

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

JUNE 30, 2015

CITY OF WESTMINSTER

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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 City Council
City of Westminster
Westminster, 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 activity, each major fund, and the aggregate remaining fund information of the City of Westminster, 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 November 30, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-001.

City's Response to Finding

The City's response to the finding identified in the 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 financial statements and, accordingly, we express no opinion on the response.

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
November 30, 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 Westminster
Westminster, California

Report on Compliance for Each Major Federal Program

We have audited the City of Westminster'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 Matter

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 2015-002. 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 activity, 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 November 30, 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
November 30, 2015

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

CITY OF WESTMINSTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Assistance Number	Program Identification Number	Award Amount	Federal Expenditures
<u>United States Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grant (CDBG)	14.218	B - 12 - MC - 06 - 0509	\$ 858,426	
	14.218	B - 13 - MC - 06 - 0509	929,260	
	14.218	B - 14 - MC - 06 - 0509	935,585	\$ 1,447,731
National Disaster Resilience Competition	14.272	13-DRI-8554	150,000	73,432
HOME Investment Partnership Program	14.239	M - 11 - MC - 060556	490,104	
	14.239	M - 12 - MC - 060556	271,811	
	14.239	M - 13 - MC - 060556	269,197	
	14.239	M - 14 - MC - 060556	286,350	<u>1,034,280</u>
Total United States Department of Housing and Urban Development				<u>2,555,443</u>
<u>United States Department of Justice</u>				
Direct Assistance:				
Equitable Sharing Program	16.922	N/A	N/A	<u>253,259</u>
Passed through County of Orange:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011 - DJ - BX - 2532	23,616	16,762
	16.738	2013 - DJ - BX - 1065	17,827	10,700
	16.738	2014 - DJ - BX - 0038	19,667	<u>5,275</u>
Total Edward Byrne Memorial Justice Assistance Grant Program				<u>32,737</u>
Total United States Department of Justice				<u>285,996</u>

(Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards (pages 8 and 9).

CITY OF WESTMINSTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2015

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Award Amount	Federal Expenditures
<u>United States Department of Transportation</u>				
Passed through California Department of Transportation:				
Highway Planning and Construction	20.205	HSIPL-5338(048)	\$ 144,000	\$ 5,724
	20.205	HSIPL-5338(049)	28,500	<u>28,500</u>
Total Highway Planning and Construction				34,224
Passed through University of California, Berkeley:				
State and Community Highway Safety	20.600	SC14461	42,000	6,788
Passed through City of Anaheim:				
State and Community Highway Safety	20.600	20656	256,000	<u>11,947</u>
Total United States Department of Transportation				<u>52,959</u>
<u>United States Department of Health and Human Services</u>				
Passed through the County of Orange:				
Family Resource Center	93.556	FEH4000	220,000	<u>215,655</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 3,110,053</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards (pages 8 and 9).

CITY OF WESTMINSTER

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 Westminster (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 the accrual basis 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.

CITY OF WESTMINSTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2015

6. FEDERALLY FUNDED LOANS:

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs:

<u>Federal Programs</u>	<u>Loans Expended During the Year Ended June 30, 2015</u>	<u>Loans Outstanding as of June 30, 2015</u>
Community Development Block Grant	\$ -	\$ 1,309,351
HOME Investment Partnership Program	\$ -	\$ 3,993,582

7. SUBRECIPIENTS:

During the fiscal year ended June 30, 2015, the City disbursed federal funds to the following subrecipients under the Community Development Block Grant program (CFDA #14.218):

	<u>Amount Disbursed</u>
Community Senior Services	\$ 30,874
Fair Housing Services	<u>15,000</u>
	<u>\$ 45,874</u>

CITY OF WESTMINSTER

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 x no
- Significant deficiency identified? ___ yes x none reported

Noncompliance material to financial statements noted: x yes ___ no
See Finding 2015-001

Federal Awards:

Internal control over major programs:

- Material weakness identified? ___ yes x no
- Significant deficiency identified? ___ yes x 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? x yes ___ no
See Finding 2015-002

Identification of major programs:

CFDA Numbers

14.239

Name of Federal Program or Cluster

United States Department of Housing and Urban Development, Direct Assistance, HOME Investment Partnership Program

16.922

United States Department of Justice, Direct Assistance, Equitable Sharing Program

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

Auditee qualified as low-risk auditee? x yes ___ no

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2015

2. Findings Relating to Financial Statements:

COMPLIANCE AND OTHER MATTERS

Finding Number 2015-001

Criteria

Senate Bill 341 (SB 341) requires all successor housing entities, starting with the fiscal year ended June 30, 2014, to comply with annual report requirements within six months after the end of each fiscal year. The annual report must be posted to the City's website and contain all of the required items as described in Health and Safety Code Section 34176.1 beginning with subsection (f).

Condition

The annual report for the successor housing entity posted to the City's website for fiscal year 2013-2014 did not contain all the items required by Health and Safety Code Section 34176.1.

Cause

The City was not aware of the requirements.

Effect

The effect is unknown.

Recommendation

We recommend the City implement policies and procedures to ensure reporting of all required elements for SB 341.

Management's Response

The City is now in compliance with the reporting requirement, and the City website contains the previously undisclosed items. Going forward, the City has educated itself on the requirements, and is in the process of updating the website with fiscal year 2015 data as well.

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2015

3. Findings and Questioned Costs Relating to Major Federal Awards:

Finding Number 2015-002

Major Program

United States Department of Housing and Urban Development, Direct Assistance, HOME Investment Partnership Program (CFDA 14.239), Grant Identification Numbers: M-11-MC-060556, M-12-MC-060556, M-13-MC-060556, M-14-MC-060556

Criteria

Funding for the HOME program is to be used in accordance with the Annual Action Plan adopted by the City.

Condition

The City received reimbursement from HUD for expenditures that were not eligible under the HOME program.

Cause

Expenditures were miscoded to the City's HOME fund.

Effect and Questioned Costs

The City drew down from IDIS \$33,172 of questioned costs, which will need to be returned to HUD.

Perspective Information

This is an isolated instance as the program has been tested in prior years and no similar findings were made.

Recommendation

We recommend that procedures be developed to prevent miscoding of expenditures and to detect ineligible expenditures during the draw down process.

CITY OF WESTMINSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2015

3. Findings and Questioned Costs Relating to Major Federal Awards (Continued):

Finding Number 2015-002 (Continued)

Management Response

The City contacted HUD about the overdrawn amounts, and has since reimbursed HUD the previously noted amount. Going forward, the draw down procedure will include attaching detailed invoices as well as general ledger posting as backup to support the draw.

CITY OF WESTMINSTER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2015

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