

**CITY OF SACRAMENTO, CALIFORNIA**

Single Audit Reports

For the Fiscal Year Ended June 30, 2012

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

**For the Fiscal Year Ended June 30, 2012**

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**CITY OF SACRAMENTO, CALIFORNIA**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>United States Department of Agriculture</b>			
Passed through State of California Department of Education:			
Child and Adult Care Food Program:			
Snack Program - 2010	10.558	34-2883-1K	\$ 41,953
Snack Program - 2011	10.558	34-2883-1K	160,969
Subtotal Child and Adult Care Food Program			<u>202,922</u>
Summer Food Service Program for Children:			
Year Round Food Program - 2011	10.559	34-83400V	154,217
Subtotal Summer Food Service Program for Children			<u>154,217</u>
<b>Total United States Department of Agriculture</b>			<u><b>357,139</b></u>
<b>United States Department of Commerce</b>			
Passed through State of California Emergency Management Agency:			
Public Safety Interoperable Communications Grant Program	11.555	067-64000	2,513,905
Public Safety Interoperable Communications Grant Program	11.555	067-64000	24,746
<b>Total United States Department of Commerce</b>			<u><b>2,538,651</b></u>
<b>United States Department of Housing and Urban Development</b>			
Passed through Sacramento Housing and Redevelopment Agency:			
Community Development Block Grants/Entitlement Grants			
Jib boom Power Street Station	14.218	2001-0224-285	99,967
Chinatown Mall Improvements	14.218	2001-0224-272	6,999
Ramona Avenue Technology Village Specific Plan - Community Development Department	14.218	2001-0224-259	88,319
Ramona Avenue Technology Village Specific Plan - Department of Utilities	14.218	2001-0224-259	225
Ramona Avenue Technology Village Specific Plan - Department of Transportation	14.218	2001-0224-259	283
Manor Recreation and Swimming Club Master Plan	14.218	2001-0224-246	1,646
McClellan Heights/Parker Homes Infrastructure	14.218	2001-0224-233	66,412
McClellan Heights-North Avenue	14.218	2001-0224-233	38,637
Dixieanne "Green" Street Improvements	14.218	2001-0224-208	20,000
ADA Street Improvements	14.218	2001-0224-242	58
Main Avenue Sidewalks	14.218	2001-0224-298	594,505
Del Paso Boulevard Streetscape	14.218	2001-0224-303	169,877
Downtown Lighting Project	14.218	2001-0224-302	7,408
Mayes Jewelers' Clock Restoration	14.218	2001-0224-262	5,962
I Street and J Street Lighting	14.218	2001-0224-254	469,130
SHRA Capital Improvement Project Scoping	14.218	2001-0224-261	410
Mack Road Median Fence Improvements	14.218	2001-0224-277	56,975
<b>Total United States Department of Housing and Urban Development</b>			<u><b>1,626,813</b></u>
<b>United States Department of the Interior</b>			
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	34,440
Direct Programs:			
Central Valley Project Improvement (CVPI)			
Anadromous Fish Restoration Program (AFRP):			
Lower American River Salmonid Spawning Gravel Work	15.648	N/A	389,399
<b>Total United States Department of the Interior</b>			<u><b>423,839</b></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, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>United States Department of Justice</b>			
Passed through State of California Department of Corrections and Rehabilitation: Juvenile Accountability Block Grants	16.523	CSA 204-11	<u>30,420</u>
Direct Programs: Federal Forfeitures	16.Unknown	N/A	<u>1,358,521</u>
Part E - Developing, Testing and Demonstrating Promising New Programs: Attendance Centers - Working Towards a Brighter Future	16.541	N/A	66,128
Office of Juvenile Justice and Delinquency Prevention Safe Community Partnership	16.541	N/A	<u>61,073</u>
Subtotal Part E - Developing, Testing and Demonstrating Promising New Programs			<u>127,201</u>
Office of Justice Programs: Bulletproof Vest Partnership Program - 2010	16.607	N/A	25,183
Bulletproof Vest Partnership Program - 2011	16.607	N/A	<u>3,930</u>
Subtotal Bulletproof Vest Partnership Program			<u>29,113</u>
Public Safety Partnership and Community Policing Grants: ARRA - COPS Hiring Recovery Program	16.710	N/A	2,865,524
COPS Hiring Program - 2011	16.710	N/A	1,219,214
COPS Regional Community Policing Institute Integrity/Public Trust Initiative - 2003	16.710	N/A	19,030
COPS Technology Program - 2007	16.710	N/A	<u>1,415,436</u>
Subtotal Public Safety Partnership and Community Policing Grants			<u>5,519,204</u>
Justice Assistance Grant (JAG) Program Cluster: Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	614,921
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	512,746
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	13,687
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Government	16.804	N/A	<u>565,910</u>
Subtotal JAG Program Cluster			<u>1,707,264</u>
Congressionally Recommended Awards Program - 2010: Sacramento Cold Case Justice	16.753	N/A	<u>46,297</u>
<b>Total United States Department of Justice</b>			<b><u>8,818,020</u></b>
<b>United States Department of Labor</b>			
Passed through Sacramento Employment and Training Agency: Workforce Investment Act - Youth Activities - 2012	17.259	046301IS-12	<u>174,275</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, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>United States Department of Transportation</b>			
Passed through State of California Department of Transportation (CALTRANS):			
Highway Planning and Construction	20.205	STPLER-5002(066)	1,208,548
Highway Planning and Construction	20.205	STPL-5002(153)	2,175,903
Highway Planning and Construction	20.205	BPNP-5002(114)	10,774
Highway Planning and Construction	20.205	HSIPL-5002(130)	39,314
Highway Planning and Construction	20.205	STPL-5002(103)	561,127
Highway Planning and Construction	20.205	HP21L-5002(068)	236,592
Highway Planning and Construction	20.205	CML-5002(109)	42,208
Highway Planning and Construction	20.205	BRLS-5002(098)	56,135
Highway Planning and Construction	20.205	DEM05L-5002(112)	2,196,881
Highway Planning and Construction	20.205	CML-5002(117)	17,295
Highway Planning and Construction	20.205	CML-5002(047)	517,386
Highway Planning and Construction	20.205	BHLS-5002(111)	6,989,297
Highway Planning and Construction	20.205	BRLS-5002(115)	134,677
Highway Planning and Construction	20.205	SRTSL-5002(131)	2,008
Highway Planning and Construction	20.205	CML-5002(119)	97,400
Highway Planning and Construction	20.205	HPUL-5002(128)	5,755,257
Highway Planning and Construction	20.205	BRLS-5002(134)	28,139
Highway Planning and Construction	20.205	CML-5002(141)	622,620
Highway Planning and Construction	20.205	SRTSL-5002(143)	89,351
Highway Planning and Construction	20.205	HSIPL-5002(133)	175,538
Highway Planning and Construction	20.205	HSIPL-5002(145)	21,414
Highway Planning and Construction	20.205	STPL-5002(148)	169,764
Highway Planning and Construction	20.205	2012-0311	45,587
Highway Planning and Construction	20.205	HPO2L-5002(089)	134,899
ARRA - Highway Planning and Construction:			
Economic Stimulus, Intermodal Facility - RR Track Relocation	20.205	ESPLCM-5002(142)	27,649,658
Subtotal Highway Planning and Construction Cluster			<u>48,977,772</u>
Passed through Sacramento Regional Transit District:			
Federal Transit - Capital Investment Grants:			
Sacramento Intermodal Transportation Facility Retrofit Project	20.500	CA-04-0013-03	71,213
Passed through State of California Office of Traffic Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	AL0753	836
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	AL1172	214,169
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	20588	503,265
Subtotal Highway Safety Cluster			<u>718,270</u>
Passed through State of California Office of Traffic Safety:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1173	251,033
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	20574	39,788
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	SC11357	15,669
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC12357	75,128
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>381,618</u>
<b>Total United States Department of Transportation</b>			<b><u>50,148,873</u></b>

