

CITY OF GLENDALE, CALIFORNIA

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2017**

CITY OF GLENDALE, CALIFORNIA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017
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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 City Council
of the City of Glendale
City of Glendale, 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 Glendale, 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 November 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

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*.

Management's Response to Findings

The City's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and the City's separate corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 22, 2017



**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**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Glendale (City), California's 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 auditor's 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 2017-003 and 2017-004. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and the City's separate corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 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 were not 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 2017-003 and 2017-004 that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and the City's separate corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 have issued our report thereon dated November 22, 2017, 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 the Uniform Guidance 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.

Varrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 22, 2017

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Entity or Grant Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:				
Direct Programs:				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant Entitlement Program	14.218	B-16-MC-06-0518	\$ 1,235,180	\$ 426,739
Sub-total - Community Development Block Grant - Entitlement Grants Cluster			<u>1,235,180</u>	<u>426,739</u>
Emergency Solutions Grants Program	14.231	E-16-MC-06-0518	131,386	76,006
Shelter Plus Care - 2010 Shelter Plus Care Chronically Homeless	14.238	CA1028C9D121000	3,356	-
Shelter Plus Care - 2011 Shelter Plus Care Chronically Homeless	14.238	CA1144C9D121100	44,231	-
Sub-total - Shelter Plus Care			<u>47,587</u>	<u>-</u>
Home Investment Partnerships Program	14.239	M-16-MC-06-0512	967,538	-
Home Investment Partnerships Program	14.239	Loans	39,671,690	-
Sub-total - Home Investment Partnerships Program			<u>40,639,228</u>	<u>-</u>
Continuum of Care Program - 1998 and 1999 Consolidated Shelter Plus Care Program	14.267	CA0724L9D121508	253,204	-
Continuum of Care Program - 1998 and 1999 Consolidated Shelter Plus Care Program	14.267	CA0724L9D121609	20,439	-
Continuum of Care Program - 2001 Shelter Plus Care Program	14.267	CA0726L9D121407	52,782	-
Continuum of Care Program - 2001 Shelter Plus Care Program	14.267	CA0726L9D121508	63,394	-
Continuum of Care Program - 2005 and 2009 Consolidated Shelter Plus Care Program	14.267	CA1057L9D121505	90,652	-
Continuum of Care Program - 2010 Shelter Plus Care Chronically Homeless	14.267	CA1028L9D121501	30,322	-
Continuum of Care Program - 2014 Permanent Housing Project	14.267	CA1375L9D121400	19,356	-
Continuum of Care Program - Ascencia Glendale Supportive Services	14.267	CA0732L9D121407	157,877	141,994
Continuum of Care Program - CES Reallocation 2015	14.267	CA1455L9D121500	500,124	450,113
Continuum of Care Program - Chester Street Permanent Supportive Housing	14.267	CA0948L9D121405	39,382	35,484
Continuum of Care Program - Chester Street Permanent Supportive Housing	14.267	CA0948L9D121506	52,707	50,707
Continuum of Care Program - Glendale CoC Planning	14.267	CA1374L9D121400	14,475	-
Continuum of Care Program - Glendale CoC Planning	14.267	CA1454L9D121500	37,660	-
Continuum of Care Program - Next Step Permanent Supportive Housing Program	14.267	CA0731L9D121508	155,196	148,128
Continuum of Care Program - Next Step Permanent Supportive Housing Program	14.267	CA0731L9D121609	18,063	18,063
Continuum of Care Program - Hamilton Court Transitional Housing	14.267	CA0729L9D121407	104,336	94,544
Continuum of Care Program - Hamilton Court Transitional Housing	14.267	CA0729L9D121508	66,333	66,333
Continuum of Care Program - HMIS	14.267	CA0728L9D121407	23,829	-
Continuum of Care Program - HMIS	14.267	CA0728L9D121508	70,725	-
Continuum of Care Program - PATH Ventures Housing Now	14.267	CA0733L9D121508	342,378	316,339
Continuum of Care Program - Ascencia Housing Now	14.267	CA0733L9D121609	49,067	49,067
Continuum of Care Program - Ascencia Scattered Site Permanent Supportive Housing Program	14.267	CA1271L9D121401	56,896	54,420
Continuum of Care Program - Ascencia Scattered Site Permanent Supportive Housing Program	14.267	CA1271L9D121502	149,499	147,058
Sub-total - Continuum of Care Program			<u>2,368,696</u>	<u>1,572,250</u>
Housing Choice Voucher Cluster:				
Section 8 Housing Choice Vouchers Program	14.871	CA114V	16,078,488	-
Pass-through Other Housing Authorities:				
Section 8 Housing Choice Vouchers Program	14.871	CA114V	13,861,421	-
Sub-total - Housing Choice Voucher Cluster			<u>29,939,909</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>74,361,986</u>	<u>2,074,995</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Entity or Grant Identifying Number	Federal Expenditures	Passed Through to Subrecipient
