

CITY OF NORWALK, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS

JUNE 30, 2015

CITY OF NORWALK

TABLE OF CONTENTS

June 30, 2015

	<u>Page Number</u>
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 <i>Government Auditing Standards</i>	1 - 2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards	3 - 5
<u>Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs</u>	
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8 - 10
Summary Schedule of Prior Audit Findings	11

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*

The Honorable Mayor and
Members of City Council
City of Norwalk
Norwalk, 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 Norwalk, California (the City), as of and for the year ended June 30, 2015, 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 11, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

White Nelson Dick Evans LLP

Irvine, California
December 11, 2015

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

The Honorable Mayor and
Members of City Council
City of Norwalk
Norwalk, California

Report on Compliance for Each Major Federal Program

We have audited the City of Norwalk, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 11, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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.

White Nelson Dick Evans LLP

Irvine, California
December 11, 2015

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF NORWALK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Subrecipient Expenditures
<u>United States Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0524	\$ 1,294,065	\$ 67,270
Home Investment Partnerships Program	14.239	M-14-MC06-0552	274,444	-
Lower Income Housing Assistance Program				
Section 8 Housing Choice Vouchers	14.871	CA118VO	6,821,523	-
Total United States Department of Housing and Urban Development			8,390,032	67,270
<u>United States Department of Justice</u>				
Direct Assistance:				
Public Safety Partnership and Community Policing Grants	16.710	2011UMWX0021	92,605	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-1196	24,588	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0826	7,913	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3174	2,481	-
Total Edward Byrne Memorial Justice Assistance Grant Program			34,982	-
Total United States Department of Justice			127,587	-
<u>United States Department of Transportation</u>				
Passed-through State of California Department of Transportation:				
Highway Planning and Construction	20.205	BHLS-5347 (029)	5,682,020	-
Highway Planning and Construction	20.205	HSIPL-5347(038)	48,793	-
Highway Planning and Construction	20.205	HSIPL-5347(039)	33,805	-
Highway Planning and Construction	20.205	HSIPL-5347(040)	31,446	-
Highway Planning and Construction	20.205	STPL 5347 (035)	75	-
Total Highway Planning and Construction			5,796,139	-
Direct Assistance:				
Federal Transit Formula Grants	20.507	CA-90-X922	26,836	-
Federal Transit Formula Grants	20.507	CA-90-Y219	63,519	-
Federal Transit Formula Grants	20.507	CA-90-Y254	732,176	-
Federal Transit Formula Grants	20.507	CA-90-Y678	8,158	-
Federal Transit Formula Grants	20.507	CA-90-Y704	3,320	-
Federal Transit Formula Grants	20.507	CA-90-Y724	266,058	-
Federal Transit Formula Grants	20.507	CA-90-Z030	1,263,556	-
Federal Transit Formula Grants	20.507	CA-04-0141	17,932	-
Federal Transit Formula Grants	20.507	CA-90-Z115	483,620	-
ARRA - Federal Transit Formula Grants	20.507	CA-96-X039	24,375	-
Total Federal Transit Formula Grants			2,889,550	-
Total United States Department of Transportation			8,685,689	-
<u>United States Department of Health and Human Services</u>				
Child Care Development Fund Cluster:				
Passed-through State of California Department of Education:				
Child Care and Development Block Grant	93.575	C3AP-4022	469,129	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-4024	103,520	-
Total Child Care Development Fund Cluster			572,649	-
Passed-through County of Los Angeles:				
Special Programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	SSP-1014-18	54,239	-
Temporary Assistance for Needy Families	93.558	S1CC12-001	1,237,070	-
Total United States Department of Health and Human Services			1,863,958	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 19,067,266	\$ 67,270

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF NORWALK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

1. GENERAL:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Norwalk (the City). The City's reporting entity is defined in Note 1 of the notes to the City's financial statements. All financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies to the City is included in the accompanying schedule.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds and full accrual basis of accounting for proprietary funds, which is described in the Note 1 of the notes to the City's financial statements.

3. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the City's Comprehensive Annual Financial Report.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with amounts reported in federal financial reports.

5. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

6. SUBRECIPIENT EXPENDITURES:

During the fiscal year ended June 30, 2015, the City disbursed \$67,270 to subrecipients to be used for the federally allowable expenditures in accordance with the grant agreements.

CITY OF NORWALK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2015

1. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Noncompliance material to financial statements noted: yes no

Federal Awards:

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Type of auditors' report issued on compliance for major programs:

- Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

See Finding 2015-001 yes no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.239	United States Department of Housing and Urban Development, Direct Assistance, Home Investment Partnerships Program
20.205	United States Department of Transportation, Passed-through State of California Department of Transportation, Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:

\$ 572,018

Auditee qualified as low-risk auditee?

yes no

CITY OF NORWALK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2015

2. FINDINGS - FINANCIAL STATEMENT AUDIT:

None.

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT:

Finding 2015-001

Major Program

United States Department of Housing and Urban Development, Direct Assistance, HOME Investment Partnership Program (CFDA 14.239), Grant Identification Numbers: M-13-MC06-0552

Criteria

In accordance with Title 24 of Code of Federal Regulations (CFR) 92.502(c)(3), HOME funds in the local account of the HOME Investment Trust Fund must be disbursed before requests are made for HOME funds in the United States Treasury account. Therefore, program income, which is deposited into the local account must be used before additional HOME allocation funds are drawn down.

Condition

The City did not use available program income before drawing down on additional HOME allocation funds.

Cause

The City drew down on HOME allocation funds in the manner that it was budgeted and did not consider the additional program income that was received during the fiscal year.

Effect

The City allowed \$298,357 of program income to accumulate in its local account.

Questioned Costs

There were no questioned costs.

CITY OF NORWALK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2015

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT
(CONTINUED):

Finding 2015-001 (Continued)

Perspective Information

Of the \$298,357 of program income, approximately \$273,000 was received before the first drawdown on March 9, 2015. None of the current year program income received was applied against the reimbursement amount requested. The remainder of the program income was received prior to the next reimbursement request made on July 27, 2015; however, none of the program income was applied against the reimbursement amount requested.

Recommendation

We recommend the City implement procedures to first disburse program income before requests are made for HOME allocation funds.

Management Response

The City will institute the same procedures for drawdown of HOME funds as used for Community Development Block Grant (CDBG) where program income is entered into IDIS and applied toward program expenses before entitlement funds.

CITY OF NORWALK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2015

There were no findings reported for fiscal year 2013-2014.