

CITY OF CONCORD, CALIFORNIA
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CITY OF CONCORD, CALIFORNIA

SINGLE AUDIT REPORT

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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**

The Honorable Mayor and
Members of the City Council
City of Concord, 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 Concord (City), California, as of and for the year ended June 30, 2018, 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 21, 2018. Our report included an emphasis of matter regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*, both effective July 1, 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. 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.

Varrinck, Trine, Day & Co. LLP

Sacramento, California
December 21, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor and
Members of the City Council
City of Concord, California

Report on Compliance for Each Major Federal Program

We have audited the City of Concord, 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, 2018. 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, 2018.

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 item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 21, 2018, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph regarding the City's adoption of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 85, *Omnibus 2017*, both effective July 1, 2017. 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.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California
December 21, 2018

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title/Cluster	CFDA Number	Grant Identification Number	Federal Award Expenditures	Expenditures To Subrecipients
Department of Housing and Urban Development				
<i>Direct Program</i>				
Community Development Block Grant - Entitlement Grants Cluster:				
Community Development Block Grant Entitlement Program	14.218	B-17-MC-06-0009	\$ 1,107,875	\$ 178,534
Community Development Block Grant Entitlement Program	14.218	Loans	332,000	-
Community Development Block Grant Entitlement Program	14.218	Program Income	4,315	-
Total Department of Housing and Urban Development			<u>1,444,190</u>	<u>178,534</u>
Department of Transportation				
<i>Passed through California Department of Transportation</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction-Traffic Signal Upgrade	20.205	HSIPCML-5135(043)	87,097	-
Highway Planning and Construction-Downtown Concord Bike Lane Improvements	20.205	RPSTPL-5135(052)	989,590	-
Subtotal Highway Planning and Construction Cluster			<u>1,076,687</u>	<u>-</u>
<i>Passed through California Office of Traffic Safety</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	PT18030	36,251	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18030	82,934	-
Total Department of Transportation Programs			<u>1,195,872</u>	<u>-</u>
U.S. Department of Defense				
<i>Direct Program</i>				
Community Economic Adjustment Assistance	12.607	RA0588-14-07	50,433	-
Total U.S. Department of Defense Programs			<u>50,433</u>	<u>-</u>
U.S. Department of Justice				
<i>Passed through the County of Contra Costa</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0261	33,988	-
Equitable Sharing Program	16.922	N/A	144,558	-
Total U.S. Department of Justice Programs			<u>178,546</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,869,041</u>	<u>\$ 178,534</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF CONCORD, CALIFORNIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE #1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Concord, California (City) under programs of the federal government for the year ended June 30, 2018. 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 has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE #4 – FEDERAL CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in this report 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 #5 – PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule will show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City has determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

CITY OF CONCORD, CALIFORNIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE #6 – SUBRECIPIENTS

Of the Federal expenditures presented in the accompanying Schedule, the City provided Federal awards to subrecipients from the following program:

CFDA No.	Program Title	Pass-Through Entity	Amount
14.218	Community Development Block Grant Entitlement Program	Bay Area Legal Aid - Tenant Landlord Counseling	\$ 10,000
14.218	Community Development Block Grant Entitlement Program	CASA - Children at Risk: Concord	10,000
14.218	Community Development Block Grant Entitlement Program	CC Crisis Center-Homeless Hotline	9,999
14.218	Community Development Block Grant Entitlement Program	CCC - Adult interim Housing Program	10,000
14.218	Community Development Block Grant Entitlement Program	Food Bank - Distribution Program	10,000
14.218	Community Development Block Grant Entitlement Program	ECHO (Eden Council for Hope & Opportunity)	10,000
14.218	Community Development Block Grant Entitlement Program	Monument Crisis Center	10,000
14.218	Community Development Block Grant Entitlement Program	Ombudsman of Contra Costa	9,999
14.218	Community Development Block Grant Entitlement Program	Senior Outreach Svcs-MOW	10,000
14.218	Community Development Block Grant Entitlement Program	Senior Outreach Svcs-Senior Nutrition	10,000
14.218	Community Development Block Grant Entitlement Program	Stand! Against DV - Emergency Shelter	10,000
14.218	Community Development Block Grant Entitlement Program	CORE -Coordinated Outreach, Referral & Engagement	10,000
14.218	Community Development Block Grant Entitlement Program	Trinity Center	10,000
14.218	Community Development Block Grant Entitlement Program	Interfaith Council of CCC-Winter Nights	9,995
14.218	Community Development Block Grant Entitlement Program	Monument Impact	20,000
14.218	Community Development Block Grant Entitlement Program	Workforce Dev Board of CC County	18,542
	Total		<u>\$ 178,534</u>

