MAZE & ASSOCIATES

CITY OF ALAMEDA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014

CITY OF ALAMEDA

SINGLE AUDIT REPORT
For The Year Ended June 30, 2014

TABLE OF CONTENTS

Page

Schedule of Findings and Questioned Costs 1

Section I - Summary of Auditor's Results 1

Section II – Financial Statement Findings 2

Section III – Federal Award Findings and Questioned Costs 2

Section IV - Status of Prior Year Findings and Questioned Costs 3

Schedule of Expenditures of Federal Awards 4

Notes to Schedule of Expenditures of Federal Awards 5

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* 7

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report On The Schedule of Expenditures of Federal Awards Required By OMB Circular A-133 9

CITY OF ALAMEDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified?	X Yes	____ None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified?	____ Yes	X None Reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	____ Yes	X No

Identification of major programs:

CFDA#(s)	Name of Federal Program or Cluster
14.218	Department of Housing and Urban Development - Community Development Block Grant/Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? ____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed significant deficiencies, but no material weaknesses or instance of noncompliance material to the basic financial statements, which are included in our separately issued Memorandum on Internal Control dated October 15, 2014 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
Prepared by Management

Financial Statement Prior Year Findings

Our audit disclosed significant deficiencies, but no material weaknesses or instances of noncompliance material to the basic financial statements. The current year status of these significant deficiencies are listed in our separately issued Memorandum on Internal Control dated October 15, 2014 which is an integral part of our audits and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

Finding SA# 2013-01: Overhead Costs for Engineering Labor Billing

CFDA Number:	20.205
CFDA Title:	Highway Planning and Construction (Federal-Aid Highway Program)
Federal Agency:	Department of Transportation
Pass-Through Entity:	State of California - Department of Transportation

Criteria: OMB Circular A-87 Attachment E, State and Local Indirect Cost Rate Proposal, states that the City should develop an indirect cost proposal in accordance with the requirements of this Circular and maintain the proposal and related supporting documentation for audit. In addition, the City should be charging the indirect cost rate consistently throughout the life of the grant once it has been established.

Condition: We selected seven employees that worked on the Park Street Streetscape Phase 2 project, six employees that worked on the Shoreline Drive project and one employee that worked on Park Street Arterial Management project for payroll testing. Our testing discovered the following:

- The City charges indirect cost rate of 113.23% to the Park Street Streetscape project and 153.22% to the Shoreline Drive/Westline Drive/Broadway and Park Street Arterial Managements projects. However, the City could not provide documentation that would support the calculation of indirect cost rates which includes benefits and overhead costs charged to the grant for each engineering hour.

Questioned Cost: $24,582

Effect: Without the proper documentation, we could not determine if the indirect cost rate was established in accordance to OMB Circular A-87. In addition, the City did not charge the grant correctly due to the fluctuation of the indirect cost rate.

Cause: The study that was done to determine appropriate overhead cost rate for engineering labor was performed years ago by an outside consultant, and the City did not retain the documentation and report of that study.

Recommendation: We recommend that the City retains documentation pertaining to indirect cost rates and adopt a new indirect cost rate plan.

Current Status: The City has established the procedures noted above and has developed Indirect Cost Plan Proposals for the years ended June 30, 2012 to June 30, 2015, which were submitted to CalTrans for review and approval. After CalTrans provides its approval, the questioned costs will be repaid to CalTrans.

CITY OF ALAMEDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal and Pass-Through Identifying Number	Federal Expenditures
Department of Homeland Security, Direct Programs			
Federal Emergency Management Agency (FEMA)			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.803	EMW-2011-FH-00362	912,384
Port Security Grant Program	97.056	EMW-2012-PU-00235	125,000
Assistance to Firefighters Grant 2012-Operations and Safety Program	97.044	EMW-2012-FO-03592	97,298
Total Department of Homeland Security			1,134,682
Department of Transportation, Pass Through Programs from:			
State of California, Department of Transportation			
Highway Planning and Construction (Federal Aid Highway Program)	20.205		
Park Street Streetscape Phase 2		DEMO06L-5014(031)	18,081
Park Street Streetscape Phase 3		TCSPL 5014(040)	51,307
Park Street Arterial Management		HSIPL 5014(038)	4,362
Otis Dr/Pacific Ave Street Resurfacing		STPL-5014(041)	10,534
Program Subtotal			84,284
Bay Area Rapid Transit			
Federal Transit - Capital Investment Grants (Fixed Guideway Capitol Investment Grants)			
Transit and Access Study/Shuttle Service Improvements	20.500	E2009-BUSP-071	7,960
Total Department and Transportation			92,244
Department of Justice, Pass-Through Programs from:			
County of Alameda			
Edward Byrne Memorial Justice Assistant Grant Program	16.738	2011-DJ-BX-3420	1,407
Edward Byrne Memorial Justice Assistant Grant Program		2012-DJ-BX-0685	11,088
Total Department of Justice			12,495
Department of Housing and Urban Development, Direct Programs			
Community Development Block Grant/Entitlement Grants	14.218		
Program Income		B13MC060007	262,507
Program Expenditures		B13MC060007	636,480
Loan Program			
New Loans		B13MC060007	553,637
Subtotal Department of Housing and Urban Development, Direct Programs			1,452,624
Department of Housing and Urban Development, Pass-Through Programs from:			
County of Alameda			
Home Investment Partnerships Program	14.239		
Program Expenditures		M13DC060201	76,261
Subtotal Department of Housing and Urban Development, Pass-Through Programs			76,261
Total Department of Housing and Urban Development Programs			1,528,885
Total Expenditures of Federal Awards			$2,768,306

See Accompanying Notes to Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2014

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Alameda, California, and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the Alameda Municipal Power (AMP), Alameda, California. Federal awards expended by AMP, if any, are excluded from the Schedule and are subject to a separate Single Audit performed by other auditors.

NOTE 2-BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs when they occur.

NOTE 4-SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants/Entitlement Grants	$332,563
14.239	HOME Investment Partnership Program	67,667

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MAZE & ASSOCIATES

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*

To the Honorable Members of the City Council
City of Alameda, 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 basic financial statements of the City of Alameda as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2014. Our report includes a reference to other auditors who audited the financial statements of the Alameda Municipal Power (AMP) as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 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. We identified certain deficiencies in internal control, we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated October 15, 2014 which is an integral part of our audits and should be read in conjunction with this report.

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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 that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated October 15, 2014 which is an integral part of our audits and should be read in conjunction with this report. City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Maze & Associates

Pleasant Hill, California
October 15, 2014

MAZE & ASSOCIATES

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

To the Honorable Members of the City Council
City of Alameda, California

Report on Compliance for Each Major Federal Program

We have audited City of Alameda'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.

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Report on Internal Control Over Compliance

Management 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 Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the City as of and for the year ended June 30, 2014, and have issued our report thereon dated October 15, 2014 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Maze & Associates

Pleasant Hill, California
January 19, 2015