

CITY OF SAN DIEGO

Federal Single Audit Reports

For the Year Ended June 30, 2017



Certified
Public
Accountants

CITY OF SAN DIEGO
Federal Single Audit Report
For the Year Ended June 30, 2017

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**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 Mayor and Members of the
City Council of the City of San Diego
San Diego, California

We have audited, in accordance with 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 14, 2017. Our report includes an emphasis of a matter related to the City’s adoption of Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. Our report also includes a reference to other auditors who audited the financial statements of the San Diego Housing Commission, a discretely presented component unit, 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 the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

San Diego, California
December 14, 2017



Independent Auditor’s 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 the
City Council of the City of San Diego
San Diego, California

Report on Compliance for Each Major Federal Program

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

The City’s basic financial statements include the operations of the San Diego Housing Commission (SDHC), which expended \$185,571,149 in federal awards which is not included in the City’s schedule of expenditures of federal awards for the year ended June 30, 2017. Our audit, described below, did not include the operations of SDHC because SDHC engaged other auditors to perform an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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.

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 the audit requirements of the 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.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 14, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements

and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

San Diego, California
March 28, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Entity/Federal Program Name	Grant/Pass-through Number	Federal CFDA No.	Federal Expenditures	Pass-through Awards to Subrecipients
U.S. Department of Commerce				
<u>Direct Program</u>				
Economic Adjustment Assistance				
San Diego Regional Revolving Loan Fund	07-79-05269	11.307	\$ 1,154,042	\$ -
Small Business Micro Revolving Loan Fund	07-39-03351 and 07-49-02681.76	11.307	853,422	-
Economic Strategy for the San Diego Promise Zone	07-69-07374	11.307	29,530	12,393
Subtotal Economic Adjustment Assistance			\$ 2,036,994	12,393
Total U.S. Department of Commerce			2,036,994	12,393
U.S. Department of Defense				
<u>Direct Program</u>				
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	HQ00051610195/ CRI1570-16-01	12.611	754,945	578,806
Total U.S. Department of Defense			754,945	578,806
U.S. Department of Housing and Urban Development				
<u>Direct Programs</u>				
Community Development Block Grants/Entitlement Grants	*	14.218	19,097,374	10,169,328
Emergency Solutions Grant Program	*	14.231	937,992	923,103
Home Investment Partnerships Program	*	14.239	4,303,293	4,031,964
Lead-Based Paint Hazard Control in Privately-Owned Housing	CALHB0572-14	14.900	1,400,033	106,755
Total U.S. Department of Housing and Urban Development			25,738,692	15,231,150
U.S. Department of the Interior				
<u>Direct Programs</u>				
Title XVI Water Reclamation and Reuse	R16AC00105	15.504	4,940,000	-
Endangered Species Conservation-Recovery Implementation Funds	F14AC00993	15.657	31,989	-
Subtotal Direct Programs			4,971,989	-
<u>Passed Through County of San Diego</u>				
National Wildlife Refuge Fund		15.659	1,126	-
Subtotal Passed Through County of San Diego			1,126	-
<u>Passed Through State Department of Parks and Recreation</u>				
Historic Preservation Fund Grants-In-Aid	P15AF00029	15.904	6,303	-
Subtotal Passed Through State Department of Parks and Recreation			6,303	-
Total U.S. Department of the Interior			4,979,418	-
U.S. Department of Justice				
<u>Direct Programs</u>				
Missing Children's Assistance	2015-MC-FX-K037	16.543	299,968	-
Edward Byrne Memorial Justice Assistance Grant Program	*	16.738	188,426	74,518
DNA Backlog Reduction Program	*	16.741	202,012	-
Equitable Sharing Program	CA0371100	16.922	774,195	-
Subtotal Direct Programs			1,464,601	74,518
<u>Passed Through California Governor's Office of Emergency Service</u>				
Paul Coverdell Forensic Sciences Improvement Grant Program	*	16.742	22,011	-
Subtotal Passed Through California Governor's Office of Emergency Service			22,011	-
<u>Passed Through San Diego Association of Governments</u>				
Smart Prosecution Initiative	5004789	16.825	133,535	-
Subtotal Passed Through San Diego Association of Governments			133,535	-
Total U.S. Department of Justice			1,620,147	74,518
U.S. Department of Transportation				
<u>Direct Program</u>				
Airport Improvement Program	*	20.106	1,738,204	-
Subtotal Direct Program			1,738,204	-
<u>Passed Through State Department of Transportation</u>				
Highway Planning and Construction	*	20.205	6,710,186	6,073
Subtotal Passed Through State Department of Transportation			6,710,186	6,073
<u>Highway Safety Cluster</u>				
<u>Passed Through California Office of Traffic Safety</u>				
State and Community Highway Safety	*	20.600	400,125	-
State and Community Highway Safety	PS1714	20.600	83,355	-
Subtotal State and Community Highway Safety			483,480	-
National Priority Safety Programs	*	20.616	244,760	-
Subtotal National Priority Safety Programs			244,760	-
Subtotal Highway Safety Cluster			728,240	-
<u>Passed Through California Office of Traffic Safety</u>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	*	20.608	684,250	-
Subtotal Passed Through California Office of Traffic Safety			684,250	-

