



Nimish Patel, Committee Chair
Sue Himmelrich, Committee Vice-Chair
Frances Ellington, Committee Member
Pam O'Connor, Committee Member
Tony Vazquez, Committee Member

**AUDIT SUBCOMMITTEE
REGULAR MEETING AGENDA**

Tuesday, April 19, 2016, 7:00 P.M.

Ken Edwards Center
1527 4th Street, Room 104
Santa Monica, CA 90401

(Please note that agenda items may be reordered during the meeting at the discretion of the Audit Subcommittee)

1. Call to Order and Roll Call
2. Public Input (public comment is permitted on items on the agenda and on items not on the agenda that are within the subject matter jurisdiction of the Audit Subcommittee)
3. Approval of Minutes for the Audit Subcommittee January 19, 2016 Meeting
4. Receive a Status Update on the FY 2015-16 Internal Audit Work Plan, and Review and Approval of the FY 2016-17 Internal Audit Work Plan (Subcommittee Report) – presented by Mark Steranka, Partner, Moss Adams LLP
5. Receive the Revised Single Audit Report for FY 2013-14 and the Single Audit Report for FY 2014-15 – presented by Gigi Decavalles-Hughes, Director of Finance
6. Introduction and Overview of Upcoming FY 2015-16 Audit Process – presented by Richard Kikuchi, Partner, Lance, Soll & Lunghard, LLP
7. Announcements & Updates
8. Adjournment

Please note that this agenda is subject to change up to 72 hours prior to the scheduled meeting. We encourage you to check the agenda 72 hours prior to the meeting on the Audit Subcommittee website:
<http://www.smgov.net/departments/council/content.aspx?id=53159>

STANDARDS OF BEHAVIOR THAT PROMOTE CIVILITY AT ALL PUBLIC MEETINGS:

- Treat everyone courteously
- Listen to others respectfully
- Exercise self-control
- Give open-minded consideration to all viewpoints
- Focus on the issues and avoid personalizing debate
- Embrace respectful disagreement and dissent as democratic rights, inherent components of inclusive public process, and tools for forging sound decisions

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This agenda is available in alternate format upon request. Any documents produced by the City and distributed to a majority of the Subcommittee regarding any item on this agenda can be requested from the Finance Department at (310) 458-8281 or finance.mailbox@smgov.net during normal business hours.

Agenda Item 3:

Approval of Minutes for the Audit Subcommittee
January 19, 2016 Meeting

(NOT APPROVED)

CITY OF SANTA MONICA

AUDIT SUBCOMMITTEE MEETING

MINUTES

TUESDAY, JANUARY 19, 2016

A special meeting of the Santa Monica Audit Subcommittee was called to order by Acting City Clerk, Denise Anderson-Warren at 7:04 p.m., on Tuesday, January 19, 2016, at Ken Edwards Center, 1527 Fourth Street, Santa Monica, CA 90401

Roll Call: Present: Committee Member Pam O'Connor (*arrived at 7:12 p.m.*)
Committee Member Sue Himmelrich
Committee Member Frances Ellington
Committee Member Nimish Patel

Absent: Committee Member Tony Vazquez

Also Present: Director of Finance Gigi Decavalles
City Attorney Marsha Moutrie
Acting City Clerk Denise Anderson-Warren

CONVENE

On order of Clerk, the Audit Subcommittee convened at 7:04 p.m., with committee members Vazquez and O'Connor absent.

**CHAIR AND VICE-
CHAIR ELECTION**

2. Election of Chair and Vice Chair of the Audit Subcommittee of the City of Santa Monica, was presented.

The Clerk opened the floor for nominations for Chair.

Committee Member Himmelrich nominated Nimish Patel as Chair.

There being no other nominations, Nimish Patel was appointed as Chair by a unanimous voice vote, with Committee Members Vazquez and O'Connor absent.

The Chair opened the floor for nominations for Vice Chair.

Committee Member Ellington nominated Committee Member Sue Himmelrich.

There being no other nominations, Sue Himmelrich was appointed as the Vice Chair by a unanimous voice vote, with Committee Members Vazquez and O'Connor absent.

MEETING TIME AND PLACE

3. Adoption of a Resolution entitled: “Resolution of the Audit Committee of the City Council of the City of Santa Monica Establishing Regular Meeting Dates,” was presented.

Motion by Vice Chair Himmelrich, seconded by Committee Member Ellington, to adopt Resolution No. 1 (ASC) scheduling regular meetings of the Audit Committee to be held on the third Tuesday of each January, April, and October at 7:00 p.m. at the Ken Edwards Center, 1527 4th Street, Santa Monica, CA 90401.

The motion was approved by the following vote:

- AYES: Committee Member Ellington, Vice Chair Himmelrich, Chair Patel
- NOES: None
- ABSENT: Committee Members Vazquez and O’Connor

INTERNAL CONTROLS TRAINING

Committee Member O’Connor arrived at 7:12 pm

4. Receive an Update on Internal Controls Work Plan and Progress on Internal Review Findings, was presented.

There were no members of the public present to comment.

a. Internal Audit Work Plan Updated (presented by Mark Steranka, Partner, Moss Adams LLP)

Mr. Steranka presented there are four projects ongoing, and one new project.

1. Bank Reconciliation Support
2. External Audit Preparation Support
3. Ambulance Contract Audit
4. Ongoing Internal Audit Services
5. Benefits billing process review

Questions were asked of staff about any other outstanding contracts that should be reviewed, and of the benefits audit. Staff responded that the current priority is getting a handle on the cash handling review, and potentially in the future, the Parking Citation contract could be something to review.

b. Internal Controls Review Progress Report (presented by Gigi Decavalles-Hughes, Director of Finance)

The Finance Director gave an update that out of the 42 recommendations on the Review Progress Report, 11 of them have been completed, and 5 are close to being completed. Priority projects include: the benefits billing process review; the cash handling is currently decentralized, and needs to be improved; Accounts receivable review is happening in the Spring; the Billing and Collections unit has been taking on a lot more work; updating Policies and Procedures, and providing all Supervisors with handbooks; Provide training for all policies and procedures; Developing a Code of Ethics; the new Enterprise Resource Planning (ERP) system once installed will help

with many of the recommendations.

Questions were asked and answered of staff regarding Procurement Cards and best practices; Timekeeping issues; Who will be responsible for training after the Policies and Procedures are established, and how will that be done, either by internal staff or external auditors.

Motion by Vice Chair Himmelrich, seconded by Committee Member Ellington, to receive and file the presentation of the Internal Auditor and the Director of Finance. The motion was approved by voice vote, with Committee Member Vazquez absent.

