

CITY OF SACRAMENTO, CALIFORNIA

**SINGLE AUDIT REPORT
(UNIFORM GUIDANCE)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CITY OF SACRAMENTO, CALIFORNIA

**SINGLE AUDIT REPORT
(UNIFORM GUIDANCE)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	PAGE
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	
I. Summary of Auditors' Results	10
II. Financial Statement Findings	11
III. Federal Award Findings and Questioned Costs	12
Summary Schedule of Prior Audit Findings	16



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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 the City Council
City of Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sacramento, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 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 entity'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. 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.

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*.

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 entity'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.

Vavrinik, Trine, Day & Co. LLP

Sacramento, California
December 22, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Sacramento, California's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-003 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 22, 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.

Varrinck, Trine, Day & Co. LLP

Sacramento, California
March 6, 2018

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
United States Department of Housing and Urban Development				
Passed through Sacramento Housing and Redevelopment Agency:				
Community Development Block Grants (CDBG)/Entitlement Grants Cluster:				
Community Development Block Grant - Valley Hi Park Improvement	14.218	2016-0875	\$ 205,567	
Community Development Block Grant - Multi-Site Water Cross-Connection Improvement	14.218	2016-0896	266,300	
Community Development Block Grant - 4th Avenue Park/Playground	14.218	2016-1002	162,256	
Community Development Block Grant - Hite Park/ Playground Project	14.218	2016-0998	288,774	
Community Development Block Grant - Downtown Riverfront Street Car Design	14.218	2015-0467	7,188	
Community Development Block Grant - Downtown Riverfront Street Car Design	14.218	2015-0467	276,450	
Community Development Block Grant - Mack Road Pedestrian Lighting	14.218	2016-0233	18,087	
Community Development Block Grant - Mack Road and Valley Hi/La Mancha Traffic Signal/Intersection Improv	14.218	2016-0758	264,964	
Community Development Block Grant - Transportation Project Funding Pre-Planning and Outreach	14.218	2017-0195	7,992	
Community Development Block Grant - Meadowview Streetscape	14.218	2016-0211	20,000	
Community Development Block Grant - Meadowview and Manorside Traffic Signal	14.218	2014-0970	28,741	
Community Development Block Grant - Midtown Street Lighting	14.218	2015-1286	471,839	
Community Development Block Grant - 12th Street Complete Streets Engineering, Design and Environmental	14.218	2015-0113	177,502	
Community Development Block Grant - El Camino and Clay Traffic Signal and Crosswalk Improvements	14.218	2016-0767	299,303	
Community Development Block Grant - Fourth Street Pedestrian Access	14.218	2016-0201	32,969	
Community Development Block Grant - North 16th Street Streetscape Design Plan	14.218	2016-0203	23,674	
Community Development Block Grant - Franklin Blvd Complete Streets	14.218	2016-0202	59,500	
Community Development Block Grant - Midtown Street Lighting Phase III Design	14.218	2017-0172	14,841	
Community Development Block Grant - Lower Broadway Preliminary Design	14.218	2017-0171	3,684	
Community Development Block Grant - 24th Street Feasibility Study	14.218	2017-0174	1,521	
Subtotal Community Development Block Grants (CDBG)/Entitlement Grants Cluster			<u>2,631,152</u>	
Total United States Department of Housing and Urban Development			<u>2,631,152</u>	
United States Department of the Interior				
Direct Programs:				
Central Valley Project Improvement Act, Title XXXIV - American River Floodplain and Side Channel Restoration Project	15.512	N/A	1,031,529	
Central Valley Project Improvement Act, Title XXXIV - Lower American River Gravel Augmentation	15.512	N/A	33,036	
Subtotal Central Valley Project Improvement Act, Title XXXIV			<u>1,064,565</u>	
Central Valley Project Improvement (CVPI) Anadromous Fish Restoration Program (AFRP) - Gravel Restoration F	15.648	N/A	3,445	
Central Valley Project Improvement (CVPI) Anadromous Fish Restoration Program (AFRP) - Habitat Restoration	15.648	N/A	403,558	
Subtotal Central Valley Project Improvement (CVPI) Anadromous Fish Restoration Program (AFRP)			<u>407,003</u>	
California Water Security and Environmental Enhancement	15.533	N/A	650,000	
