway Safety Cluster			<u>667,850</u>
Passed through State of California Office of Traffic Safety:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL0757	44,052
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1173	196,256
Passed through the Regents of the University of California School of Public Health, Berkeley:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC09357	992
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC10357	15,929
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC11357	80,314
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>337,543</u>
Total United States Department of Transportation			<u>15,084,626</u>

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Treasury			
Direct Programs:			
Sacramento Suspicious Activity Report - Review Team Task Force	21.Unknown	N/A	<u>10,345</u>
United States Environmental Protection Agency			
Direct Programs:			
Congressionally Mandated Projects:			
S Street Brick Sewer Replacement, 7th to 14th Streets	66.202	N/A	<u>1,729,500</u>
Passed through State of California Department of Public Health:			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds:			
Water Meter Retrofit Project - Phase I	66.468	AR09FP22	160,507
Water Meter Retrofit Project - Phase IV	66.468	AR09FP22	897,672
Water Meter Retrofit Project - Phase V	66.468	AR09FP22	655,862
Water Meter Retrofit Project - Phase VI	66.468	AR09FP22	301,653
Water Meter Retrofit Project - Phase VII	66.468	AR09FP22	266,332
Water Meter Retrofit Project - Phase VIII	66.468	AR09FP22	76,105
Water Meter Retrofit Project - Phase IX	66.468	AR09FP22	530,989
Water Meter Retrofit Project - Phase X	66.468	AR09FP22	2,307,211
Water Meter Retrofit Project - Phase XI	66.468	AR09FP22	444,192
Water Meter Retrofit Project - Phase XV	66.468	AR09FP22	261
Subtotal ARRA - Capitalization Grants for Drinking Water State Revolving Funds			<u>5,640,784</u>
Direct Programs:			
Brownfields Assessment and Cleanup Cooperative Agreements:			
Assessment	66.818	N/A	11,712
Revolving Loan Fund	66.818	N/A	497,903
19th and Q Streets Site Soil Remediation	66.818	N/A	<u>5,641</u>
Subtotal Brownfields Assessment and Cleanup Cooperative Agreements			<u>515,256</u>
Total United States Environmental Protection Agency			<u>7,885,540</u>
United States Department of Energy			
Direct Programs:			
Energy Efficiency and Renewable Energy Information, Dissemination, Outreach, Training and Technical Analysis/Assistance:			
Solar Cities America	81.117	N/A	<u>85,087</u>
ARRA - Energy Efficiency and Conservation Block Program (EECBG):			
Climate Action Plan	81.128	N/A	110,154
Green Building Taskforce	81.128	N/A	59,278
Public Outreach	81.128	N/A	49,655
Assessment Financing Program Development	81.128	N/A	57,825
Regional Energy Alliance	81.128	N/A	90,274
Grant Administration	81.128	N/A	39,586
Facilities Retrofit	81.128	N/A	220,974
Light Emitting Diode Street Lighting	81.128	N/A	65,372
Pannell Direct Digital Control/Hot Water Plant	81.128	N/A	32,997
Pannell Air Handler Guide Vanes	81.128	N/A	46,407
Pannell Interior Lighting	81.128	N/A	458
Central Library Hot Water Heating Boiler	81.128	N/A	75,131
Central Library Hot Water Heating Pumps	81.128	N/A	4,979
Central Library Commercial Water Heating Pumps	81.128	N/A	6,530
Central Library Cooling Tower	81.128	N/A	6,081
Central Library Vanes/Motors	81.128	N/A	19,750
Plaza Garage Central Light Emitting Diode	81.128	N/A	157,845
Plaza Garage West Light Emitting Diode	81.128	N/A	25,829
City Hall Garage Light Emitting Diode	81.128	N/A	9,036
Capitol Garage Light Emitting Diode	81.128	N/A	6,102
Tower Bridge Garage Light Emitting Diode	81.128	N/A	6,286
Measurement & Verification Equipment/Software	81.128	N/A	6,415
Subtotal ARRA - EECBG			<u>1,096,964</u>
Total United States Department of Energy			<u>1,182,051</u>