CAFR

5. Receive the Comprehensive Annual Financial Report (CAFR) Executive Summary (Presented by Jim Godsey, Partner, Macias, Gini and O'Connell LLP), was presented.

There were no members of the public present.

Questions were asked of staff about restatements, liabilities, materiality, misallocation of funds, difference between restricted and committed funds, and fiduciary funds.

The presenter expressed concern about Santa Monica allowing Marijuana Dispensaries, and the necessity to establish an ordinance developing strict control policies.

Motion by Vice Chair Himmelrich, seconded by Committee Member Ellington, to receive and file the CAFR, and present it to the full City Council at the February 9, 2016 meeting. The motion was unanimously approved by voice vote, with Committee Member Vazquez absent.

AUDITING FIRM SELECTION

6. Selection of the Professional Auditing Firm be recommended to the City Council for Award of a Contract, was presented.

There were no members of the public present.

The Director of Finance reported that there were six proposals received, three firms were interviewed, and Lance, Soll & Lunghard, LLP was selected.

Motion by Vice Chair Himmelrich, seconded by Committee Member Ellington, to bring the recommendation of the selection committee to the City Council and recommend that Lance, Soll & Lunghard, LLP (LSL) be awarded a contract to provide professional auditing services for the City for fiscal years 2015 – 16 through 2019 – 20. The motion was unanimously approved by voice vote, with Committee Member Vazquez absent.

ANNOUNCEMENTS & UPDATES

There were no Announcements or Updates.

ADJOURNMENT

On order of the Chair, the Santa Monica Audit Subcommittee meeting was adjourned at 8:42 p.m.

ATTEST:

APPROVED:

Denise Anderson-Warren
Acting City Clerk

Nimish Patel
Chair

DRAFT

Agenda Item 4:

Status Update on the FY 2015-16 Internal Audit Work Plan and
Approval of the FY 2016-17 Internal Audit Work Plan



Santa Monica Audit Subcommittee Report

Audit Subcommittee of the Santa Monica City Council

Meeting: April 19, 2016

Agenda Item: 4

To: Chairperson and Members
From: Gigi Decavalles-Hughes, Director of Finance
Subject: Status Update on FY 2015-16 Internal Audit Work Plan and Review and Approval of the FY 2016-17 Internal Audit Work Plan

Recommended Action

Staff recommends that the Audit Subcommittee of the Santa Monica City Council:

1. Receive a status update on the Internal Audit Work Plan for FY 2015-16
2. Review and approve the Internal Audit Work Plan for FY 2016-17

Discussion

Based on the results of the internal controls review conducted on March 17, 2015, progress made on the FY 2015-16 internal audit work plan (Attachment 1), and discussions with the Audit Subcommittee and staff in the City Manager's Office and the Finance Department, Moss Adams has developed a proposed internal audit work plan for FY 2016-17 (Attachment 2). Staff is requesting that the Audit Subcommittee approve the attached work plan for FY 2016-17. Staff and the City's Internal Auditor will continue to provide status updates on the progress of the improvements recommended in the internal controls review, as well as the progress on the work plan, at future meetings.

Attachments:

1. Status Update on FY 2015-16 Work Plan
2. FY 2016-17 Proposed Work Plan



Date: April 19, 2016
To: City of Santa Monica Audit Committee
From: Mark Steranka
Subject: Internal Audit Status Report January 1, 2016 through March 31, 2016

Bank Reconciliation Support:

- Schedule: June 1, 2015 through March 31, 2015.
- Activities for This Period: Facilitated a meeting with the Finance Department and Treasurer's Office to explore alternatives for addressing investment and cash account reconciliations.
- Activities for Next Period: None anticipated.
- Issues: none

External Audit Preparation Support:

- Schedule: July 1, 2015 through March 31, 2016.
- Activities for This Period: Helped the City determine how to respond to a Single Audit finding.
- Activities for Next Period: None anticipated.
- Issues: none

Ambulance Billing Review:

- Schedule: November 1, 2015 through April 30, 2016.
- Activities for This Period: Reviewed relevant documents, conducted onsite interviews and walkthroughs, and performed sampling.
- Activities for Next Period: Analyze sample data and develop preliminary findings.
- Issues: none

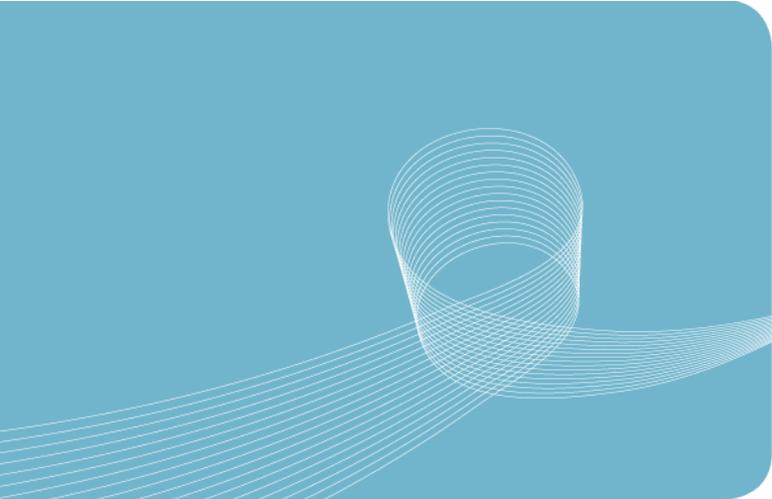
Benefits Billing and Reconciliation Review:

- Schedule: January 1, 2016 through April 30, 2016.
- Activities for This Period: Performed engagement planning, conducted kickoff meeting, conducted onsite interviews and walkthroughs, submitted initial document request, and reviewed relevant documents.
- Activities for Next Period: Analyze data and test reconciliations.
- Issues: none



Ongoing Internal Audit Services

- Schedule: July 1, 2015 through June 30, 2016.
- Activities for This Period: Performed overall internal audit program management. Provided status report at January 19th Audit Committee meeting. Provided information in support of the City's efforts to establish an ethics hotline.
- Activities for Next Period: Continue to manage internal audit program. Attend the April 19th Audit Committee meeting.
- Issues: none



**City of Santa Monica
FY 16-17 Internal Audit Program**

**Audit Committee Meeting
April 19, 2016**

MOSS ADAMS_{LLP}

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Acumen. Agility. Answers.