California Water Security and Environmental Enhancement	15.533	N/A	47,602	
Subtotal California Water Security and Environmental Enhancement			<u>697,602</u>	
Total United States Department of the Interior			<u>2,169,170</u>	
United States Department of Justice				
Direct Programs:				
Public Safety Partnership and Community Policing Grants - 2013	16.710	N/A	398,939	
Public Safety Partnership and Community Policing Grants - 2014	16.710	N/A	631,982	
Public Safety Partnership and Community Policing Grants - 2015	16.710	N/A	511,902	
Public Safety Partnership and Community Policing Grants - Secure Our Schools 2011	16.710	N/A	136,181	\$ 136,181
Subtotal Public Safety Partnership and Community Policing Grants			<u>1,679,004</u>	<u>136,181</u>
Edward Byrne Memorial Justice Assistance Grant Program - 2013	16.738	N/A	202,916	
Edward Byrne Memorial Justice Assistance Grant Program - 2013	16.738	N/A	13,871	
Edward Byrne Memorial Justice Assistance Grant Program - 2014	16.738	N/A	48,271	
Edward Byrne Memorial Justice Assistance Grant Program - 2015	16.738	N/A	170,440	
Edward Byrne Memorial Justice Assistance Grant Program - 2015	16.738	N/A	517,621	
Edward Byrne Memorial Justice Assistance Grant Program - 2016	16.738	N/A	77,407	
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			<u>1,030,526</u>	
Equitable Sharing Program	16.922	N/A	74,220	
Equitable Sharing Program	16.922	N/A	9,458	
Equitable Sharing Program	16.922	N/A	56,305	
Subtotal Equitable Sharing Program			<u>139,983</u>	
Passed through Sacramento County Sheriff's Department:				
Missing Children's Assistance - Internet Crimes Against Children Task Force	16.543	2014-0876	47,729	
Total United States Department of Justice			<u>2,897,242</u>	<u>136,181</u>
United States Department of Labor				
Passed through Sacramento Employment and Training Agency:				
Workforce Investment Act / Workforce Innovation and Opportunity Act (WIA/WIOA) Cluster:				
WIA/WIOA Youth Activities - 2017	17.259	046301IS-16	217,597	
Total United States Department of Labor			<u>217,597</u>	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
United States Department of Transportation				
Passed through State of California Department of Transportation (CALTRANS):				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	CML-5002(155)	211,096	
Highway Planning and Construction	20.205	CML-5002(178)	29,800	
Highway Planning and Construction	20.205	ATPL-5002(189)	291,083	
Highway Planning and Construction	20.205	CML-5002(193)	21,478	
Highway Planning and Construction	20.205	STPL-5002(156)	22,192	
Highway Planning and Construction	20.205	STPL-5002(156)	238	
Highway Planning and Construction	20.205	HP21L-5002(068)	1,012,233	
Highway Planning and Construction	20.205	STPL-5002(175)	17,989	
Highway Planning and Construction	20.205	RPSTPLEC-5002(147)	126,632	
Highway Planning and Construction	20.205	CML-5002(139)	46,914	
Highway Planning and Construction	20.205	BHLS-5002(111)	355,208	
Highway Planning and Construction	20.205	BRLS-5002(134)	107,228	
Highway Planning and Construction	20.205	STPCML-5002(159)	106,342	
Highway Planning and Construction	20.205	BPMP-5002(144)	22,938	
Highway Planning and Construction	20.205	DEMO5L-5002(163)	53,118	
Highway Planning and Construction	20.205	BRLS-5002(164)	666,540	
Highway Planning and Construction	20.205	HSIPLN-5002(165)	310,430	
Highway Planning and Construction	20.205	STPL-5002(170)	989,306	
Highway Planning and Construction	20.205	BRLS-5002(168)	68,347	
Highway Planning and Construction	20.205	STPL-5002(172)	1,732,755	
Highway Planning and Construction	20.205	STPL-5002(173)	75,585	
Highway Planning and Construction	20.205	STPL-5002(174)	80,258	
Highway Planning and Construction	20.205	STPL-5002(171)	511,720	
Highway Planning and Construction	20.205	ATPL-5002(179)	119,000	
Highway Planning and Construction	20.205	STPL-5002(195)	8,333	
Highway Planning and Construction	20.205	STPL-5002(191)	99,704	
Highway Planning and Construction	20.205	CML-5002(190)	13,779	
Highway Planning and Construction	20.205	HSIPL-5002(183)	8,803	
Highway Planning and Construction	20.205	HSIPL-5002(184)	15,623	
Highway Planning and Construction	20.205	HSIPL-5002(185)	27,585	
Highway Planning and Construction	20.205	HSIPL-5002(186)	42,494	
Highway Planning and Construction	20.205	HSIPL-5002(187)	36,525	
Highway Planning and Construction	20.205	HSIPL-5002(188)	50,966	
Highway Planning and Construction	20.205	CML-5002(192)	33,168	
Highway Planning and Construction	20.205	STPL-5002(196)	3,895	
Highway Planning and Construction	20.205	STPCML-5002(177)	1,389,472	
Subtotal Highway Planning and Construction Cluster			<u>8,708,777</u>	
Federal Transit Cluster:				
Passed through Sacramento Regional Transit District:				
Federal Transit Capital Investment Grants - Sacramento Intermodal Transportation Facility Retrofit Project - Phase II	20.500	CA-04-0013-03	219,426	