* Refer to pages 8-9 of the SEFA for the listing of direct grant or pass-through numbers.

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Federal Grantor/Pass-through Entity/Federal Program Name	Grant/Pass-through Number	Federal CFDA No.	Federal Expenditures	Pass-through Awards to Subrecipients
U.S. Department of Transportation (continued)				
<u>Passed Through State Department of Alcoholic Beverage Control</u>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	16-OTS18	20.608	\$ 19,897	\$ -
Subtotal Passed Through State Department of Alcoholic Beverage Control			<u>\$ 19,897</u>	<u>-</u>
Total U.S. Department of Transportation			9,880,777	6,073
National Endowment for the Humanities				
<u>Passed Through American Library Association</u>				
Promotion of the Humanities Public Programs	LA105966	45.164	3,000	-
Total National Endowment for the Humanities			3,000	-
Institute of Museum and Library Services				
<u>Passed Through California State Library</u>				
Grants to States	*	45.310	21,002	-
Total Institute of Museum and Library Services			21,002	-
U.S. Environmental Protection Agency				
<u>Direct Program</u>				
Brownfields Assessment and Cleanup Cooperative Agreement	00T52401	66.818	38,983	-
Subtotal Direct Program			<u>38,983</u>	<u>-</u>
<u>Passed Through California State Water Resources Control Board</u>				
Capitalization Grants for Clean Water State Revolving Funds	*	66.458	3,395,886	-
Capitalization Grants for Drinking Water State Revolving Funds	*	66.468	6,026,987	-
Subtotal Passed Through California State Water Resources Control Board			<u>9,422,873</u>	<u>-</u>
Total U.S. Environmental Protection Agency			9,461,856	-
U.S. Department of Health and Human Services				
<u>Passed Through the County of San Diego</u>				
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	550903	93.757	452,675	-
Total U.S. Department of Health and Human Services			452,675	-
Corporation for National and Community Service				
<u>Passed Through California Volunteers</u>				
AmeriCorps	14AFHY23-PG58	94.006	\$ 61,607	-
Total Corporation for National and Community Service			61,607	-
U.S. Department of Homeland Security				
<u>Direct Program</u>				
National Urban Search and Rescue (US&R) Response System	*	97.025	1,110,986	-
Subtotal Direct Program			<u>1,110,986</u>	<u>-</u>
<u>Passed Through the County of San Diego</u>				
Emergency Management Performance Grants	2016-0010/073-00000	97.042	184,967	-
Subtotal Passed Through County of San Diego			<u>184,967</u>	<u>-</u>
<u>Passed Through California Governor's Office of Emergency Services</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	1952-DR-CA	97.036	(445,362)	-
Border Interoperability Demonstration Project	2010-0011/073-95020	97.120	(25,555)	-
Subtotal Passed Through California Governor's Office of Emergency Service			<u>(470,917)</u>	<u>-</u>
<u>Passed Through the County of San Diego</u>				
Homeland Security Grant Program	*	97.067	122,040	-
Subtotal Passed Through County of San Diego			<u>122,040</u>	<u>-</u>
<u>Passed Through California Governor's Office of Emergency Service</u>				
Homeland Security Grant Program	*	97.067	9,312,821	2,666,826
Subtotal Passed Through California Governor's Office of Emergency Service			<u>9,312,821</u>	<u>2,666,826</u>
Subtotal Homeland Security Grant Program			<u>9,434,861</u>	<u>2,666,826</u>
Total U.S. Department of Homeland Security			10,259,897	2,666,826
			\$ 65,271,010	\$ 18,569,766

* Refer to pages 8-9 of the SEFA for the listing of direct grant or pass-through numbers.