AGENDA

- I. Introduction
- II. Internal Audit Program Overview
- III. Proposed FY 16-17 Internal Audit Plan

I. INTRODUCTION

- The City retained Moss Adams LLP in August 2014 to provide internal audit services focusing on:
 - Risks
 - Internal controls
 - Efficiency and effectiveness
 - Best practices
 - Compliance
- Work is being completed under the standards of the Institute of Internal Auditors (IIA) and under the consultancy standards of the American Institute of Certified Public Accountants (AICPA)

II. INTERNAL AUDIT PROGRAM OVERVIEW

Internal Audit

Risk/Opportunity
Improvement
Assessments

Performance
Audits

Internal
Controls
Reviews

Areas of Focus: accounting and financial reporting, asset management, capital programs, compliance, economics and funding, fraud, governance, human resources, internal controls, maintenance and operations, management, operations and service delivery, organization and staffing, processes and procedures, procurement, public safety, risk management, and technology

III. FY 16-17 INTERNAL AUDIT PLAN

1. Cash Handling Review (continuation)
2. AR & Revenue Review
3. Enterprise Risk Assessment
4. Parking Citation Vendor Audit
5. Policies and Procedures Validation
6. Supervisor Fraud Training
7. Ongoing Internal Auditor Services

III. FY 16-17 INTERNAL AUDIT PLAN (CONT.)

#	Process	7-9/16	10-12/16	1-3/17	4-6/17
1	Cash Handling Review				
2	AR & Revenue Review				
3	Enterprise Risk Assessment				
4	Parking Citation Vendor Audit				
5	Policies and Procedures Validation				
6	Supervisor Fraud Training				
7	Ongoing Internal Audit Services				

III. FY 16-17 INTERNAL AUDIT PLAN (CONT.)

1. Cash Handling Review: Continuation of a more thorough assessment of cash handling processes and controls throughout the City, develop recommendations, and provide training as needed (6-8 weeks)
2. AR and Revenue Review: Based on results of the Internal Controls Review, conduct a more thorough assessment of AR and revenue collection processes and controls throughout the City, develop recommendations, and provide training as needed (12-14 weeks)
3. Enterprise Risk Assessment: Assess risks across the City to provide foundational information, along with results of Internal Controls Review, for a multi-year audit program. (12-16 weeks)
4. Parking Citations Contractor Audit: Conduct an audit of the City's parking citations contractor (12 weeks)

III. FY 16-17 INTERNAL AUDIT PLAN (CONT.)

5. **Policies and Procedures Validation:** Review the City's updated policies and procedures for addressing Internal Controls Review findings and recommendations (4-6 weeks)
6. **Supervisor Fraud Training:** Develop content and provide fraud training to supervisors (4 weeks)
7. **Ongoing Internal Auditor Services:** Attend Audit Committee and Council meetings; develop an annual audit program, and provide status reports on program activities (52 weeks)

Agenda Item 5:

Single Audit Reports for FY 2013-14 (Revised) and FY 2014-15

**CITY OF SANTA MONICA,
CALIFORNIA**

Single Audit Reports (Revised) and
Housing Financial Data Schedules

For the Fiscal Year Ended June 30, 2014



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CITY OF SANTA MONICA, CALIFORNIA
Single Audit Reports (Revised) and Housing Financial Data Schedules
For the Fiscal Year Ended June 30, 2014

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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***

Honorable Mayor and City Council
City of Santa Monica, 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 Santa Monica, California (City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated February 27, 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 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 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 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 E O'Connell LPA". The signature is written in a cursive style with a distinct loop at the end of the last name.

Los Angeles, California
February 27, 2015



**Independent Auditor’s Report on Compliance for
Each Major Program; Report on Internal Control over Compliance;
and Report on Schedule of Expenditures of Federal
Awards Required by OMB Circular A-133**

Honorable Mayor and City Council
City of Santa Monica, California

Report on Compliance for Each Major Federal Program

We have audited the City of Santa Monica, California’s (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 fiscal year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 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 fiscal year ended June 30, 2014.

Other Matter

As discussed in Note 6 to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules, the Schedule of Expenditures of Federal Awards was restated to reclassify \$748,406 of CFDA No. 14.235 Supportive Housing Program expenditures and \$1,944,257 of CFDA No. 14.238 Shelter Plus Care expenditures to CFDA No. 14.267 Continuum of Care Program, decrease expenditures reported for two grants under CFDA No. 14.267 Continuum of Care Program by a net of \$27,860, and revise amounts provided to subrecipients for two programs by a net of \$287,505. These adjustments resulted in reporting CFDA No. 14.267 Continuum of Care Program as a major program for the fiscal year ended June 30, 2014. The compliance audit of this new major program was completed on March 30, 2016.

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 fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 27, 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. We have not performed any procedures with respect to the audited basic financial statements subsequent to February 27, 2015. 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.

Macias Gini & O'Connell LLP

Los Angeles, California

March 30, 2015, except for our report on major program CFDA No. 14.267 and report on the schedule of expenditures of federal awards described in the other matter paragraph as to which the date is March 30, 2016

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Independent Auditor's Report on Housing Financial Data Schedules

Honorable Mayor and City Council
City of Santa Monica, California

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 of Santa Monica, California (City), as of and for the fiscal year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 27, 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 City's basic financial statements. We have not performed any procedures with respect to the audited basic financial statements subsequent to February 27, 2015.

The accompanying housing financial data schedules of the City are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are 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 housing financial data schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the City's management, City Council, others within the entity, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Los Angeles, California
March 30, 2015