Passed through Sacramento Area Council of Governments:				
Federal Transit Capital Investment Grants - Streetcar Toolkit	20.500	2016-0750	603,718	
Subtotal Federal Transit Cluster			<u>823,144</u>	
Passed through State of California Office of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT1684	39,088	
State and Community Highway Safety	20.600	PT17103	144,385	
State and Community Highway Safety	20.600	PS1712	68,514	
National Priority Safety Programs	20.616	PS1608	26,368	
Subtotal Highway Safety Cluster			<u>278,355</u>	
Passed through State of California Office of Traffic Safety:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1637	60,967	46,858
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1684	103,812	
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT17103	130,257	
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>295,036</u>	<u>46,858</u>
Direct Programs:				
National Infrastructure Investments - TIGER Discretionary Grants - Sacramento Intermodal Phase 2 - Sacramento Valley Station (SVS)	20.933	N/A	2,878,467	
Total United States Department of Transportation			<u>12,983,779</u>	<u>46,858</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
United States Department of Treasury				
Direct Programs:				
Equitable Sharing Program	21.016	N/A	95,842	
Total United States Department of Treasury			95,842	
National Endowment for the Arts				
Direct Programs:				
Promotion of the Arts Grants to Organizations and Individuals - River Crossing Art Project	45.024	N/A	350	
Total United States Department of Treasury			350	
United States Department of Veterans Affairs				
Direct Programs:				
VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces - 2016	64.034	N/A	22,656	
VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces - 2017	64.034	N/A	64,468	
Subtotal VA Grants for Adaptive Sports Programs for Disabled Veterans and Disabled Members of the Armed Forces			87,124	
Total United States Department of Veteran Affairs			87,124	
United States Environmental Protection Agency				
Direct Programs:				
Brownfields Assessment and Cleanup Cooperative Agreements - Assessment Phase I	66.818	N/A	83,417	
Brownfields Assessment and Cleanup Cooperative Agreements - Assessment and Cleanup	66.818	N/A	19,924	
Brownfields Assessment and Cleanup Cooperative Agreements - Assessment Phase II	66.818	N/A	600	
Subtotal Brownfields Assessment and Cleanup Cooperative Agreements			103,941	
Total United States Environmental Protection Agency			103,941	
United States Department of Education				
Passed through California Department of Education:				
Twenty-First Century Community Learning Centers - 2015	84.287	15-14349-2192-8A	68,221	
Twenty-First Century Community Learning Centers - 2016	84.287	16-14349-2192-8A	594,851	
Subtotal Twenty-First Century Community Learning Centers			663,072	
Total United States Department of Education			663,072	
United States Department of Health and Human Services				
Passed through California Department of Education:				
CCDF Cluster:				
Child Care and Development Block Grant	93.575	CCTR-5184	71,427	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-5184	155,503	
Subtotal CCDF Cluster			226,930	
Total United States Department of Health and Human Services			226,930	
United States Department of Homeland Security				
Passed through State of California Department of Parks and Recreation, Division of Boating and Waterways:				
Boating Safety Financial Assistance	97.012	C15L0603	50,787	
Boating Safety Financial Assistance	97.012	C16L0603	49,689	
Subtotal Boating Safety Financial Assistance			100,476	
Direct Programs:				
National Urban Search and Rescue (US&R) Response System - 2013	97.025	N/A	163,509	
National Urban Search and Rescue (US&R) Response System - 2014	97.025	N/A	117,377	
National Urban Search and Rescue (US&R) Response System - 2015	97.025	N/A	366,138	
National Urban Search and Rescue (US&R) Response System - 2016	97.025	N/A	783,784	
National Urban Search and Rescue (US&R) Response System - Hurricane Matthew	97.025	N/A	48,040	
Subtotal National Urban Search & Rescue (US&R) Response System			1,478,848	
Assistance to Firefighters Grant - Wellness/Fitness Initiative - 2014	97.044	EMW-2014-FO-05291	139	
Passed through State of California Office of Emergency Services:				
Homeland Security Grant Program - 2014	97.067	2014-00093	15,990	
Homeland Security Grant Program - 2016	97.067	2016-0102	443,228	11,853
Passed through Sacramento County Office of Emergency Services:				
Homeland Security Grant Program - 2015	97.067	2015-SS-00078	30,993	
Subtotal Homeland Security Grant Program			490,211	11,853
Total United States Department of Homeland Security			2,089,874	11,853
Total Expenditures of Federal Awards			\$ 24,145,873	\$ 194,892

