

CITY OF LA MIRADA, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of La Mirada, 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, each major fund, and the aggregate remaining fund information of City of La Mirada, 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 1, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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*.



To the Honorable Mayor and Members of the City Council
City of La Mirada, California

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.

Lance, Soll & Lughard, LLP

Brea, California
December 1, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of La Mirada, California

Report on Compliance for Each Major Federal Program

We have audited the City of La Mirada, California (the City)'s 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 auditor's 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.

Auditor's 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.



To the Honorable Mayor and Members of the City Council
City of La Mirada, California

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, and 2014-003. 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. 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 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. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, and 2014-003 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. 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.



To the Honorable Mayor and Members of the City Council
City of La Mirada, California

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, each major fund, and the aggregate remaining fund information of the City of La Mirada, California, 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 1, 2014, which contained an unmodified opinion 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 the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

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.

Lance, Soll & Lughard, LLP

Brea, California

February 25, 2015 (except for the Schedule of Expenditures of Federal Awards which is as of December 1, 2014)

CITY OF LA MIRADA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the County of Los Angeles			
Community Development Commission:			
Community Development Block Grant*	14.218	D96288-13	\$ 18,342
		600507-13	29,972
		601419-11	650,121
		600671-13	28,638
Total U.S. Department of Housing and Urban Development			727,073
<u>U.S. Department of Justice</u>			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2529	10,042
Total U.S. Department of Justice			10,042
<u>U.S. Department of Transportation</u>			
Passed through the State of California			
Office of Traffic Safety:			
Sobriety Checkpoint Grant	20.602	SC13205	9,696
Total U.S. Department of Transportation			9,696
<u>U.S. Department of Energy</u>			
Direct Programs:			
ARRA - Energy Efficiency and Conservation Block Grant*	81.128	DE-EE0001949	190,000
Total U.S. Department of Energy			190,000
Total Federal Expenditures			\$ 936,811

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of La Mirada, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

Note 2: Community Development Block Grant Projects

The following is a breakdown of CDBG projects passed-through from the County of Los Angeles CDC:

CDBG Project No.	Financial Assistance Received From CDC During Fiscal Year	Accrual at End of the Fiscal Year	Accrual at Beginning of Fiscal Year	Total Expenditures Reported in SEFA
D96288-13	\$ 46,647	\$ (15,742) *	\$ (12,563)	\$ 18,342
600507-13	30,700	(728) *	-	29,972
601419-11	650,121	-	-	650,121
600671-13	17,463	13,120	(1,945)	28,638
Total All Projects	\$ 744,931	\$ (3,350)	\$ (14,508)	\$ 727,073

* The City returned to CDBG \$16,470 during fiscal year ending June 30, 2014. Rehabilitation program administrative costs exceeded what was allowed and overestimated payroll costs for senior services.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number 2014-001:

Significant Deficiency:
Reporting

Federal Program:
CFDA Number: 81.128
Program: ARRA – Energy Efficiency and Conservation Block Grant
Federal Grantor: U.S. Department of Energy
Grant Number: DE-EE0001949

Criteria or Specific Requirement:
Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter.

Condition:
The ARRA quarterly report submitted for the quarter ending September 30, 2013, was submitted on October 14, 2013, after the due date of October 10, 2013.

Questioned Costs:
None

Context:
The condition was identified through the testing of the reporting requirements of the program.

Effect:
The City is not in compliance with Section 1512 of the Recovery Act reporting requirements.

Recommendation:
We recommend that the City implement procedures to ensure that required reports are prepared in accordance with regulations and submitted in a timely manner.

Management's Response:
The City agrees with the finding and will ensure that future reports will be filed timely and in accordance with grant regulations.

CITY OF LA MIRADA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding Number 2014-002:

Significant Deficiency:

Procurement, Suspension and Debarment

Federal Program:

CFDA Number: 81.128

Program: ARRA – Energy Efficiency and Conservation Block Grant

Federal Grantor: U.S. Department of Energy

Grant Number: DE-EE0001949

Criteria or Specific Requirement:

Office of Budget and Management (OMB) Circular A-133 Compliance Supplement requires a participant who enters into a covered transaction with another person to verify that the person with whom it intends to do business is not excluded or disqualified by (a) checking the System for Award Management (SAM); or (b) collecting a certification from that person if allowed by the Federal agency responsible for the transaction; or (c) adding a clause or condition to the covered transaction with that person.

Condition:

The City did not check the SAM website, collect a certification from the entity, or add a clause or condition to the covered transaction with the contractor for the projects.

Questioned Costs:

None

Context:

It was noted the City contracted with outside vendors for services in which grant funding would be spent.

Effect:

The City is not in compliance with the A-133 requirements with respect to suspension and debarment. The City increases its risk of contracting with a suspended and debarred sub recipient.

Recommendation:

We recommend that the City include the clause in their standard contracts and implement procedures to ensure the SAM website, formerly EPLS, is checked prior to awarding the contracts.

Management's Response:

The City agrees with the finding, however, it was confirmed that the contractor was an approved vendor. The City will implement procedures to ensure that vendors are approved vendors.

Finding Number 2014-003:

Significant Deficiency:

Procurement, Suspension and Debarment

Federal Program:

CFDA Number: 81.128

Program: ARRA – Energy Efficiency and Conservation Block Grant

Federal Grantor: U.S. Department of Energy

Grant Number: DE-EE0001949

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding Number 2014-003(Continued):

Criteria or Specific Requirement:

The Buy American provisions of the Recovery Act, subject to Section 1605 of ARRA, requires that all iron, steel, and manufactured goods used in the projects funded by the Recovery Act for the construction, alteration, maintenance or repair of a public building or public work be produced in the United States. Recipients should maintain documentation to show compliance with the Recovery Act Buy American provision.

Condition:

During the time of granting the contract to the contractor, the City did not include language in documents that obligates contractors to comply with the Buy American provisions.

Questioned Costs:

None

Context:

The condition was identified through the testing of the procurement requirements of the program.

Effect:

The City is not in compliance with the Buy American provisions of the Recovery Act, subject to Section 1605 of ARRA.

Recommendation:

We recommend that the City include language in documents that obligates contractors to comply with the Buy American provisions.

Management's Response:

The City agrees with the finding, however, it was confirmed by the manufacturer that all items were purchased in America. The City will include language in accordance with the Buy American provisions.

CITY OF LA MIRADA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The City of La Mirada was not required to have a Single Audit performed for the fiscal year ended June 30, 2013.