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CITY OF SANTA MONICA, CALIFORNIA
Schedule of Expenditures of Federal Awards (Restated)
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number/ Pass- Through Grantor's Number	Federal Expenditures	Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through the California Department of Education</i>				
Summer Food Service Program for Children	10.559	—	\$ 21,255	\$ -
Total U.S. Department of Agriculture			<u>21,255</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct Programs:</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-06-0529	356,946	140,130
	14.218	B-12-MC-06-0529	770,559	63,707
	14.218	B-13-MC-06-0529	104,515	-
Subtotal CFDA No. 14.218			<u>1,232,020</u>	<u>203,837</u>
<i>Passed through the Los Angeles Homeless Services Authority:</i>				
Supportive Housing Program	14.235	CA0361B9D000801	28,825	-
<i>Direct Programs:</i>				
Shelter Plus Care	14.238	CA16-C70-0178	64,533	-
	14.238	CA0327C9D000800	303,654	-
	14.238	CA0415C9D001104	137,236	-
	14.238	CA1045C9D001101	88,149	-
Subtotal CFDA No. 14.238			<u>593,572</u>	<u>-</u>
HOME Investment Partnerships Program	14.239	M-10-MC-06-0537	229,407	-
	14.239	M-12-MC-06-0537	91,138	-
	14.239	M-13-MC-06-0537	24,059	-
Subtotal CFDA No. 14.239			<u>344,604</u>	<u>-</u>
<i>Passed through the Los Angeles Homeless Services Authority:</i>				
Continuum of Care Program	14.267	CA0361L9D001205	375,467	308,760
<i>Direct Programs:</i>				
Continuum of Care Program	14.267	CA0359L9D001205	318,408	14,300
	14.267	CA0359L9D001306	26,671	-
	14.267	CA0415L9D001205	1,459,529	-
	14.267	CA1045L9D001202	240,803	-
	14.267	CA1160L9D001201	166,542	-
	14.267	CA0360L9D001205	70,362	-
	14.267	CA0360L9D001306	7,021	-
Subtotal CFDA No. 14.267			<u>2,664,803</u>	<u>323,060</u>
Community Challenge Planning Grant	14.704	CCPCA0002-10	12,583	-
Section 8 Housing Choice Vouchers	14.871	CA111VO	14,244,165	-
Total U.S. Department of Housing and Urban Development			<u>19,120,572</u>	<u>526,897</u>
<u>U.S. Department of the Interior</u>				
<i>Direct Program:</i>				
Water SMART (Sustaining and Manage America's Resources for Tomorrow) - System Optimization Review Grant	15.507	R11AP35321	138,776	-
Total U.S. Department of the Interior			<u>138,776</u>	<u>-</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued) (Restated)
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number/ Pass- Through Grantor's Number	Federal Expenditures	Subrecipients
<u>U.S. Department of Justice</u>				
<i>Direct Programs:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010DJBX0334	\$ 6,768	\$ -
	16.738	2012DJBX0809	34,058	-
Subtotal CFDA No. 16.738			40,826	-
Equitable Sharing Program - Asset Seizure	16.922	—	41,375	-
Total U.S. Department of Justice			82,201	-
<u>U.S. Department of Transportation</u>				
<i>Passed through the State of California Department of Transportation:</i>				
<i>Highway Planning and Construction:</i>				
California Incline Reconstruction	20.205	BRLS-5107 (002)	132,230	-
Pier Bridge (Widening) Improvements	20.205	BHLO-5107 (033)	148,707	-
Safe Routes to School Grant	20.205	SRTSLNI-5107(031)	57,945	-
School Based Bicycle Training Program	20.205	CML-5107(025)	47,614	-
Lincoln Boulevard Resurfacing	20.205	STPL-5107(034)	1,663,198	-
Bike Technology Demonstration	20.205	CML-5107(026)	4,278	-
Real Time Beach Parking Signs	20.205	CML-5107(028)	123,514	-
Subtotal CFDA No. 20.205			2,177,486	-
<i>Direct Programs:</i>				
<i>Federal Transit Cluster:</i>				
Federal Transit Capital Investment Grants	20.500	CA-04-0163	7,189	-
	20.500	CA-04-0275	1,785,891	-
Subtotal CFDA No. 20.500			1,793,080	-
Federal Transit Formula Grants	20.507	CA-90-Y770-00	400,652	-
	20.507	CA-95-X206	2,418,607	-
	20.507	CA-90-Y667	151,439	-
	20.507	CA-90-Y118-01	706,696	-
	20.507	CA-90-Z102	11,238,294	-
ARRA - Federal Transit Formula Grants	20.507	CA-90-X044 (ARRA)	463,930	-
Subtotal CFDA No. 20.507			15,379,618	-
Total Federal Transit Cluster - CFDA Nos. 20.500 and 20.507			17,172,698	-
<i>Passed through the Los Angeles County Metropolitan Transportation Authority:</i>				
New Freedom Program	20.521	CA-57-X084	19,001	-
<i>Passed through the State of California Office of Traffic Safety:</i>				
<i>State and Community Highway Safety</i>				
Selective Traffic Enforcement Program 2013-14	20.600	PT1445	66,859	-
Selective Traffic Enforcement Program 2012-13	20.600	PT1358	70,970	-
Subtotal CFDA No. 20.600			137,829	-
<i>Minimum Penalties for Repeat Offenders for Driving While Intoxicated</i>				
Sobriety Checkpoint Program 2013-14	20.608	SC14392	9,740	-
Sobriety Checkpoint Program 2012-13	20.608	SC13392	32,730	-
Subtotal CFDA No. 20.608			42,470	-
Total U.S. Department of Transportation			19,549,484	-

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued) (Restated)
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number/ Pass- Through Grantor's Number	Federal Expenditures	Subrecipients
<u>U.S. Department of Treasury</u>				
<i>Direct Program:</i>				
Treasury Asset Forfeiture Program	21.000	—	\$ 16,842	\$ -
Total U.S. Department of Treasury			<u>16,842</u>	<u>-</u>
<u>National Endowment for the Arts</u>				
<i>Passed through Arts Midwest:</i>				
Promotion of the Arts - Grants to Organizations and Individuals - The Big Read	45.024	190132	15,950	-
Total National Endowment for the Arts			<u>15,950</u>	<u>-</u>
<u>Institute of Museum and Library Services</u>				
<i>Passed through the Southern California Library Cooperative:</i>				
Grants to States - Book to Action	45.310	—	273	-
Total Institute of Museum and Library Services			<u>273</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the State of California Emergency Management Agency:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) - 1994 Earthquake Disaster Assistance	97.036	FEMA-1008-DR	121	-
2012 Pre Disaster Mitigation Competitive Grant	97.047	2012-0004-PDMC12-PL41	18,750	-
Rail and Transit Security Grant Program	97.075	2008-RL-T8-K0018	19,650	-
<i>Passed through the County of Los Angeles - Office of Emergency Management:</i>				
2013 Emergency Management Performance Grant	97.042	2013-0047	12,792	-
Homeland Security Grant Program (UASI 2013 - FIRE)	97.067	C-124029	690	-
Homeland Security Grant Program (UASI 2012 - POLICE)	97.067	C-123529	21,917	-
Homeland Security Grant Program (UASI 2012 - FIRE)	97.067	C-123529	428,860	-
Homeland Security Grant Program (UASI 2011 - POLICE)	97.067	C-121050	110,503	-
Homeland Security Grant Program (UASI 2011 - FIRE)	97.067	C-121050	95,483	-
Subtotal CFDA No. 97.067			<u>657,453</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>708,766</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 39,654,119</u>	<u>\$ 526,897</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

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CITY OF SANTA MONICA, CALIFORNIA
Housing Financial Data Schedules
June 30, 2014