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Health and Human Services			
Passed through Area 4 Agency on Aging:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	26-23-34-11	27,000
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	26-00-34-11	2,477
National Family Caregiver Support - Title III, Part E	93.052	26-15-34-11	<u>40,654</u>
Total United States Department of Health and Human Services			<u>70,131</u>
Corporation for National and Community Service			
Passed through State of California Governor's Office of Planning and Research:			
Corporation for National and Community Service	94.006	09ACHY17-C112	<u>692,800</u>
United States Department of Homeland Security			
Homeland Security Cluster:			
Direct Programs:			
State Domestic Preparedness Equipment Support Program	97.004	N/A	7,640
Passed through State of California Emergency Management Agency:			
Homeland Security Grant Program - 2008	97.067	2008-0006	2,572,718
Homeland Security Grant Program - 2009	97.067	2009-0019	1,043,133
Passed through the City and County of San Francisco:			
Homeland Security Grant Program - 2008	97.067	2011-0463	468,754
Subtotal Homeland Security Cluster			<u>4,092,245</u>
Passed through State of California Emergency Management Agency:			
Non-Profit Security Program:			
Metropolitan Medical Response System	97.008	282-99-0034	1,269
Metropolitan Medical Response System - Maintenance	97.008	282-99-0034	9,394
Subtotal Non-Profit Security Program			<u>10,663</u>
Direct Programs:			
National Urban Search & Rescue (US&R) Response System:			
Urban Search and Rescue 2005	97.025	N/A	974
Urban Search and Rescue 2006	97.025	N/A	6,715
Urban Search and Rescue 2008	97.025	N/A	141,568
Urban Search and Rescue 2009	97.025	N/A	216,586
Urban Search and Rescue 2010	97.025	N/A	723,121
Urban Search and Rescue Hurricane Ike Deployment	97.025	N/A	831
Urban Search and Rescue Hurricane Earl	97.025	N/A	10,702
Subtotal National Urban Search & Rescue (US&R) Response System			<u>1,100,497</u>
Federal Emergency Management Agency:			
Assistance to Firefighters Grant:			
Wellness/Fitness Initiative - 2009	97.044	N/A	382,842
Staffing for Adequate Fire and Emergency Response (SAFER) - 2010	97.044	N/A	12,404
Subtotal Assistance to Firefighters Grant			<u>395,246</u>
Passed through State of California Emergency Management Agency:			
Passed through the City and County of San Francisco:			
Interoperable Emergency Communications Grant Program - 2008	97.055	2009-0387	134,947
Interoperable Emergency Communications Grant Program - 2009	97.055	2010-0742	210,000
Subtotal Interoperable Emergency Communications Grant Program			<u>344,947</u>
Total United States Department of Homeland Security			<u>5,943,598</u>
Total Expenditures of Federal Awards			<u>\$ 41,493,845</u>

The accompanying notes are an integral part of this schedule.

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the expenditures of all federal awards programs of the City of Sacramento, California (City) for the fiscal year ended June 30, 2011. The City’s reporting entity is defined in Note 1 to the City’s basic financial statements included in its Comprehensive Annual Financial Report (CAFR). All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in governmental funds, and the accrual basis of accounting for grants accounted for in the proprietary funds, as described in Note 1 to the City’s basic financial statements included in its CAFR.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information, and the General Service Administration’s Catalog of Federal Domestic Assistance.