U.S. Department of Justice:				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0183	\$ 13,949	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0305	5,862	-
Sub-total - Edward Byrne Memorial Justice Assistance Grant Program			<u>19,811</u>	<u>-</u>
Equitable Sharing Program	16.922	CA0192500	362,371	-
DNA Backlog Reduction Program	16.741	2015-DN-BX-0119	99,880	-
Pass-through State of California Governor's Office of Emergency Services: Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ15 03 6763	7,682	-
Total U.S. Department of Justice			<u>489,744</u>	<u>-</u>
U.S. Department of Labor:				
Pass-through State of California Employment Development Department (EDD):				
Disability Employment Initiative - Wagner Peyser	17.207	K597229	1,886	-
Sub-total			<u>1,886</u>	<u>-</u>
WIA/WIOA Cluster:				
WIA/WIOA Adult Program	17.258	K698401	258,724	7,742
WIA/WIOA Adult Program	17.258	K7102078	771,814	34,708
WIA/WIOA Adult Program	17.258	K594800	104,123	-
WIA/WIOA Adult Program	17.258	K698401	159,104	-
WIA/WIOA Youth Activities	17.259	K698401	168,656	44,355
WIA/WIOA Youth Activities	17.259	K7102078	685,778	453,738
WIA/WIOA Dislocated Worker Formula Grants	17.278	K698401	350,893	7,745
WIA/WIOA Dislocated Worker Formula Grants	17.278	K7102078	667,048	34,693
WIA/WIOA Dislocated Worker Formula Grants	17.278	K698401	48,824	9,625
WIA/WIOA Dislocated Worker Formula Grants	17.278	K7102078	351,297	36,099
WIA/WIOA Dislocated Worker Formula Grants	17.278	K698401	2,164	-
WIA/WIOA Dislocated Worker Formula Grants	17.278	K7102078	93,329	-
WIA/WIOA Dislocated Worker Formula Grants	17.278	K594800	21,668	-
Total WIA/WIOA Cluster			<u>3,683,422</u>	<u>628,705</u>
Total U.S. Department of Labor			<u>3,685,308</u>	<u>628,705</u>
U.S. Department of Transportation:				
Pass-through State Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction - Glendale Ave. Street & Wastewater Improvement	20.205	STPL-5144(058)	2,154	-
Highway Planning and Construction - Safe Route to School Program (Non-Infrastructure)	20.205	SRTSL-5144(063)	75,873	-
Highway Planning and Construction - Safe Route to School Improvement Phase 3	20.205	HSIPL-5144(063)	215,230	-
Highway Planning and Construction - Safe Route to School Program Phase 3 (Non-Infrastructure)	20.205	SRTSLNI-5144(062)	14,950	-
Highway Planning and Construction - Hoover, Toll/Keppel Schools/Chevy Chase Dr. SRTS Improvements	20.205	ATPL-5144(066)	93,129	-
Total Highway Planning and Construction Cluster			<u>401,336</u>	<u>-</u>
Pass-through Los Angeles County Metropolitan Transportation Authority:				
Federal Transit Cluster				
Federal Transit Formula Grant - Section 5307 Urbanized Area Formula Program	20.507	CA-90-Y114	144,962	-
Total Federal Transit Cluster			<u>144,962</u>	<u>-</u>
Pass-through State of California Office of Traffic Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT16141	19,950	-
State and Community Highway Safety	20.600	PT1748	86,026	-
National Priority Safety Programs	20.616	PT16141	3,000	-
National Priority Safety Programs	20.616	PT1748	10,436	-
Total Highway Safety Cluster			<u>119,412</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT16141	73,128	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1748	78,991	-
Subtotal - Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>152,119</u>	<u>-</u>
Total U.S. Department of Transportation			<u>817,829</u>	<u>-</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Entity or Grant Identifying Number	Federal Expenditures	Passed Through to Subrecipient
U.S. Department of Treasury:				
Direct Programs:				
Asset Forfeiture	21.000	CA0192500	\$ 37,605	-
Total U.S. Department of Treasury			<u>37,605</u>	<u>-</u>
U.S. Department of Education:				
Pass-through California State Library:				
Adult Education - Basic Grants to States	84.002	84002022	259	-
Total U.S. Department of Education			<u>259</u>	<u>-</u>
U.S. Department of Health and Human Services:				
Pass-through Los Angeles County Department of Community and Senior Services:				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B	93.044	SSP141808	50,000	-
Special Programs for the Aging - Title III, Part B	93.044	ENP162007	1,000	-
Special Programs for the Aging - Title III, Part C	93.045	ENP162007	223,349	-
Nutrition Services Incentive Program	93.053	ENP162007	26,231	-
Sub-total - Aging Cluster			<u>300,580</u>	<u>-</u>
Pass-through Los Angeles County Department of Community and Senior Services:				
TANF Cluster:				
Temporary Assistance for Needy Families (Youth Program)	93.558	IA0415	299,000	278,142
Sub-total - TANF Cluster			<u>299,000</u>	<u>278,142</u>
Total U.S. Department of Health and Human Services			<u>599,580</u>	<u>278,142</u>
Social Security Administration:				
Direct Programs:				
Social Security - Work Incentives Planning and Assistance Program	96.008	5 WIP15050407-02-00	300,000	-
Total Social Security Administration			<u>300,000</u>	<u>-</u>
Department of Homeland Security:				
Pass-through Los Angeles County:				
Homeland Security Grant Program	97.067	C-126293	994,532	-
Sub-total			<u>994,532</u>	<u>-</u>
Total Department of Homeland Security			<u>994,532</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 81,286,843</u>	<u>\$ 2,981,842</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF GLENDALE, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE 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 Glendale, California (City) under programs of the federal government for the year ended June 30, 2017. The information in this 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 POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE #3 – INDIRECT COST RATE