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, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>United States Department of Treasury</b>			
Direct Programs:			
Sacramento Suspicious Activity Report - Review Team Task Force	21.Unknown	N/A	2,435
Federal Forfeitures	21.Unknown	N/A	253,510
<b>Total United States Department of Treasury</b>			<b>255,945</b>
<b>United States Environmental Protection Agency</b>			
Passed through State of California Department of Public Health:			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds:			
Water Meter Retrofit Project - Phase III	66.468	AR09FP22	438
Water Meter Retrofit Project - Phase IV	66.468	AR09FP22	14,701
Water Meter Retrofit Project - Phase VI	66.468	AR09FP22	378
Water Meter Retrofit Project - Phase XV	66.468	AR09FP22	1,038,665
Subtotal ARRA - Capitalization Grants for Drinking Water State Revolving Funds			1,054,182
Direct Programs:			
Brownfields Assessment and Cleanup Cooperative Agreements:			
Assessment Phase I	66.818	N/A	11,475
Assessment Phase II	66.818	N/A	191,987
Assessment and Cleanup	66.818	N/A	5,932
Revolving Loan Fund	66.818	N/A	14,848
Revolving Loan Fund	66.818	N/A	8,444
19th and Q Streets Site Soil Remediation	66.818	N/A	35,443
Subtotal Brownfields Assessment and Cleanup Cooperative Agreements			268,129
<b>Total United States Environmental Protection Agency</b>			<b>1,322,311</b>
<b>United States Department of Energy</b>			
Direct Programs:			
Energy Efficiency and Renewable Energy Information, Dissemination, Outreach, Training and Technical Analysis/Assistance:			
Solar Cities America	81.117	N/A	31,491
ARRA - Energy Efficiency and Conservation Block Program (EECBG):			
Climate Action Plan	81.128	N/A	201,805
Green Building Taskforce	81.128	N/A	4,602
Public Outreach	81.128	N/A	22,552
Assessment Financing Program Development	81.128	N/A	166,906
Grant Administration	81.128	N/A	34,969
Small Business Pilot	81.128	N/A	232,634
Facilities Retrofit	81.128	N/A	268,358
Light Emitting Diode Street Lighting	81.128	N/A	33,479
Pannell Direct Digital Control/Hot Water Plant	81.128	N/A	35,222
Pannell Air Handler Guide Vanes	81.128	N/A	27,352
Pannell Interior Lighting	81.128	N/A	12,608
Central Library Hot Water Heating Boiler	81.128	N/A	71,988
Central Library Hot Water Heating Pumps	81.128	N/A	6,584
Central Library Commercial Water Heating Pumps	81.128	N/A	6,855
Central Library Cooling Tower	81.128	N/A	6,479
Central Library Vanes/Motors	81.128	N/A	23,005
Central Library Carbon Dioxide Demand-Controlled Ventilation/Air-Handling Unit	81.128	N/A	4,371
Plaza Garage Central Light Emitting Diode	81.128	N/A	11,685
Plaza Garage West Light Emitting Diode	81.128	N/A	424,049
City Hall Garage Light Emitting Diode	81.128	N/A	326,849
Capitol Garage Light Emitting Diode	81.128	N/A	192,312
Tower Bridge Garage Light Emitting Diode	81.128	N/A	113,959
Measurement & Verification Equipment/Software	81.128	N/A	163,064
Subtotal ARRA - EECBG			2,391,687
<b>Total United States Department of Energy</b>			<b>2,423,178</b>