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

CFDA Number/Federal Program Name/Grant Number	Federal Expenditures
CFDA No. 14.218 - Community Development Block Grants/Entitlement Grants	
B-14-MC-060542	\$ 123,707
B-15-MC-060542	7,214,100
B-16-MC-060542	11,759,567
Total Community Development Block Grants/Entitlement Grants	\$ 19,097,374
CFDA No. 14.231 - Emergency Solutions Grant Program	
E-15-MC-06-0542	\$ 59,048
E-16-MC-06-0542	878,944
Total Emergency Solutions Grant Program	\$ 937,992
CFDA No. 14.239 - Home Investment Partnerships Program	
M-12-MC-06-0533	\$ 572,710
M-13-MC-06-0533	1,861,219
M-14-MC-06-0533	80,201
M-15-MC-06-0533	899,578
M-16-MC-06-0533	889,585
Total Home Investment Partnerships Program	\$ 4,303,293
CFDA No. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program	
2015-DJ-BX-0170	\$ 107,259
2016-DJ-BX-0617	81,167
Total Edward Byrne Memorial Justice Assistance Grant Program	\$ 188,426
CFDA No. 16.741 - DNA Backlog Reduction Program	
2014-DN-BX-0017	\$ 52,508
2015-DN-BX-0062	123,044
2016-DN-BX-0112	26,460
Total DNA Backlog Reduction Program	\$ 202,012
CFDA No. 16.742 - Paul Coverdell Forensic Sciences Improvement Grant Program	
CQ15117919	\$ 12,857
CQ16127919	9,154
Total Paul Coverdell Forensic Sciences Improvement Grant Program	\$ 22,011
CFDA No. 20.106 - Airport Improvement Program	
3-06-0211-015-2012	\$ 401,736
3-06-0211-016-2014	363,395
3-06-0211-017-2016	267,883
3-06-0213-017-2015	439,872
3-06-0213-018-2016	265,318
Total Airport Improvement Program	\$ 1,738,204
CFDA No. 20.205 - Highway Planning and Construction	
ATPL-5004(201)	\$ 9,199
BHLO-5004(068)	133,326
BHLS-5004(049)	50,428
BPMP-5004(189)	49,472
BPMP-5004(195)	143,146
BRLO-5004(009)	6,008,526
CML-5004(131)	5,801
ER-4213(019)	271
HPLU-5004(177)	22,176
HPLUL-5004(187)	66,654
HSIPL-5004(186)	102,744
HSIPL-5004(194)	112,370
SRTSLNI-5004(191)	6,073
Total Highway Planning and Construction	\$ 6,710,186

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

CFDA Number/Federal Program Name/Grant Number	Federal Expenditures
CFDA No. 20.600 - State and Community Highway Safety	
PT16134	\$ 145,723
PT17108	254,402
Total State and Community Highway Safety	\$ 400,125
CFDA No. 20.608 - Minimum Penalties for Repeat Offenders for Driving While Intoxicated	
PT16134	\$ 144,417
PT17108	539,833
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated	\$ 684,250
CFDA No. 20.616 - National Priority Safety Programs	
DI1617	\$ 57,193
DI1711	187,567
Total National Priority Safety Programs	\$ 244,760
CFDA No. 45.310 - Grants to States	
LS-00-16-0005-16/40-8720	\$ 7,170
LS-00-16-0005-16/40-8721	5,031
LS-00-16-0005-16/40-8722	3,108
LS-00-16-0005-16/40-8723	2,178
LS-00-16-0005-16/40-8724	3,515
Total Grants to States	\$ 21,002
CFDA No. 66.458 - Capitalization Grants for Clean Water State Revolving Funds	
12-814-550	\$ 171,362
12-818-550	3,224,524
Total Capitalization Grants for Clean Water State Revolving Funds	\$ 3,395,886
CFDA No. 66.468 - Capitalization Grants for Drinking Water State Revolving Funds	
SRF12C103	\$ 1,052,180
SRF12CX103	155,518
SRF14C104	4,819,289
Total Capitalization Grants for Drinking Water State Revolving Funds	\$ 6,026,987
CFDA No. 97.025 - National Urban Search and Rescue (US&R) Response System	
EMW-2013-CA-USR-0009	\$ 102,636
EMW-2015-CA-00029	467,863
EMW-2016-CA-00028	540,487
Total National Urban Search and Rescue (US&R) Response System	\$ 1,110,986
CFDA No. 97.067 - Homeland Security Grant Program	
2015-00078/073-00000	\$ 35,497
2015-1078	86,543
Subtotal County of San Diego	122,040
2015-00078/073-66000	7,855,550
2016-0102/073-66000	1,457,271
Subtotal California Governor's Office of Emergency Services	9,312,821
Total Homeland Security Grant Program	\$ 9,434,861