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF SACRAMENTO, CALIFORNIA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Sacramento, California (City) under programs of the federal government for the year ended June 30, 2017. The information in the 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 financial position, changes in net position, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds. Such expenditures are recognized following the cost principles continued in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown, if any, in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

The CFDA numbers included in the accompanying Schedule 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 – INDIRECT COST RATE

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

NOTE 5 – SCHEDULE OF SACRAMENTO EMPLOYMENT AND TRAINING AGENCY (SETA) EXPENDITURES

The following represents expenditures of the grants from the Sacramento Employment and Training Agency for the fiscal year ended June 30, 2017:

WIA / WIOA - Youth Program

CFDA Number	Sub-grant Number	Federal Expenditures		
		Personnel Service	Other	Total
17.259	046301IS-16	\$ 213,604	\$ 3,993	\$ 217,597

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>Yes</u>

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>14.218</u>	<u>CDBG/Entitlement Grants Cluster</u>
<u>15.512</u>	<u>Central Valley Project Improvement Act, Title XXXIV</u>
<u>16.710</u>	<u>Public Safety Partnership and Community Policing Grants</u>
<u>16.738</u>	<u>Edward Byrne Memorial Justice Assistance Grant Program</u>
<u>20.500</u>	<u>Federal Transit Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
--	-------------------

Auditee qualified as low-risk auditee?	<u>Yes</u>
--	------------

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

II. FINANCIAL STATEMENT FINDINGS

None Reported.

CITY OF SACRAMENTO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2017-001

Program: Central Valley Project Improvement Act, Title XXXIV

CFDA No.: 15.512

Federal Agency: U.S. Department of the Interior

Passed-through: N/A

Award Year: 2014

Compliance Requirement: Procurement and Suspension and Debarment

Criteria:

The *2017 OMB Compliance Supplement* states that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transactions with that entity.