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

NOTE #4 – WORKFORCE INNOVATION AND OPPORTUNITY ACT

The City, along with the cities of Burbank and La Cañada Flintridge, established a joint powers agreement on December 14, 1999, named the Verdugo Consortium (the Consortium) for the purpose of receiving a Workforce Innovation and Opportunity Act (WIOA) allocation and administering the WIOA program as a single participating jurisdiction. This agreement designates the Arroyo Verdugo Subregion Steering Committee, which consists of one elected official from each of the three cities, to appoint Verdugo Workforce Development Board members. The City, as the Consortium’s lead entity, has assumed the overall responsibility for ensuring that the Consortium is compliant with all WIOA program requirements, including the receipt, disbursement, accounting for all WIOA program, and matching funds.

NOTE #5 – LOAN PROGRAM WITH CONTINUING COMPLIANCE REQUIREMENTS

The City administers loans that are made from funds provided by the Home Investment Partnerships Program (CFDA No. 14.239), and balances and transactions relating to the program are included in the City’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. As of June 30, 2017, the outstanding loan receivables balance is as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2017</u>
14.239	Home Investment Partnerships Program	\$ 40,148,336

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses 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 Number</u>	<u>Name of Federal Program or Cluster</u>
<u>14.871</u>	<u>Housing Choice Voucher Cluster</u>
<u>17.258, 17.259, 17.278</u>	<u>WIA/WIOA Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,452,905</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS

Finding 2017-001

SEGREGATION OF DUTIES - CASH DISBURSEMENTS

Criteria:

A fundamental element of an effective system of internal controls is the proper segregation of duties. Proper segregation of duties provides for a system of checks and balances such that the functions of one employee are subject to review through the performance of the interrelated functions of another employee.

There should be adequate segregation of duties and controls in place within the cash disbursements process including the following:

- Changes to the vendor master file should be restricted to designated personnel to ensure proper segregation of duties. The vendor master file should also be reviewed on a regular basis by individuals who are separate from the inputting function. Evidence of the review should be maintained.
- Checks should be directly mailed to the approved vendor through the accounts payable department. Checks should not be picked up by the departments or individuals requesting the check.
- Original invoices with wet signatures documenting the approval of the payment requests should be required before payment is made to the vendors.

Condition:

Significant Deficiency – As a result of our audit procedures over the City’s cash disbursements process we noted the following:

- Changes to the vendor master file are not maintained centrally, such as the Department of Finance. Instead, the creation of new vendors has been granted to several departments, including Purchasing, Accounts Payable, Housing and Workers Compensation. We also noted the vendor master file has not been reviewed or purged on a regular basis.
- In limited circumstances, certain departments/employees were allowed to pick up certain vendor checks with prior approval.
- Copies of requests for payment forms were used in lieu of original sign copies as evidence of the authorization to process vendor payments.

Context:

Segregation of duties whether through physical or electronic systems must be in place to prevent the unauthorized access, approval and use of the City’s assets.