Line Item No.	Description	Housing Choice Vouchers	Shelter Plus Care	Supportive Housing Program	Total Programs
	Balance Sheet				
113	Cash - Other Restricted	\$ 517,848	\$ -	\$ -	\$ 517,848
115	Cash - Restricted for Payment of Current Liabilities	64,985	-	-	64,985
100	Total Cash	582,833	-	-	582,833
121	Accounts Receivable - PHA Projects	8,121	-	-	8,121
122	Accounts Receivable - HUD Other Projects	-	254,580	52,807	307,387
120	Total Receivables, Net of Allowances for Doubtful Accounts	8,121	254,580	52,807	315,508
132	Investments - Restricted	96,950	-	-	96,950
142	Prepaid Expenses and Other Assets	13,791	-	-	13,791
150	Total Current Assets	701,695	254,580	52,807	1,009,082
200	Deferred Outflow of Resources	-	-	-	-
290	Total Assets and Deferred Outflow of Resources	\$ 701,695	\$ 254,580	\$ 52,807	\$ 1,009,082
312	Accounts Payable <= 90 Days	\$ 9,521	\$ -	\$ -	\$ 9,521
333	Accounts Payable - Other Government	-	254,580	52,807	307,387
345	Other Current Liabilities	64,985	-	-	64,985
346	Accrued Liabilities - Other	56,187	-	-	56,187
310	Total Current Liabilities	130,693	254,580	52,807	438,080
353	Non-current Liabilities - Other	96,950	-	-	96,950
350	Total Non-Current Liabilities	96,950	-	-	96,950
300	Total Liabilities	227,643	254,580	52,807	535,030
400	Deferred Inflow of Resources	-	-	-	-
509.3	Restricted Fund Balance	492,974	-	-	492,974
512.3	Unassigned Fund Balance	(18,922)	-	-	(18,922)
513	Total Equity - Net Assets/ Position	474,052	-	-	474,052
600	Total Liabilities, Deferred Inflows of Resources and Equity	\$ 701,695	\$ 254,580	\$ 52,807	\$ 1,009,082

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

CITY OF SANTA MONICA, CALIFORNIA
Housing Financial Data Schedules (Continued)
For the Fiscal Year Ended June 30, 2014

Line Item No.	Description	Housing Choice Vouchers	Shelter Plus Care	Supportive Housing Program	Total
Program Revenues and Expenses Summary					
70600	HUD PHA Operating Grants	\$ 12,713,262	\$ 2,537,829	\$ 330,779	\$ 15,581,870
71400	Fraud Recovery	61,767	-	-	61,767
71500	Other Revenue	506,278	-	-	506,278
72000	Investment Income - Restricted	7,934	-	-	7,934
70000	Total Revenue	13,289,241	2,537,829	330,779	16,157,849
91100	Administrative Salaries	830,296	184,142	23,891	1,038,329
91200	Auditing Fees	6,511	-	-	6,511
91400	Advertising and Marketing	141	-	-	141
91500	Employee Benefit contributions - Administrative	434,565	-	-	434,565
91600	Office Expenses	26,109	-	-	26,109
91700	Legal Expense	7,745	-	-	7,745
91800	Travel	2,103	-	-	2,103
91900	Other	162,750	-	-	162,750
91000	Total Operating - Administrative	1,470,220	184,142	23,891	1,678,253
92100	Tenant Services - Salaries	63,021	-	-	63,021
92500	Total Tenant Services	63,021	-	-	63,021
96200	Other General Expenses	8,111	-	-	8,111
96000	Total Other General Expenses	8,111	-	-	8,111
96900	Total Operating Expenses	1,541,352	184,142	23,891	1,749,385
97000	Excess of Operating Revenue over Operating Expenses	11,747,889	2,353,687	306,888	14,408,464
97300	Housing Assistance Payments	12,220,204	2,353,687	306,888	14,880,779
97350	HAP Portability-In	480,468	-	-	480,468
90000	Total Expenses	14,242,024	2,537,829	330,779	17,110,632
10030	Operating Transfers from/to Primary Government	530,136	-	-	530,136
10100	Total Other financing Sources (Uses)	530,136	-	-	530,136
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	(422,647)	-	-	(422,647)
11030	Beginning Equity	917,760	-	-	917,760
11040	Prior Period Adjustments, Equity Transfers and Correction	(21,061)	-	-	(21,061)
11170	Administrative Fee Equity	(18,922)	-	-	(18,922)
11180	Housing Assistance Payments Equity	\$ 492,974	\$ -	\$ -	\$ 492,974
11190	Unit Months Available	13104	2496	360	15960
11210	Number of Unit Months Leased	11856	2442	342	14640

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

CITY OF SANTA MONICA, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards
and Housing Financial Data Schedules (Revised)
For the Fiscal Year Ended June 30, 2014

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents only the expenditures incurred by the City of Santa Monica (City) that are reimbursable under federal award programs. Federal awards received directly from federal agencies, as well as federal awards passed through other nonfederal agencies, are included on the Schedule. The City's reporting entity is reported in Note 1 to the City's basic financial statements. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA" in the federal program title.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting except for programs recorded in the City's enterprise funds, which are presented using the accrual basis of accounting.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule are in agreement with the amounts reported in the related federal financial reports for the federal award programs.

**5. UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD),
REAL ESTATE ASSESSMENT CENTER**

The Housing Financial Data Schedules are required schedules that public housing agencies are to provide to HUD. They are essentially a trial balance of the City's Section 8 Housing Choice Vouchers-Housing Voucher Cluster Program (CFDA 14.871) and Shelter Plus Care Program (CFDA 14.238) reported in the City's Housing Authority special revenue fund in its basic financial statements, arranged in a program format as prescribed by HUD. The account descriptions in the schedules are not consistent with the terminology prescribed by generally accepted accounting principles for special revenue funds; rather, the descriptions include a blend of descriptions for proprietary funds (accrual based financial statements) and governmental funds (modified accrual based financial statements.) The Housing Financial Data Schedules are reported using the modified accrual basis of accounting.

**6. RESTATEMENT OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
REISSUANCE OF THE SINGLE AUDIT REPORTS**

The City has restated its original Schedule to report expenditures under the proper CFDA number, adjust the amount of expenditures reported for two grants, and revise the amounts provided to subrecipients as follows:

- Reclassify expenditures of \$1,944,257 previously reported under CFDA No. 14.238 Shelter Plus Care and \$748,406 previously reported under CFDA No. 14.235 Supportive Housing Program to CFDA No. 14.267 Continuum of Care Program.

CITY OF SANTA MONICA, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards
and Housing Financial Data Schedules (Continued) (Revised)
For the Fiscal Year Ended June 30, 2014

- Add \$14,300 of expenditures under grant no. CA0359L9D001205 for CFDA No. 14.267 Continuum of Care Program.
- Deduct expenditures of \$42,160 reported under grant no. CA0361L9D001205 for CFDA No. 14.267 Continuum of Care Program.
- Revise amounts provided to subrecipients under CFDA No. 10.559 Summer Food Service Program for Children from \$21,255 to \$0.
- Revise amounts provided to subrecipients under CFDA No. 14.267 Continuum of Care Program for grant no. CA0361L9D001205 from \$0 to \$308,760.