NOTE 4 – SCHEDULE OF AREA 4 AGENCY ON AGING EXPENDITURES

The following schedule represents expenditures of the grants from the Area 4 Agency on Aging for the fiscal year ended June 30, 2011:

<u>Program</u>	<u>Grant Amount</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>		
				<u>Federal</u>	<u>State</u>	<u>Total</u>
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	\$ 28,926	26-23-34-11	93.043	\$ 27,000	\$ -	\$ 27,000
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	2,601	26-00-34-11	93.044	2,477	-	2,477
National Family Caregiver Support - Title III, Part E	41,008	26-15-34-11	93.052	40,654	-	40,654
Total Area 4 Agency on Aging				<u>\$ 70,131</u>	<u>\$ -</u>	<u>\$ 70,131</u>

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2011**

NOTE 5 – SCHEDULE OF FIRST 5 SACRAMENTO COMMISSION EXPENDITURES

The following schedule represents expenditures of the grant from the First 5 Sacramento Commission for the fiscal year ended June 30, 2011:

<u>Program</u>	<u>Cost</u>		<u>Expenditures</u>		
	<u>Reimbursement Contract Amount</u>	<u>Contract Number</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
Cover the Kids	\$ 941,737	10/11-HA-139	\$ -	\$ 941,737	\$ 941,737

The outstanding 4th quarter receivables for the fiscal year ended June 30, 2011 in the amount of \$284,447 was received by August 30, 2011.

**NOTE 6 – SCHEDULE OF SACRAMENTO EMPLOYMENT AND TRAINING AGENCY
(SETA) EXPENDITURES**

The following schedule represents expenditures of the grants from the Sacramento Employment and Training Agency for the fiscal year ended June 30, 2011:

Workforce Investment Act (WIA) - Youth Activities

17.259	046301IS(E4)	\$ 178,944	\$ 4,275	\$ 183,219
17.259	046107SYE(2)	20,033	1,834	21,867
Total WIA - Youth Activities		<u>\$ 198,977</u>	<u>\$ 6,109</u>	<u>\$ 205,086</u>

CITY OF SACRAMENTO, CALIFORNIA

**Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2011**

NOTE 7 – SCHEDULE OF THE TOTAL FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS FROM EACH FEDERAL PROGRAM

Of the federal expenditures presented in the SEFA, the City of Sacramento provided federal awards to sub-recipients as follows for the fiscal year ended June 30, 2011:

Program Title	CFDA Number	Name of Sub-recipient	Amount Provided to Sub-recipient
Public Safety Interoperable Communications Grant Program	11.555	City of Roseville	\$ 77,139
		County of Calaveras	588,825
		County of Sacramento	960,835
		County of Stanislaus	84,187
		Yolo Emergency Communications Agency	469,527
			<u>2,180,513</u>
Public Safety Partnership and Community Policing Grants	16.710	County of Sacramento	<u>246,253</u>
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	Elk Grove Unified School District	800
		Sacramento City Unified School District	1,898
			<u>2,698</u>
Total federal awards provided to sub-recipients			<u>\$ 2,429,464</u>

To the Honorable Mayor and
Members of the City Council
City of Sacramento, California

**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***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Sacramento, California (City), as of and for the fiscal year ended June 30, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 27, 2011. Our report contained an explanatory paragraph discussing the City’s adoption of the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the fiscal year ended June 30, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the City in a separate letter dated December 27, 2011.

This report is intended solely for the information and use of management, the City Council, others within the City, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Macie Mini & O'Connell LLP

Sacramento, California
December 27, 2011

To the Honorable Mayor and
Members of the City Council
City of Sacramento, California

Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program, Internal Control Over Compliance and the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Compliance

We have audited the City of Sacramento, California’s (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’s major federal programs for the fiscal year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 items 2011-1 and 2011-2.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2. *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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 27, 2011, which contained an unqualified opinion on those financial statements. Our report contained an explanatory paragraph describing the City's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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.