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS

Effect:

The conditions noted above can result in the City disbursing funds to unauthorized or fictitious vendors.

Cause:

The City does not have procedures in place to periodically review the accuracy of the vendor master file. Additionally, the City allowed certain departments because of the nature of their operations to submit copied invoices for payment and pick up vendor checks.

Recommendation:

We recommend that the City review the procedures in place over cash disbursements to ensure that the proper segregation of duties and controls are in place related to this process. This may include restricted access to the vendor master file, regular review and maintenance of the vendor master file, and uniform policies and procedures regarding the invoice and check handling process.

View of Responsible Officials and Planned Corrective Action:

We concur. The vendor setup function will be centralized and handled by the Accounting Section in the Finance Department. The accountants will be responsible for inputting and updating vendors in the PeopleSoft financial system. The Accounting Supervisors and the Deputy Director of Finance will review and approve each vendor setup or update. The vendor audit report in the PeopleSoft financial system is a very tedious and difficult-to-use report. Therefore, we choose an alternate method for additional verification. The Accounting Supervisors and the Deputy Director of Finance will randomly select 10 vendors on a monthly basis for confirmation of accuracy. Upon implementation of the new financial system, Tyler Munis, Finance will determine how best to ensure proper segregation of duties exist in the vendor set-up and maintenance functions.

All Accounts Payable checks are mailed directly to the payees by Accounts Payable staff in the Finance Department except a few instances. Accounts Payable staff have been working with departments to eliminate these instances when checks are being picked up by the departments or the individuals requesting the checks.

Original wet signatures are required on all requests for payments. Signatures are verified against each individual's signature card which is approved by their department directors. Signature cards also indicate the signors authorized limit which are also verified against the check amount requested.

Name of Responsible Person:

Michele Flynn, Assistant Director of Finance

Implementation Date:

February 28, 2018

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS

Finding 2017-002

RISK MANAGEMENT CLAIMS RECONCILIATION

Criteria:

It is important to reconcile subsidiary ledgers or supporting schedules to the general ledger to ensure the accuracy of financial information and minimize the risk of misstatement or misappropriation.

In order to ensure completeness of the claim payments recorded in the risk management system to the claim payments recorded in the general ledger, reconciliation should be performed on a regular basis.

We recommend that policies and procedures be implemented, whereby all subsidiary ledgers and/or supporting schedules are reconciled to the general ledger or on a monthly basis. We also recommend that appropriate management-level personnel review the reconciliations for accuracy and document evidence of their review for audit purposes.

Condition:

Significant Deficiency – As a result of our audit procedures over the City’s risk management process, we noted that a reconciliation was not performed between the risk management and accounting system.

Context:

The City’s utilizes a separate subsidiary ledger to track risk management claims. Claims payments are processed and tracked through the separate risk management system. Payment of risk management claims are untimely made from the City’s general ledger system, in separate risk management funds. Payments processed through the risk management system are not being reconciled on a timely basis to the payment paid from the general ledger to provide additional assurance that all transactions are properly recorded and supported.

Effect:

The subsidiary ledgers should be reconciled to the general ledger on a monthly basis. Any differences should be investigated and explained. The reconciliation should be reviewed and approved by an independent person.

Cause:

The City does not have a process in place requiring the reconciliation between the risk management and accounting system.

Recommendation:

We strongly recommend that a policy be implemented, whereby all subsidiary ledgers and/or supporting schedules are reconciled to the general ledger or on a monthly basis. We also recommend that appropriate management-level personnel review the reconciliations for accuracy and document evidence of their review for audit purposes.

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS

View of Responsible Officials and Planned Corrective Action:

We concur. The Chief Assistant City Attorney will verify the monthly claim payments on the general ledger against the Legal department's records. At the same time, the Accounting staff will reconcile the changes in the quarterly claim reports provided by Legal department to validate the claim payments made during the quarter.

Name of Responsible Person:

Shu-Jun Li, Deputy Director of Finance
Ann Maurer, Chief Assistant City Attorney

Implementation Date:

February 28, 2018

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2017-003

Program: WIOA Cluster

CFDA No.: 17.258, 17.259, 17.278

Federal Agency: U.S. Department of Labor

Passed-through: State of California Employment Development Department

Award Year: 2016-17

Compliance Requirement: Subrecipient Monitoring

Criteria:

2 CFR 200.331(a) states that “every subaward must be clearly identified to the subrecipient as a subaward and include the CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.”