As a result of these adjustments, CFDA No. 14.267 was determined to be a major program for the fiscal year ended June 30, 2014 and was audited in accordance with OMB Circular A-133. Accordingly, the related single audit opinion on major programs and the report on the Schedule were reissued.

CITY OF SANTA MONICA, CALIFORNIA
 Schedule of Findings and Questioned Costs (Revised)
 For the Fiscal Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Noncompliance material to the financial statements noted? No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Type of auditor’s 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 Circular A-133? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
20.500 and 20.507	Federal Transit Cluster
14.238	Shelter Plus Care
14.267	Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$1,189,624

Auditee qualified as a low-risk auditee? Yes

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued) (Revised)
For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

CITY OF SANTA MONICA, CALIFORNIA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2014

Financial Statement Findings:

Finding 2013-001: Financial Reporting - Schedule of Expenditure of Federal Awards

Finding:

During our audit, we noted the following errors over the preparation of the Schedule of Expenditures of Federal Awards (SEFA):

- Certain federal expenditures incurred during the fiscal year were inadvertently omitted from the SEFA for the following federal programs: Homeland Security Grant Program (97.067), Community Development Block Grants/ Entitlements Grants Cluster (14.218), HOME Investment Partnerships Program (14.239), Federal Transit Formula and Traffic Signal Priority Grants (20.507). This resulted in a net understatement of \$539,536 on the preliminary SEFA.
- Non-federal expenditures were incorrectly included on the SEFA for the Supportive Housing Program (14.235), resulting in an overstatement of \$49,491 on the preliminary SEFA.
- Duplicate retention amounts were inaccurately reported on the SEFA for the Traffic Signal Priority Grant (20.507), resulting in an overstatement of \$88,858 on the preliminary SEFA.

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that federal expenditures reported on the SEFA are complete and accurate. Furthermore, we recommend that the Finance department strengthen the communication with departments to ensure federal expenditures are accurately reported.

Current Year Management Response:

Management agrees with the recommendation. Management has implemented procedural changes to ensure that preliminary drafts of the SEFA contain a comprehensive list of federal grant expenditures. This includes, but is not limited to, staff training on federal grant reporting requirements and improving grant records management. Staff is currently updating the City's draft Grants Policy and estimates that a final version will be made available to staff Citywide by June 30, 2015. A dedicated Senior Grants Analyst position was created in FY 2014-15 and should be filled by June 30, 2015.

Current Status as of June 30, 2014:

Partially implemented

Implementation Date:

June 30, 2015

Finding 2012-01- Financial Reporting - SEFA

Finding:

Management inaccurately reported cost-sharing amounts, inadvertently omitted certain federal expenditures incurred during the fiscal year and inadvertently omitted a grant award from the initial Schedule of Expenditures of Federal Awards (SEFA). These exceptions were subsequently corrected by management on the fiscal year 2012 SEFA.

CITY OF SANTA MONICA, CALIFORNIA
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that federal expenditures reported on the SEFA are accurate and in accordance with the requirements of OMB Circular A-133.

Current Year Management Response:

Management agrees with the recommendation. Management has implemented procedural changes to ensure that preliminary drafts of the SEFA contain a comprehensive list of federal grant expenditures. This includes, but is not limited to, staff training on federal grant reporting requirements and improving grant records management. Staff is currently updating the City's draft Grants Policy and estimates that a final version will be made available to staff Citywide by June 30, 2015. A dedicated Senior Grants Analyst position was created in FY 2014-15 and should be filled by June 30, 2015.

Current Status as of June 30, 2014:

Partially implemented.

Implementation Date:

June 30, 2015

Finding 2011-01 – Risk Assessment Performance by the Internal Audit and Finance Departments

Finding:

The Internal Audit and Finance departments do not perform a formalized risk assessment that identifies the financial risks within the City. The lack of a formalized risk assessment could lead to risks not being identified or adequately addressed.

Recommendation:

A documented risk assessment should be prepared and updated annually in order to identify risk areas in financial reporting and fiscal controls over operations. The risk assessment should be compared with existing controls to evaluate their adequacy and monitoring to determine that they are functioning as designed.

Current Year Management Response:

On August 26, 2014, Council authorized the City Manager to negotiate and execute a professional services agreement with Moss Adams, LLP for internal audit services. In FY 2014-15, Moss Adams completed an internal controls review of the City's key financial processes, including key functions and over 100 controls. This report was presented to Council in March 2015. Per Council's direction, Moss Adams will create a work plan that targets the most impactful findings of the internal controls review and that includes a Citywide risk assessment.

Current Status as of June 30, 2014:

Partially implemented.

Implementation Date:

June 30, 2016

CITY OF SANTA MONICA, CALIFORNIA
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Finding 2011-02 – Accounting Policies and Procedures Manual

Finding:

We noted that the Finance Department has documented policies and procedures that are maintained in various documents and not in one comprehensive document. Procedures exist in the JD Edwards (JDE) manual, which provides guidance on their financial system and their annual budget document contains policies that are prepared for City Council approval. The lack of comprehensive written policies and procedures could contribute to inconsistent accounting treatment and poor internal controls.

Recommendation:

We recommend that a comprehensive accounting manual be maintained and updated and distributed to all finance department employees.

Current Year Management Response:

Management agrees with the recommendation and staff is in the process of drafting policies and procedures that will be framed into a single manual. While some procedures will require modifications in accordance with upcoming internal audit recommendations, management anticipates completion of the overall framework by June 30, 2015.

Current Status as of June 30, 2014:

Partially implemented.

Implementation Date:

June 30, 2015

Federal Award Findings

**Finding 2013-002 Allowable Costs/ Cost Principles and Reporting
CFDA No. 20.507 – Federal Transit Cluster**

Condition:

During our audit, we noted the following exceptions:

- Retention amounts paid to contractors totaling \$88,858 were reported twice on the Quarterly Progress report for the Transit Priority Grant. Of this retention amount, \$86,730 was inadvertently drawn down twice, and the estimated interest earned was \$36, resulting in questioned costs in the amount of \$86,766.
- Management reported annual expenditures totaling \$12,239,294 on the 3rd quarter 1512 - ARRA report and cumulative expenditures totaling \$12,245,969 on the Federal Financial Report, for the same period, resulting in a variance of \$6,675. The variance is generally a result of timing differences, which management corrects on the subsequent report. However, we noted that the variance was not corrected on the 4th quarter 1512 - ARRA report for the fiscal year ended June 30, 2013.

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that federal fund drawdowns, federal expenditures reported on quarterly progress reports and the SEFA, as well as other required reports are complete and accurate.

