

Single Audit Report
City of Simi Valley, California
Year ended June 30, 2014
with Report of Independent Auditors

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**Report of Independent Auditors 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***

**The Honorable Mayor and Members of City Council
City of Simi Valley, 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 Simi Valley, California (the City), as of and for the year ended June 30, 2014, 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, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 city's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasquez + Company LLP

**Los Angeles, California
December 22, 2014**

**Report of Independent Auditors on Compliance for Each Major Federal Program,
on Internal Control over Compliance, and on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

**The Honorable Mayor and Members of City Council
City of Simi Valley**

Report on Compliance for Each Major Federal Program

We have audited the City of Simi Valley, California (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 year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 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 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, 2014.



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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, 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, 2014, 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 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 additional 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Vasquez + Company LLP

Los Angeles, California

March 6, 2015, except for the Schedule of Expenditures of Federal Awards, as to which the date is December 22, 2014

City of Simi Valley
Schedule of Expenditures of Federal Awards
Year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Assistance:			
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-06-0535	\$ 161,728
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-06-0535	167,515
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-06-0535	<u>705,978</u>
			1,035,221 *
Passed through the State of California Department of Housing and and Community Development:			
Home Investment Partnerships Program	14.239	03-HOME-0681	<u>7,402</u>
Total U.S. Department of Housing and Urban Development			<u>1,042,623</u>
<u>U.S. Department of Justice</u>			
Direct Assistance:			
Federal Asset Forfeiture Program	16.922	N/A	555,159 *
Pass through the City of Oxnard:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A-7597	<u>9,642</u>
Total U.S. Department of Justice			<u>564,801</u>
<u>U.S. Department of Transportation</u>			
Direct Assistance:			
Federal Transit Formula Grants	20.507	CA-90-Z162	2,560,396
Federal Transit Formula Grants	20.507	CA-95-X221	202,568
Federal Transit Formula Grants	20.507	CA-95-X121	39,985
ARRA - Federal Transit Formula Grants	20.507	CA-96-X005	<u>62,937</u>
			<u>2,865,886 *</u>
Passed through the State of California, Department of Transportation:			
Highway Planning & Construction	20.205	CML-5405 (049)	89,808
Highway Planning & Construction	20.205	HSIPL-5405 (069)	4,813
Highway Planning & Construction	20.205	BHLS-5405 (064)	54,741
Highway Planning & Construction	20.205	STPL-5405 (070) (072) (073)	198,113
Highway Planning & Construction	20.205	STPL-5405 (071)	823,520
Highway Planning & Construction	20.205	CML-5405 (080)	84,371
Job Access Reverse Commute Program	20.516	643628	<u>189,015 *</u>
			<u>1,444,381</u>
Passed Through the State of California Office of Traffic Safety:			
State and Community Highway Safety	20.608	PT1307	7,966
State and Community Highway Safety	20.608	5937-12-PO	<u>8,161</u>
			<u>16,127</u>
Total U.S. Department of Transportation			<u>4,326,394</u>
<u>U.S. Department of Treasury</u>			
Direct Assistance:			
Federal Asset Forfeiture Program	21.000	N/A	<u>7,819</u>
Total U.S. Department of Treasury			<u>7,819</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the County of Ventura Area Agency on Aging:			
Special Programs for the Aging, Title III, Part C Nutrition Services	93.045	3C-011-071212	<u>108,244</u>
Total U.S. Department of Health and Human Services			<u>108,244</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the County of Ventura Sheriff's Department:			
Emergency Management Performance Grants	97.042	FY 2013 EMPG	42,089
State Homeland Security Program (SHSP)	97.073	2011-SS-0077	<u>20,000</u>
Total U.S. Department of Homeland Security			<u>62,089</u>
Total expenditures of federal awards			<u>\$ 6,111,970</u>

* Denotes major program

*See Notes to Schedule of Expenditures of Federal Awards and Report of Independent Auditors on
Compliance for each Major Federal Program, on Internal Control over Compliance and on the
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133*

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Presentation

The accompanying schedule presents the activity of all federal award programs of the City of Simi Valley, California (City). For the purposes of this schedule, financial awards include federal awards received directly from a federal agency and federal funds received indirectly by the City from a nonfederal agency or other organization. Only the portions of program expenditures reimbursable with federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other nonfederal funds are excluded from the accompanying schedule.

Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting, which is defined in Note 1 to the City's basic financial statements. Expenditures reported include any property or equipment acquisitions incurred under the federal programs.

NOTE 2 SUBRECIPIENTS

During the fiscal year ended June 30, 2014, the City disbursed \$451,567 to subrecipients, utilizing funds provided by the U.S. Department of Housing and Urban Development Community Development Block Grants/Entitlement program.

NOTE 3 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports as of June 30, 2014, which have been submitted to grantor agencies, will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

NOTE 4 RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

In accordance with the Governmental Accounting Standards Board's Statement No. 61, *Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No.14* activities relating to all federal financial assistance programs are blended in the City's financial statements as special revenue funds.

NOTE 5 LOANS RECEIVABLE

Loans from CDBG funds in the amount of \$463,114, which includes interest of \$69,792 and HOME funds in the amount of \$1,654,340, which includes interest of \$116,347, are outstanding as of June 30, 2014. During fiscal year 2013-14, there were no new loans made with CDBG or HOME funds.

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted:	No

Federal Awards

Internal control over its major programs:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	None

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
16.922	Federal Asset Forfeiture Program
20.507	Federal Transit Formula Grants
20.516	Job Access Reverse Commute Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee:	No

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings

There were no federal award findings noted during the fiscal year ended June 30, 2014.