This report is intended solely for the information and use of management, the City Council, others within the City, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Macie Mini & O'Connell LLP

Sacramento, California

March 15, 2012

CITY OF SACRAMENTO, CALIFORNIA

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

CITY OF SACRAMENTO, CALIFORNIA

**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011**

Section I – Summary of Auditor’s Results (Continued)

Identification of major programs:

<u>Program Title</u>	<u>CFDA Number(s)</u>
○ Community Development Block Grants/Entitlement Grants	14.218
○ ARRA-WaterSMART (Sustaining and Manage America’s Resources for Tomorrow)	15.507
○ ARRA and non-ARRA -Public Safety Partnership and Community Policing Grants	16.710
○ Justice Assistance Grant (JAG) Program Cluster	16.738, 16.804
○ Congressionally Mandated Projects	66.202
○ ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468
○ Assistance to Firefighters Grant	97.044
○ Homeland Security Cluster	97.004, 97.067
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,244,815
Auditee qualified as low-risk auditee?	Yes

CITY OF SACRAMENTO, CALIFORNIA

**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

Reference Number: 2011-1
Federal Catalog Number: 97.044
Federal Program Title: Assistance to Firefighters Grant
Federal Award Number: EWW-2009-FO-06581
Award Year: 2010
Category of Finding: Cash Management, Matching and Reporting
Federal Agency: Department of Homeland Security
Passed through: N/A - Direct Program
CRITERIA:

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of the Federal programs.

CONDITION:

The City is required to submit a quarterly Request for Reimbursement Report, which serves as the claim for reimbursement of program expenditures, less the City's matching requirement. Although the claim for reimbursements were correct, the reports were prepared and submitted to the State by a single individual without review and approval by a program supervisor.

CAUSE:

Management failed to establish appropriate segregation of duties over the preparation and submission of its quarterly Request for Reimbursement reports.

EFFECT:

The City is exposed to the risk of submitting inaccurate and unauthorized claims for reimbursement of program funds.

CITY OF SACRAMENTO, CALIFORNIA

**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011**

QUESTIONED COSTS:

There are no questioned costs.

RECOMMENDATION:

Management should design and implement internal controls establishing proper segregation of duties between the preparation and approval of the quarterly Request for Reimbursement Reports. Documentation of this segregation of duties should be maintained by program management to demonstrate that appropriate review and approval of the reports occurred prior to the submission of the reports.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The City agrees with the recommendation and will design and implement internal controls establishing and documenting proper segregation of duties between the preparation and the approval of quarterly grant reports.

CITY OF SACRAMENTO, CALIFORNIA

**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011**

Reference Number: 2011-2
Federal Catalog Number: 97.044
Federal Program Title: Assistance to Firefighters Grant
Federal Award Number: EWW-2009-FO-06581
Award Year: 2010
Category of Finding: Cash Management and Reporting
Federal Agency: Department of Homeland Security
Passed through: N/A – Direct Program

CRITERIA:

TITLE 44 – EMERGENCY MANAGEMENT AND ASSISTANCE, PART 13 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C – Post-Award Requirements, Reports, Records and Retention, and Enforcement, Section 13.42 – Retention and access requirements for records.

(b) *Length of retention period*

- (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.
- (2) If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

CONDITION:

Of the two Federal Financial Reports (Form SF-425) submitted to the Federal Emergency Management Agency, the City was unable to provide a copy of the Form SF-425 submitted for the 6-month period ended June 30, 2011. The absence of a copy of the report and documentation supporting the amounts reported prohibited the testing of the report for compliance with program requirements.

CAUSE:

The City does not have internal controls in place to ensure retention of significant records is being maintained by program personnel in accordance with grant and federal requirements.

EFFECT:

The lack of documentation prevents management from demonstrating that the reports were prepared accurately and submitted in a timely manner and may result in disciplinary action from the granting agency.

QUESTIONED COSTS:

There are no questioned costs.

CITY OF SACRAMENTO, CALIFORNIA

**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011**

RECOMMENDATION:

Management should design and implement internal controls to ensure that all reports and supporting documentation are retained as required by grant and federal requirements.

MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN:

The City agrees with the recommendation and will design and implement internal controls to ensure that all reports and supporting documentation are retained as required by grant and federal requirements.

CITY OF SACRAMENTO, CALIFORNIA

**Status of Prior Year Findings
For the Fiscal Year Ended June 30, 2011**

None.