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF SAN DIEGO
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 1 – General

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of San Diego, California (City). The SEFA excludes the federal award programs of the San Diego Housing Commission (refer to Note 5). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California (State), are included in the SEFA. The City's reporting entity is defined in Note 1.a. in the notes to the City's basic financial statements. The City elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

The negative amount of \$445,362 reported for CFDA No. 97.036, Disaster Grants – Public Assistance (Presidentially Declared Disasters) grant number 1952-DR-CA, represents the repayment to the California Governor's Office of Emergency Services (CalOES) for the de-obligation of federal expenditures incurred and reported in the SEFA of a prior year.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1.c. in the notes to the City's basic financial statements.

Note 3 – Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

Note 4 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the City's basic financial statements as expenditures/expenses in the General Fund, nonmajor special revenue funds, nonmajor capital project funds, and enterprise funds.

Note 5 – San Diego Housing Commission (Discrete Component Unit) Federal Expenditures

The San Diego Housing Commission (SDHC) federal expenditures of \$185,571,149 are excluded from the City's SEFA because the SDHC federal expenditures are separately audited by other auditors and reported in a separate Uniform Guidance report.

CITY OF SAN DIEGO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Note 6 – Economic Adjustment Assistance Program (CFDA No. 11.307)

In accordance with guidance provided by the U.S. Department of Commerce contained in the *OMB Compliance Supplement*, the City has reported federal award expenditures of \$2,007,464 in the SEFA for the Revolving Loan Fund (RLF) Program under the Economic Adjustment Assistance program. Expenditures reported in the SEFA were calculated as follows:

Revolving Loan Fund (RLF) Program Name	San Diego Regional RLF	Small Business Micro RLF
Grant Award Number	07-79-05269	07-39-03351 and 07-49-02681.76
Revolving Loan Funds (RLF) Outstanding as of June 30, 2017	\$ 1,072,956	\$ 425,187
Cash and investment balance in the RLF as of June 30, 2017	1,177,978	716,364
Administrative expenses paid out of RLF income during the year ended June 30, 2017	57,149	43,758
Unpaid principal of loans written off during the ended June 30, 2017	-	-
Subtotal	2,308,083	1,185,309
Calculated grant rate (rounded)	50%	72%
Economic Adjustment Assistance Revolving Loan Fund Grant federal award expenditures for the year ended June 30, 2017	\$ 1,154,042	\$ 853,422

CITY OF SAN DIEGO

Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Note 7 – CalOES Grants

The following represents expenditures using the modified accrual basis of accounting for the CalOES programs for the year ended June 30, 2017. The amount reported in the SEFA is determined by calculating the federal portion of the current year expenditures.

<u>Program Title, CFDA, and Expenditure Category</u>	<u>Grant Award Number</u>	<u>Budget</u>	<u>Actual Non-match</u>	<u>Actual Total</u>	<u>Variance</u>
Federal Grant:					
Paul Coverdell Forensic Sciences Improvement Grant Program - CFDA No. 16.742	CQ-15-11-7919				
Operating expenses		\$ 13,780	\$ 12,857	\$ 12,857	\$ 923
Paul Coverdell Forensic Sciences Improvement Grant Program - CFDA No. 16.742	CQ-16-12-7919				
Operating expenses		\$ 39,286	\$ 9,154	\$ 9,154	\$ 30,132
State Grant:					
Internet Crimes Against Children	IC-15-07-7919				
Operating expenses		\$ 51,595	\$ 47,930	\$ 47,930	\$ 3,665
Personnel costs		2,503	119	119	2,384
Total		\$ 54,098	\$ 48,049	\$ 48,049	\$ 6,049
Internet Crimes Against Children	IC-16-08-7919				
Operating expenses		\$ 191,994	\$ 132,187	\$ 132,187	\$ 59,807
Personnel costs		8,006	9,187	9,187	(1,181)
Total		\$ 200,000	\$ 141,374	\$ 141,374	\$ 58,626

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF SAN DIEGO
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements:

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

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	

CFDA Number	Federal Program Name
11.307	Economic Adjustment Assistance
12.611	Community Economic Adjustment Assistance for Reductions in Defense Industry Employment
15.504	Title XVI Water Reclamation and Reuse
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,958,131
Auditee qualified as low-risk auditee?	Yes