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, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>United States Department of Health and Human Services</b>			
Passed through Area 4 Agency on Aging:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	26-23-34-12	<u>28,607</u>
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	49-22-34-12	<u>2,833</u>
National Family Caregiver Support - Title III, Part E	93.052	26-15-34-11	<u>354</u>
National Family Caregiver Support - Title III, Part E	93.052	26-15-34-12	<u>41,358</u>
Subtotal National Family Caregiver Support - Title III, Part E			<u>41,712</u>
Passed through State of California Department of Education:			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	CCTR-1214	<u>74,369</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-1214	<u>135,090</u>
Subtotal CCDF Cluster			<u>209,459</u>
<b>Total United States Department of Health and Human Services</b>			<b><u>282,611</u></b>
<b>Corporation for National and Community Service</b>			
Passed through State of California Governor's Office of Planning and Research:			
Corporation for National and Community Service	94.006	09ACHY17-C112	<u>702,538</u>
<b>United States Department of Homeland Security</b>			
Direct Programs:			
National Urban Search & Rescue (US&R) Response System:			
Urban Search and Rescue 2009	97.025	N/A	<u>69,381</u>
Urban Search and Rescue 2010	97.025	N/A	<u>223,965</u>
Urban Search and Rescue 2011	97.025	N/A	<u>716,054</u>
Subtotal National Urban Search & Rescue (US&R) Response System			<u>1,009,400</u>
Federal Emergency Management Agency:			
Assistance to Firefighters Grant:			
Staffing for Adequate Fire and Emergency Response (SAFER) - 2010	97.044	N/A	<u>1,696,385</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	2011-1097	<u>42,863</u>
Passed through State of California Emergency Management Agency:			
Homeland Security Grant Program - 2008	97.067	2008-0006	<u>174,794</u>
Homeland Security Grant Program - 2009	97.067	2009-0019	<u>2,107,548</u>
Homeland Security Grant Program - 2009	97.067	2009-0019	<u>50,000</u>
Homeland Security Grant Program - 2010	97.067	2010-0085	<u>669,549</u>
Homeland Security Grant Program - 2010	97.067	2010-0085	<u>99,999</u>
Homeland Security Grant Program - 2011	97.067	2011-SS-0077	<u>119,740</u>
Subtotal Homeland Security Grant Program			<u>3,221,630</u>
<b>Total United States Department of Homeland Security</b>			<b><u>5,970,278</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 75,044,471</u></b>