Condition Found:

Significant Deficiency, Instance of Non-Compliance – Through testing of sub-recipient monitoring compliance, we noted that three sub-recipient award agreements between the City and the sub-recipients did not include the correct CFDA number required by 2 CFR 200.331(a) for the period under audit.

Questioned Costs:

No questioned costs were identified as a result of the procedures performed.

Context:

The condition noted above was identified during our examination of the City’s agreements with its sub-recipients pertaining to the Workforce Investment Act.

Effect:

The sub-recipient agreements do not identify the correct CFDA number. Accordingly, sub-recipients may not be aware that they have received Federal funding and are subject to the compliance requirements of 2 CFR 200.331(a).

Cause:

The City did not maintain procedures to ensure that the correct CFDA numbers were identified in the formal agreement executed with the sub-recipient.

Recommendation:

We recommend the City implement policies and procedures to ensure that information required by 2 CFR 200.331(a) is included in sub-recipient agreements.

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

View of Responsible Officials and Planned Corrective Action:

We concur. The City/Workforce Section will ensure that all subrecipients' contracts have the correct Catalog of Federal Domestic Assistance (CFDA) number. A supervisor will review the contracts to ensure all information, including the CFDA numbers, are correct. For the new program year, 2017-18, all subrecipients agreements do have the updated CFDA number that describes the federal funding associated with the contract.

Name of Responsible Person:

Judith Velasco, Workforce Administrator

Implementation Date:

December 31, 2017

Finding 2017-004

Program: WIOA Cluster

CFDA No.: 17.258, 17.259, 17.278

Federal Agency: U.S. Department of Labor

Passed-through: State of California Employment Development Department

Award Year: 2016-17

Compliance Requirement: Eligibility

Criteria:

Per the *June 2017 OMB Compliance Supplement*, eligibility requirements state that “no participant may be in violation of section 3 of the Military Selective Service Act [Selective Service] (50 USC App. 453) by not presenting and submitting to registration under that Act (29 USC 2939(h)).

Additionally, the *June 2017 OMB Compliance Supplement* states that the grantee should have internal controls in place over the eligibility process to ensure that the required eligibility determinations were made (including any required documentation/verification), that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program.

Condition Found:

Significant Deficiency, Instance of Non-Compliance – Through testing of eligibility we noted that the City did not have a completed military selective service form maintained in the eligibility file for one male individual. We also noted that the City did not have a policy or updated procedures in place over the eligibility process which would include the review of case files for each type of case (adult, dislocated worker, and youth) and for each type of eligibility circumstance.

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Costs:

No questioned costs were identified as a result of the procedures performed.

Context:

The City could not provide documentation supporting that the one male individual receiving program benefits was not in violation of section 3 of the Military Service Act.

Effect:

Without proper supporting documentation, the individual receiving program benefits may not be eligible for the program.

Cause:

The City's eligibility procedures did not ensure that the individual's Selective Service status was documented or verified prior to the approval of program benefits. We also noted internal controls are not in place to perform a review of the case files to ensure that the case file had all of the required documentation regarding eligibility.

Recommendation:

We recommend the City implement policies and procedures to ensure that all forms and documentation required to determine program eligibility are completed and that any exceptions in regards to the required forms are adequately noted and maintained in each individual's case file. We also recommend the City develop and implement policies and procedures over the eligibility process that clarifies the required number of reviews for each type of case file and eligibility circumstance.

View of Responsible Officials and Planned Corrective Action:

We concur. The City/Workforce Section will update the Workforce Innovation and Opportunity Act (WIOA) internal eligibility policy document with the forms and supporting documents that are required for eligibility determination. This document will also clearly describe the policy for selective service verification and how to document exceptions for cases which will include but not limited to instances which the participant's gender changes. The Workforce Section will also document the eligibility procedures for Adult, Dislocated Worker and Youth and will train staff to implement. This training will include the data verification process based on the source of enrollment and WIOA program. Workforce staff will also conduct ongoing staff training on the eligibility process for all programs and review current eligibility documentation requirements and verification processes. Staff will also receive ongoing emails that will contain selective service policy reminders for staff to implement as changes occur.

Please note that the State of California, Employment Development Department, the State agency that currently monitors WIOA funding has not issued a WIOA eligibility guide. Therefore, our workforce staff has developed our internal procedures to document eligibility. WIOA currently does not require a specific number of eligibility reviews, we will include in our updated policies when secondary reviews are deemed necessary.

CITY OF GLENDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Name of Responsible Person:

Judith Velasco, Workforce Administrator

Implementation Date:

December 31, 2017

CITY OF GLENDALE, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None reported.