CITY OF SANTA MONICA, CALIFORNIA
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Management Response and Corrective Action:

Management agrees with the recommendation. Management will update procedures and develop forms that will assist in the preparation and review of grant reports and will improve the communications and coordination with grant managers and departments throughout the City. We anticipate completion of this corrective action by June 30, 2015.

Current Year Management Response:

Management agrees with the recommendation. Management has implemented procedural changes which include, but are not limited to, staff training on federal grant reporting requirements and improving grant records management. Staff is currently updating the City's draft Grants Policy and estimates that a final version will be made available to staff Citywide by June 30, 2015. A dedicated Senior Grants Analyst position was created in FY 2014-15 and should be filled by June 30, 2015.

Current Status as of June 30, 2014:

Partially implemented.

Implementation Date:

June 30, 2015

Finding 2013-003 Reporting

CFDA No. 81.128 - ARRA - Energy Efficiency and Conservation Block Grant Program

Condition:

During our audit, we selected a sample of two quarterly performance reports and two quarterly financial reports. We noted that all four reports selected for testing were submitted to the National Energy Technology Laboratory (NETL) after the due dates.

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that required reports are submitted in a timely manner in accordance with the federal grant agreement.

Management Response and Corrective Action:

Management agrees with the recommendation. In addition to the creation and anticipated final approval of the City's policy on grant awards, Office of Sustainability and the Environment (OSE) will integrate federal grant reporting schedules into the existing contract management system to ensure that OSE management and all staff are aware of all impending grant report due dates and the submission status of all federal grant reports. We anticipate completion of this corrective action by June 30, 2015.

Current Year Management Response:

Management has implemented procedural changes which include, but are not limited to, staff training on federal grant reporting requirements, improving grant records management, and reallocating and clarifying grant reporting responsibilities. Staff is currently updating the City's draft Grants Policy and estimates that a final version will be made available to staff Citywide by June 30, 2015. A dedicated Senior Grants Analyst position was created in FY 2014-15 and should be filled by June 30, 2015.

Current Status as of June 30, 2014:

Partially implemented.

CITY OF SANTA MONICA, CALIFORNIA
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2014

Implementation Date:

June 30, 2015

Finding 2012-02 Reporting

CFDA No. 81.128 – ARRA - Energy Efficiency and Conservation Block Grant

Condition:

The City did not submit the required Federal Financial Report and PAGE report for the quarter ended June 30, 2012 by the due date of July 30, 2012. The reports were submitted on August 6, 2012.

Recommendation:

We recommend that management strengthen their policies and procedures to ensure federal financial and performance reports are submitted to the granting agency in a timely manner.

Management Response and Corrective Action:

Management agrees with the recommendation and has strengthened its policies and procedures to ensure that federal financial performance reports are submitted to the granting agency by the due date.

Current Year Management Response:

Management has implemented procedural changes which include, but are not limited to, staff training on federal grant reporting requirements, improving grant records management, and reallocating and clarifying grant reporting responsibilities. Staff is currently updating the City's draft Grants Policy and estimates that a final version will be made available to staff Citywide by June 30, 2015. A dedicated Senior Grants Analyst position was created in FY 2014-15 and should be filled by June 30, 2015.

Current Status as of June 30, 2014:

Partially implemented.

Implementation Date:

June 30, 2015

**CITY OF SANTA MONICA,
CALIFORNIA**

Single Audit Reports and
Housing Financial Data Schedules

For the Fiscal Year Ended June 30, 2015



Certified
Public
Accountants

CITY OF SANTA MONICA, CALIFORNIA
Single Audit Reports and Housing Financial Data Schedules
For the Fiscal Year Ended June 30, 2015

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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***

Honorable Mayor and City Council
City of Santa Monica, 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 Santa Monica, California (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 29, 2015. Our report contained an emphasis of a matter paragraph for changes in accounting principles related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective July 1, 2014.

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 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.

Macias Gini & O'Connell LLP

Los Angeles, California
December 29, 2015



**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 OMB Circular A-133**

Honorable Mayor and City Council
City of Santa Monica, California

Report on Compliance for Each Major Federal Program

We have audited the City of Santa Monica, 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 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 item 2015-001. 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. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance 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.

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 fiscal 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 29, 2015 which contained unmodified opinions on those financial statements. Our report contained an emphasis of a matter paragraph for changes in accounting principles related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective July 1, 2014. 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.



Los Angeles, California
March 28, 2016

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Independent Auditor's Report on Housing Financial Data Schedules

Honorable Mayor and City Council
City of Santa Monica, California

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 of Santa Monica, California (City), as of and for the fiscal year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 29, 2015, which contained unmodified opinions on those financial statements. Our report contained an emphasis of a matter paragraph for changes in accounting principles related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective July 1, 2014. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying housing financial data schedules of the City are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are 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 housing financial data schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the City's management, City Council, others within the entity, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Los Angeles, California
March 28, 2016