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, 2012**

**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, 2012. 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, 2012:

<b>Program</b>	<b>Grant Amount</b>	<b>Grant Number</b>	<b>CFDA Number</b>	<b>Expenditures</b>		
				<b>Federal</b>	<b>State</b>	<b>Total</b>
Special Programs for Aging - Title III, Part D - Disease Prevention and Health Promotion Services						
<i>Renewable Grant</i>	\$27,000	26-23-34-12	93.043	\$27,000	\$ -	\$27,000
<i>One-Time-Only - Baseline Grant</i>	1,607	26-23-34-12	93.043	1,607	-	1,607
	<u>28,607</u>			<u>28,607</u>	<u>-</u>	<u>28,607</u>
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers						
<i>One-Time-Only - Equipment Grant</i>	2,892	49-22-34-12	93.044	2,833	-	2,833
National Family Caregiver Support - Title III, Part E						
<i>Renewable Grant</i>	41,008	26-15-34-11	93.052	354	-	354
<i>Renewable Grant</i>	40,000	26-15-34-12	93.052	40,000	-	40,000
<i>One-Time-Only - Equipment Grant</i>	1,358	26-15-34-12	93.052	1,358	-	1,358
	<u>82,366</u>			<u>41,712</u>	<u>-</u>	<u>41,712</u>
Total Area 4 Agency on Aging				<u>\$73,152</u>	<u>\$ -</u>	<u>\$73,152</u>

**CITY OF SACRAMENTO, CALIFORNIA**

**Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2012**

**NOTE 5 – SCHEDULE OF STATE OF CALIFORNIA EMERGENCY MANAGEMENT AGENCY  
(CalEMA) EXPENDITURES**

The following represents expenditures of the grant from the State of California Emergency Management Agency for the fiscal year ended June 30, 2012:

<b>Gang Violence</b>	<b>Grant Award</b>	<b>Grant</b>	<b>Expenditures</b>			<b>Total</b>
			<b>Federal</b>	<b>State</b>	<b>Match</b>	
<b>Suppression</b>	<b>Number</b>	<b>Amount</b>				
Personnel Service	GV09057901	\$185,583	\$ -	\$ 81,165	\$ 8,634	\$89,799
Operating Expense		<u>390,707</u>	<u>-</u>	<u>81,718</u>	<u>9,191</u>	<u>90,909</u>
Total		<u>\$576,290</u>	<u>\$ -</u>	<u>\$162,883</u>	<u>\$17,825</u>	<u>\$180,708</u>

**NOTE 6 – SCHEDULE OF FIRST 5 SACRAMENTO COMMISSION EXPENDITURES**

The following represents expenditures of the grant from the First 5 Sacramento Commission for the fiscal year ended June 30, 2012:

<b>Program</b>	<b>Cost Reimbursement Contract Amount</b>	<b>Contract Number</b>	<b>Expenditures</b>		
			<b>Federal</b>	<b>State</b>	<b>Total</b>
Cover the Kids	\$ 571,865	10/11-HA-139-A01	\$ -	\$ 571,865	\$ 571,865

The outstanding 4th quarter receivables for the fiscal year ended June 30, 2012 in the amount of \$158,768 was received by August 30, 2012.

