

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

JUNE 30, 2018

CITY OF WESTMINSTER

June 30, 2018

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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, 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 November 20, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding Number 2018-001 what we consider to be a significant deficiency.

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 matter that are required to be reported under *Government Auditing Standards*.

City's Response to the 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 the financial statements and, accordingly, we express no opinion on it.

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 20, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 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 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 auditors' 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.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 activity, 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 November 20, 2018, 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.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
(Continued)**

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.

White Nelson Dick Evans LLP

Irvine, California

March 4, 2019 (except for the date of the schedule of expenditures of federal awards, as to which the date is November 20, 2018)

**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, 2018

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
<u>United States Department of Housing and Urban Development</u>					
Direct Assistance:					
Community Development Block Grant (CDBG)	14.218	B-14-MC-06-0509	\$ 935,585		
	14.218	B-15-MC-06-0509	952,806		
	14.218	B-16-MC-06-0509	944,997		
	14.218	B-17-MC-06-0509	962,303	\$ 965,788	\$ 43,000
HOME Investment Partnership Program	14.239	M-15-MC-060556	260,999		
	14.239	M-16-MC-060556	273,659		
	14.239	M-17-MC-060556	282,819	290,397	-
	14.239	Program Income		29,369	-
Total HOME Investment Partnership Program				319,766	-
Total United States Department of Housing and Urban Development				1,285,554	43,000
<u>United States Department of Justice</u>					
Direct Assistance:					
Equitable Sharing Program	16.922	N/A	N/A	134,277	-
Total United States Department of Justice				134,277	-
<u>United States Department of Transportation</u>					
Passed through California Department of Transportation:					
Highway Planning and Construction	20.205	HSIPL-5338(048)	756,000	52,525	-
		ATPL-5338(052)	2,758,000	11,573	-
Total Highway Planning and Construction				64,098	-
Passed through the Office of Traffic and Safety:					
State and Community Highway Safety	20.600	PS18002	25,000	20,850	-
	20.600	PT18147	87,000	65,677	-
Total State and Community Highway Safety				86,527	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18147	55,000	28,957	-
Total United States Department of Transportation				179,582	-

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WESTMINSTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2018

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
<u>United States Department of Health and Human Services</u>					
Passed through the County of Orange:					
Family Resource Center	93.556	FFZ1515	\$ 300,000	\$ 295,279	\$ -
<u>United States Department of Homeland Security</u>					
Passed through the State of California:					
Emergency Management Performance Grants	97.042	FY15 EMPG	14,606	14,606	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,909,298</u>	<u>\$ 43,000</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WESTMINSTER
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2018

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Westminster (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies 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 statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. 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.

3. INDIRECT COST RATE

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

4. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with amounts reported in federal financial reports.

6. 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
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

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? x yes none reported
 See Finding Number 2018-001

Noncompliance material to financial statements noted: yes x no

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 2 CFR Section 200.516(a) of the Uniform Guidance? yes x no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	HOME Investment Partnership Program
16.922	Equitable Sharing Programss

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes x no

CITY OF WESTMINSTER
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

2. Findings Relating to Financial Statements

SIGNIFICANT DEFICIENCY

Finding Number 2018-001

Criteria

Internal controls should be in place that provide reasonable assurance that all federal expenditures incurred in the fiscal year are reported on the SEFA.

Condition

During our review of the fiscal year 2017-18 Schedule of Expenditures of Federal Awards (SEFA) prepared by the City, we noted the City reported expenditures that were incurred during fiscal year 2016-17. The City did not properly report these expenditures on the fiscal year 2016-17 SEFA.

Cause

There are no procedures in place to ensure SEFA is complete.

Effect

The expenditures for the programs were not included in the major program determination for the fiscal year 2016-17 single audit.

Recommendation

We recommend the City implement procedures to ensure the accurate reporting of federal expenditures on the SEFA.

Management's Response

The City receives grants from multiple sources during the year. The SEFA requires that the City report all federal grant expenditures. New procedures will be implemented in order to help staff know which expenditures are federally funded. Funding source requirements will be added to the capital improvement budget schedule each year. Included in the document will be a notation as to what type of grant funding, if any. In addition, any revenues from other programs that are grant related will be noted either in the Council staff report, or in the budget documents, if accepted as part of the biannual budget. Reviews of all revenues sources will be conducted at various times during the year with the specific goal of tracking grant receipts to match with related grant expenditures.

CITY OF WESTMINSTER
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

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

There were no findings or questioned costs for the year ended June 30, 2018.

CITY OF WESTMINSTER
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2018

There were no findings reported for fiscal year 2016-17.