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

Reference Number: **2015-001 and 2016-001**

Federal Catalog Number: 97.025

Federal Program Name: National Urban Search and Rescue (US&R) Response System

Federal Agency Name: U.S. Department of Homeland Security

Audit Finding: During our testing of controls over compliance with the activities allowed or unallowed and allowable cost/cost principles compliance requirement, we noted deviations from the City of San Diego Fire-Rescue Department (Fire-Rescue Department) established internal controls. Per inquiry with the Fire-Rescue Department, invoices for direct costs related to equipment, training or contracts are received by the Program Manager for review and approval and then forwarded to the Fiscal Division for review and approval for payment. For certain sample items, there was no evidence that review, approval, and payment processing was actually performed by the Program Manager and/or the Fiscal Division of the Fire-Rescue Department. The Fire-Rescue Department needs to consistently adhere to the established internal controls. We recommend the creation of a checklist or routing slip that can be included with all procurement and expenditure support to ensure authorization is obtained prior to payment processing. Although there was a lack of evidence to support that the proper review and approvals actually occurred, there was no noncompliance noted from the testing performed.

Status of Corrective Action: Corrected. The Fire-Rescue Department created a process narrative titled Management of the Urban Search & Rescue Cooperative Agreement. The process narrative was established and implemented on June 29, 2016. Appropriate review and approvals by both the Special Operations and Fiscal Services Divisions of the Fire-Rescue Department are now completed prior to making purchases and payments for direct costs.

Reference Number: **2015-002 and 2016-002**

Federal Catalog Number: 97.025

Federal Program Name: National Urban Search and Rescue (US&R) Response System

Federal Agency Name: U.S. Department of Homeland Security

CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings (Continued)
For the Year Ended June 30, 2017

Audit Findings: During our review of federal cash drawdown requests and submitted quarterly SF-425 Financial Reports and Semi-Annual

Performance Reports, we noted a lack of support for the established internal control procedures as designed by the Fire-Rescue Department. The Fire-Rescue Department was unable to provide evidence that the reports were approved prior to submission. The Fire-Rescue Department should amend the report preparation and submission process to include controls that require a review and approval prior to report submission. Although there was a lack of evidence to support that the proper review and approvals actually occurred, there was no noncompliance noted from the testing performed.

Status of Corrective Action: Corrected. The Fire-Rescue Department created a process narrative titled Management of the Urban Search & Rescue Cooperative Agreement. The process narrative was established and implemented on June 29, 2016. Appropriate review and approvals by the Fiscal Services Division of the Fire-Rescue Department and Office of the City Comptroller (Comptroller) are now completed prior to final authorization of grant drawdowns. In addition, the Special Operations and Fiscal Services Divisions complete review and approval of Semi-Annual Program Reports to ensure completeness and accuracy prior to final submission. Review and approval of the Quarterly Reports are performed by the Special Operations Division and the Fiscal Services Division of the Fire-Rescue Department, and Comptroller.



CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

Reference Number: 2016-003

Federal Catalog Number: 14.900

Federal Program Name: Lead-Based Paint Hazard Control in Privately-Owned Housing Program

Federal Agency Name: U.S. Department of Housing and Urban Development (HUD)

Audit Finding: The Environmental Services Department (ESD) did not submit two (2) quarterly Federal Financial Reports (FFRs) within the HUD required due date of 30 days after the end of the reporting period. ESD also did not submit in a timely manner the first-tier subgrantee information required by the Federal Funding Accountability and Transparency Act (FFATA) to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Status of Corrective Action: Partially Corrected. Two quarterly Federal Financial Reports (FFRs) were not submitted within the HUD required due date of 30 days.

The FFR for April – June 2016 was submitted on August 2, 2016. To ensure future compliance, the Program Manager reviewed and improved the method used to reconcile HUD grant expenses which was implemented the following quarter. ESD financial staff have since been able to generate FFRs in a timely manner. The FFR for July - September 2016 was submitted one day late due to a hyperlink error on HUD’s website.

The FFATA report for April 2017 failed to include a newly awarded subcontract. This error was discovered and corrected on October 3, 2017. All subawards are scheduled to be closed and final contract amounts amended in the FSRS system upon final payments during the grant close out period which concludes on March 30, 2018. The corrective action is deemed partially completed since this finding was not corrected in FY 2017.