**CITY OF SACRAMENTO, CALIFORNIA**

**Notes to the Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2012**

**NOTE 7 - SCHEDULE OF SACRAMENTO EMPLOYMENT AND TRAINING AGENCY  
(SETA) EXPENDITURES**

The following represents expenditures of the grant from the Sacramento Employment and Training Agency for the fiscal year ended June 30, 2012:

**Workforce Investment Act (WIA) - Youth Program**

<b>CFDA Number</b>	<b>Sub-grant Number</b>	<b>Federal Expenditures</b>		
		<b>Personnel Service</b>	<b>Other</b>	<b>Total</b>
17.259	046301IS-12	\$ 172,833	\$ 1,442	\$ 174,275

**NOTE 8 – SCHEDULE OF THE TOTAL FEDERAL AWARD PROVIDED TO  
SUB-RECIPIENTS FROM EACH FEDERAL PROGRAM**

Of the federal expenditures presented in the schedule, the City of Sacramento provided federal awards to sub-recipients as follows for the fiscal year ended June 30, 2012:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Name of Sub-recipient</b>	<b>Amount Provided to Sub-recipient</b>
Public Safety Interoperable Communications Grant Program	11.555	Alpine County	\$ 600,000
		City of Rocklin	154,435
		City of Roseville	144,965
		County of Calaveras	58,634
		County of Sacramento	750,868
		County of San Joaquin	455,170
		County of Stanislaus	289,464
		Placer County	24,430
		Tuolumne County	45,195
		<u>2,523,161</u>	
Public Safety Partnership and Community Policing Grants	16.710	County of Sacramento	<u>1,415,436</u>
ARRA - Energy Efficiency and Conservation Block Program	81.128	Sacramento Municipal Utility District	<u>232,634</u>
Total federal awards provided to sub-recipients			<u>\$ 4,171,231</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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 28, 2012. 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 28, 2012.

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.

*Maclean Gini & O'Connell LLP*

Sacramento, California  
December 28, 2012

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

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

**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, 2012. 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, 2012.

***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.

### ***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, 2012, and have issued our report thereon dated December 28, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain 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.

*Maciea Gini & O'Connell LLP*

Sacramento, California  
March 8, 2013

**CITY OF SACRAMENTO, CALIFORNIA**

**Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012**

**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?	None reported
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?	No

**CITY OF SACRAMENTO, CALIFORNIA**

**Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2012**

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

Identification of major programs:

<u>Program Title</u>	<u>CFDA Number</u>
○ Public Safety Interoperable Communications	11.555
○ ARRA and non-ARRA -Public Safety Partnership and Community Policing Grants	16.710
○ ARRA and non-ARRA Highway Planning and Construction	20.205
○ ARRA-Energy Efficiency and Conservation Block Grant	81.128
○ Assistance to Firefighters Grant	97.044
Dollar threshold used to distinguish between Type A and Type B programs:	\$2,251,334
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, 2012**

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.

**CITY OF SACRAMENTO, CALIFORNIA**  
**Status of Prior Year Findings**  
**For the Fiscal Year Ended June 30, 2012**

**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 claims 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.

**QUESTIONED COSTS:**

There are no questioned costs.

**CITY OF SACRAMENTO, CALIFORNIA**  
**Status of Prior Year Findings (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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.

**STATUS:**

Corrected. During our testing, we noted that the claims for reimbursements were approved by the Fire Chief.

**CITY OF SACRAMENTO, CALIFORNIA**  
**Status of Prior Year Findings (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**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  
Status of Prior Year Findings (Continued)  
For the Fiscal Year Ended June 30, 2012**

**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.

**STATUS:**

Corrected. We were able to obtain copies of the Federal Reports (Form SF-425) during our testing.