NOTE #7 – LOAN PROGRAM WITH CONTINUING COMPLIANCE REQUIREMENTS

The City administers loans that are made from funds provided by the Community Development Block Grant (CFDA No. 14.218), and the 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 decreasing the year are included in the federal expenditures presented in the Schedule. As of June 30, 2018, the outstanding loan receivable balance is as follows:

CFDA No.	Program Title	Outstanding Balance at June 30, 2018
14.218	Community Development Block Grant Entitlement Program	<u>\$ 336,315</u>

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL 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 weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) 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 Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

II. FINANCIAL STATEMENT FINDINGS

None reported.

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2018-001

Program: Highway Planning and Construction Cluster

CFDA No.: 20.205

Federal Agency: U.S. Department of Transportation

Passed-through: California Department of Transportation

Award Year: 2017-2018

Compliance Requirement: Special Tests and Provisions – Administration of Engineering and Design-Related Service Contracts

Criteria:

In accordance with the *2018 OMB Compliance Supplement*, Contracting agencies (State DOTs and LPAs) are required to accept the indirect cost rates for consultants and sub-consultants that have been established by a cognizant agency in accordance with the Federal Acquisition Regulation (48 CFR part 31) for 1-year applicable accounting periods, if such rates are not currently under dispute. Consultants and sub-consultants providing engineering and design-related services contracts must certify to contracting agencies that costs used to establish indirect cost rates are in compliance with the applicable cost principles contained in the Federal Acquisition Regulation (48 CFR part 31) by submitting a “Certificate of Final Indirect Costs” (23 USC 112(b)(2)(C); 23 CFR section 172.11).

Condition Found:

Significant Deficiency, Instance of Non-Compliance – For one of the two engineering or design-related contracts selected for testwork, we noted the City did not obtain a current Certificate of Final Indirect Costs from the consultant.

Questioned Costs:

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

Context:

For the City's engineering and design-related services contracts, the City should have procedures in place to verify they are accepting the appropriate indirect cost rates and that consultants and sub-consultants have submitted to the City a current “Certificate of Final Indirect Costs”. We noted the most recent Certification of Final Indirect Costs on file for the contract selected for testwork was for fiscal year 2015.

Effect:

The City did not obtain a current Certificate of Final Indirect Costs from one consultant increasing the likelihood of noncompliance or unallowable costs being charged in relation to the program.

Cause:

The City's procedures did not ensure a current Certificate of Final Indirect Costs was obtained from the consultant, in accordance with the Federal Acquisition Regulation (48 CFR part 31).

CITY OF CONCORD, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

We recommend that the City implement policies and procedures to ensure that current Certificate of Final Indirect Costs are obtained from each consultant or sub consultant that provide engineering or design related services in accordance with the Federal Acquisition Regulation (48 CFR part 31).

Views of Responsible Officials and Planned Corrective Actions:

The City concurs. Refer to separate Corrective Action Plan Report for management's response.

CITY OF CONCORD, CALIFORNIA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Summarized below is the current status of the corrective action on audit findings reported in the prior year schedule of audit findings and questioned costs.

Finding No.	Program Name/Description	CFDA No.	Compliance Requirement	Status of Corrective Action
2017-001	Community Development Block Grant – Entitlement Grants Cluster	14.218	Subrecipient Monitoring – Required Subawards Elements	Implemented
2017-002	Community Development Block Grant – Entitlement Grants Cluster	14.218	Cash Management – Written Procedures	Implemented
2017-003	Community Development Block Grant – Entitlement Grants Cluster	14.218	Allowable Costs/Cost Principles – Written Procedures	Implemented
2017-004	Community Development Block Grant – Entitlement Grants Cluster	14.218	Special Tests and Provisions – Affordability Requirements	Implemented