Finding # 2013-001 – Subrecipient Monitoring

Federal Catalog Number:	14.218
Program Name:	Community Development Block Grants/Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass- Through Agency:	N/A
Federal Award Year:	July 1, 2012 to June 30, 2013

Criteria

24 CFR 570.503(b) describes the required elements for subrecipient agreements.

Condition

Subrecipient contracts maintained by the City and the subrecipient are insufficient according to 24 CFR 570.503(b).

Questioned Cost

None.

Cause

The City was unaware of the specific requirements set forth by the U.S. Department of Housing and Urban Development in relation to the subrecipient agreements.

Effect

Without a clear scope of work and completion schedule identified in the sub-recipient agreement, the City has had difficulty in determining and ensuring that subrecipients are meeting acceptable and established goals.

Recommendation

We recommend that the City revise its subrecipient agreements to include an accurate, detailed scope of work and programs, including clear outcomes and accomplishments. We also recommend the City amend any existing agreements to include provision for reversion of assets.

Current Status

Implemented.

Finding # 2013-002 – Subrecipient Monitoring

Federal Catalog Number:	14.218
Program Name:	Community Development Block Grants/Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass- Through Agency:	N/A
Federal Award Year:	July 1, 2012 to June 30, 2013

Criteria

24 CFR 570.501(b) – Responsibility for Grant Administration, the recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. 24 CFR 85.40 assigns grantees responsibility for managing the day to day operations of grant and subgrant supported activities.

Condition

This was a finding from HUD’s monitoring conducted in May 2010. The City has not implemented any monitoring procedures.

Questioned Cost

None.

Cause

The City did not take action to correct this previous finding from HUD.

Effect

The City does not have any assurance that CDBG funds were properly monitored and that subrecipients achieved their performance objectives on schedule, within budget, and in compliance with federal requirements.

Recommendation

We recommend that the City establish a written policy and procedure for subrecipients and activities administered by other City departments. The City should ensure that monitoring documentation and other records required by regulations are maintained in each project file.

Current Status

Implemented.

Finding # 2013-003 – Program Income

Federal Catalog Number:	14.218
Program Name:	Community Development Block Grants/Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass- Through Agency:	N/A
Federal Award Year:	July 1, 2012 to June 30, 2013

Criteria

24 CFR Part 85.20(b) (3) Standards for financial management systems requires effective control over and accountability for all Federal Funds, property and other assets. In addition, program income is required to be designated and disbursed before voucher requests are made for CDBG funds. The consolidated plan must also describe the Federal resources expected to be available to address the priority needs and specific objectives identified in the strategic plan. Those requirements are in accordance with 24 CFR 91.220(c) (1) and 24 CFR Part 570.504(b) (4) (i) or (ii) (revolving loan fund). These resources include grant funds and program income. 24 CFR 570.504(b) (2) (iii) requires that at the end of each program year, program income that exceeds one twelfth of the most recent grant shall be remitted to HUD, to be placed in the recipient's line of credit. Finally, 24 CFR Section 85.21(i) states that grantees shall at least quarterly remit interest earned on advances to the Federal Agency. Technically, funds are considered advanced and not needed if unrestricted program income is on hand, particularly if they were held over many years by the City.

Condition

The City accumulated CDBG program income funds in the amount of \$58,460 in the fiscal year 2012-2013. The City did not follow the cited regulations relating to program income. The City's current accounting system does include Line of Credit Control System accounting procedures, internal control procedures, and program income reporting procedures sufficient to comply with HUD program income and internal control requirements.

Questioned Cost

None noted at this time.

Cause

The City was unaware that it needed to modify its current written grant accounting management and program income internal control procedures to adequately safeguard grant assets.

Effect

The City's non-compliance with the specified requirements may result in questioned and disallowed grant costs.

Recommendation

We recommend that the City modify its current written grant accounting management and program income internal control procedures to adequately safeguard grant assets that comply with the noted regulations.

Current Status

Implemented.

Finding # 2013-004 – Special Tests and Provisions

Federal Catalog Number:	14.218
Program Name:	Community Development Block Grants/Entitlement Grants
Federal Agency:	U.S. Department of Housing and Urban Development
Pass- Through Agency:	N/A
Federal Award Year:	July 1, 2012 to June 30, 2013

Criteria

24 CFR Part 8 – Accessibility standards; 24 CFR 91.105(c) (2); 24 CFR 91.105(d) (2); 24 CFR 91.105(g) – Citizen Participation Plan requirements.

Condition

The City Citizen Participation Plan does not include a provision to provide the plan in a format accessible to persons with disabilities (e.g. providing oral, Braille, electronic, or large print copies for the visually impaired; and delivering copies to the homebound). The Plan does not state how Citizens will be given notice to comment on substantial amendments to the Consolidation Annual Performance and Evaluation Report that are received in writing or orally during public hearings will be considered by the City. The Plan does not provide that the Consolidated Plan, as adopted, substantial amendments, and the performance report will be available to the public, including the availability of materials in a form accessible to persons with disabilities, upon request.

Questioned Cost

None.

Cause

The City was not aware that certain provisions were missing.

Effect

Without the necessary requirements in the Citizen Participation Plan, the City is non-compliant with federal regulations thus putting in jeopardy their future funding status with the Department of Housing and Urban Development.

Recommendation

We recommend that the City revise the Citizen Participation Plan to include the required provisions.

Current Status

Implemented.



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