Condition Found:

Significant Deficiency, Instance of Noncompliance – As a result of testwork, we noted 2 out of 5 contracts selected did not have evidence verification of suspension or debarment was made after the contract award dates nor contained the required certifications or clauses within the contracts.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our testing of the procurement and suspension and debarment requirements of the program.

Effect:

As a result of the condition noted, there were instances of non-compliance with procurement, suspension, and debarment requirements.

Cause:

The City did not follow written procedures requiring verification of the suspended and debarred status of vendors by checking the EPLS, collecting a certification from the vendor or adding a clause or condition to the contract with the entity.

Recommendation:

We recommend the City implement policies and procedures to ensure that procurements and subawards of federally funded projects are verified against the EPLS for suspension or debarment, a certification is obtained, or adding a clause to contracts relating to federal award contracts.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

CITY OF SACRAMENTO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2017-002

Program: Public Safety Partnership and Community Policing Grants

CFDA No.: 16.710

Federal Agency: U.S. Department of Justice

Passed-through: N/A

Award Year: 2011

Compliance Requirement: Subrecipient Monitoring

Criteria:

The 2017 OMB Compliance Supplement requires a pass-through entity to be responsible for:

Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Subrecipient Audits – (1) Ensuring that subrecipients expending \$750,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years beginning on or after December 26, 2014 have met the audit requirements of 2 CFR 200, subpart F and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

Condition Found:

Significant Deficiency, Instance of Noncompliance – As a result of our audit, we noted the following based on our testing performed over subrecipient monitoring:

- For 2 of the 2 subrecipient files tested, the City did not include all of the required subrecipient information and applicable compliance requirements.
- For 2 of the 2 subrecipient files tested, the City did not request and did not receive issued single audit reports for the most recent fiscal years.
- For 1 of the 2 subrecipient files tested, the City did not maintain adequate documentation of site visits for the during-the-award monitoring.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

Context:

The condition noted above was identified during our procedures related to subrecipient monitoring for the Public Safety Partnership and Community Policing Grants.

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Effect:

There is an increased risk of non-compliance by the sub-recipients as a result of these conditions.

Cause:

The City's procedures did not ensure that all the required elements are included in the sub-award document, ongoing monitoring is adequately documented, and that all subrecipients that require a Single Audit, file one with the City and the City issue a management decision on the results of the Single Audit, as necessary.

Recommendation:

We recommend the City review its policies and formalize written procedures related to subrecipient monitoring.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

Finding 2017-003

Program: Public Safety Partnership and Community Policing Grants

CFDA No.: 16.710

Federal Agency: U.S. Department of Justice

Passed-through: N/A

Award Year: 2011

Compliance Requirement: Procurement and Suspension and Debarment

Criteria:

The *2017 OMB Compliance Supplement* states that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transactions with that entity.

Condition Found:

Significant Deficiency, Instance of Noncompliance – As a result of testwork, we noted 1 out of 2 subrecipients selected did not have evidence verification of suspension or debarment was made before the contract award dates nor contained the required certifications or clauses within the contracts.

Questioned Costs:

No questioned costs were identified as a result of our procedures.

CITY OF SACRAMENTO, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Context:

The condition noted above was identified during our testing of the subrecipient monitoring requirements of the program.

Effect:

As a result of the condition noted, there were instances of non-compliance with procurement, suspension, and debarment requirements.

Cause:

The City did not follow written procedures requiring verification of the suspended and debarred status of subrecipients by checking the EPLS, collecting a certification from the vendor or adding a clause or condition to the contract with the entity.

Recommendation:

We recommend the City implement policies and procedures to ensure that procurements and subawards of federally funded projects are verified against the EPLS for suspension or debarment, a certification is obtained, or adding a clause to contracts relating to federal award contracts.

Views of Responsible Officials and Planned Corrective Actions:

See separate corrective action plan.

CITY OF SACRAMENTO, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

None reported.