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CITY OF SANTA MONICA, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number / Pass- Through Grantor's Number	Federal Expenditures	Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through the California Department of Education:</i>				
Summer Food Service Program for Children	10.559	—	\$ 23,091	\$ -
Total U.S. Department of Agriculture			<u>23,091</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct Program:</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-06-0529	235,888	-
	14.218	B-13-MC-06-0529	1,021,014	199,010
	14.218	B-14-MC-06-0529	418,159	-
Subtotal CFDA No. 14.218			<u>1,675,061</u>	<u>199,010</u>
<i>Passed through the Los Angeles Homeless Services Authority:</i>				
Continuum of Care Program	14.267	CA0361L9D001205	13,748	-
	14.267	CA0361L9D001306	362,793	308,760
<i>Direct Programs:</i>				
Continuum of Care Program	14.267	CA0359L9D001306	305,365	21,672
	14.267	CA0359L9D001407	25,771	-
	14.267	CA0360L9D001306	70,466	-
	14.267	CA0360L9D001407	7,073	-
	14.267	CA0415L9D001205	130,390	-
	14.267	CA0415L9D001306	1,435,923	-
	14.267	CA1045L9D001202	80,334	-
	14.267	CA1045L9D001303	237,901	-
	14.267	CA1160L9D001201	44,695	-
	14.267	CA1160L9D001302	128,213	-
	14.267	CA0327C9D000800	87,722	-
	14.267	CA0327L9D001301	190,103	-
Subtotal CFDA No. 14.267			<u>3,120,497</u>	<u>330,432</u>
HOME Investment Partnerships Program	14.239	M10MC060537	258,219	-
	14.239	M13MC060537	22,108	-
	14.239	M14MC060537	40,137	-
Subtotal CFDA No. 14.239			<u>320,464</u>	<u>-</u>
Section 8 Housing Choice Vouchers	14.871	CA111VO	13,268,659	-
Family Self-Sufficiency Program	14.896	CA111FSH050A014	32,370	-
Total U.S. Department of Housing and Urban Development			<u>18,417,051</u>	<u>529,442</u>
<u>U.S. Department of Justice</u>				
<i>Direct Programs:</i>				
Bulletproof Vest Partnership Program	16.607	—	29,032	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-1176	29,261	-
	16.738	2014-DJ-BX-0293	31,575	-
Subtotal CFDA No. 16.738			<u>60,836</u>	<u>-</u>
Equitable Sharing Program - Asset Seizure	16.922	—	194,113	-
Total U.S. Department of Justice			<u>283,981</u>	<u>-</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number / Pass- Through Grantor's Number	Federal Expenditures	Subrecipients
<u>U.S. Department of Transportation</u>				
<i>Passed through the State of California Department of Transportation:</i>				
Highway Planning and Construction:				
Bikeshare-First and Last Mile Connections to Expo	20.205	RPSTPLE-5107 (038)	\$ 674,222	\$ -
Colorado Ave Esplanade	20.205	CML-5107 (035)	403,320	-
California Incline Reconstruction	20.205	BRLS-5107 (002)	3,047,631	-
Pier Bridge (Widening) Improvements	20.205	BHLO-5107 (033)	198,537	-
Lincoln Boulevard Resurfacing	20.205	STPL-5107(034)	45,766	-
Bike Technology Demonstration	20.205	CML-5107(026)	460	-
Real Time Beach Parking Signs	20.205	CML-5107(028)	1,196,848	-
Subtotal CFDA No. 20.205			<u>5,566,784</u>	<u>-</u>
<i>Direct Programs:</i>				
Federal Transit Cluster:				
Federal Transit Capital Investment Grants	20.500	CA-04-0163	2,196	-
	20.500	CA-04-0275	4,630	-
Subtotal CFDA No. 20.500			<u>6,826</u>	<u>-</u>
Federal Transit Formula Grant	20.507	CA-90-Y770-00	225,974	-
	20.507	CA-95-X206	6,271	-
	20.507	CA-90-Y667-01	19,050	-
	20.507	CA-90-Z102	2,616,259	-
	20.507	CA-90-Z194	18,879	-
ARRA - Federal Transit Formula Grant	20.507	CA-96-X044 (ARRA)	143,684	-
Subtotal CFDA No. 20.507			<u>3,030,117</u>	<u>-</u>
Total Federal Transit Cluster - CFDA Nos. 20.500 and 20.507			<u>3,036,943</u>	<u>-</u>
<i>Passed through the Los Angeles County Metropolitan Transportation Authority:</i>				
New Freedom Program	20.521	CA-57-X084	157,490	-
Highway Safety Cluster:				
<i>Passed through the State of California Office of Traffic Safety:</i>				
State and Community Highway Safety:				
Selective Traffic Enforcement Program 2014-15	20.600	PT1517	220,661	-
Selective Traffic Enforcement Program 2013-14	20.600	PT1445	65,784	-
Subtotal CFDA No. 20.600			<u>286,445</u>	<u>-</u>
<i>Passed through the State of California Department of Alcoholic Beverage Control:</i>				
National Priority Safety Programs	20.616	14-MPG19	7,477	-
Total Highway Safety Cluster - CFDA Nos. 20.600 and 20.616			<u>293,922</u>	<u>-</u>
<i>Passed through the State of California Office of Traffic Safety:</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated:				
Sobriety Checkpoint Program 2013-14	20.608	SC14392	23,255	-
Total U.S. Department of Transportation			<u>9,078,394</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
<i>Direct Program:</i>				
Treasury Asset Forfeiture Program	21.000	—	2,528	-
Total U.S. Department of Treasury			<u>2,528</u>	<u>-</u>
<u>National Endowment for the Arts</u>				
<i>Direct Program:</i>				
Promotion of the Arts - Grants to Organizations and Individuals - Our Town	45.024	13-4292-7083	34,491	-
Total National Endowment for the Arts			<u>34,491</u>	<u>-</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number / Pass- Through Grantor's Number	Federal Expenditures	Subrecipients
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Institute for Public Strategies:</i>				
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	—	\$ 50,400	\$ -
Total U.S. Department of Health and Human Services			<u>50,400</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Direct Program:</i>				
Assistance of Firefighter's Grants	97.044	EMW-2013-FO-06959	32,400	-
<i>Passed through the County of Los Angeles - Office of Emergency Management:</i>				
2013 Emergency Management Performance Grant	97.042	2013-0047	9,000	-
<i>Passed through the City of Los Angeles - Homeland Security and Public Safety:</i>				
Homeland Security Grant Program (UASI 2014 - FIRE)	97.067	C-125693	37,676	-
Homeland Security Grant Program (UASI 2013 - FIRE)	97.067	C-124029	885,862	-
Homeland Security Grant Program (UASI 2013 - POLICE)	97.067	C-124029	45,476	-
Homeland Security Grant Program (UASI 2012 - FIRE)	97.067	C-123529	250,092	-
Homeland Security Grant Program (UASI 2011 - POLICE)	97.067	C-121050	6,936	-
<i>Passed through the County of Los Angeles:</i>				
State Homeland Security Program	97.067	2013-00110	426,701	-
Total CFDA No. 97.067			<u>1,652,743</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>1,694,143</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 29,584,079</u>	<u>\$ 529,442</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

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CITY OF SANTA MONICA, CALIFORNIA
Housing Financial Data Schedules
June 30, 2015

Line Item No.	Description	Housing Choice Vouchers	Family Self-Sufficiency Program	Continuum of Care Program	Total Programs
	Balance Sheet				
113	Cash - Other Restricted	\$ 195,165	\$ -	\$ -	\$ 195,165
115	Cash - Restricted for Payment of Current Liabilities	85,892	-	-	85,892
100	Total Cash	281,057	-	-	281,057
121	Accounts Receivable - PHA Projects	5,179	-	-	5,179
122	Accounts Receivable - HUD Other Projects	-	-	467,657	467,657
125	Accounts Receivable - Miscellaneous	3,636	-	-	3,636
120	Total Receivables, Net of Allowances for Doubtful Accounts	8,815	-	467,657	476,472
132	Investments - Restricted	51,715	-	-	51,715
142	Prepaid Expenses and Other Assets	14,481	-	-	14,481
150	Total Current Assets	356,068	-	467,657	823,725
200	Deferred Outflow of Resources	-	-	-	-
290	Total Assets and Deferred Outflow of Resources	\$ 356,068	\$ -	\$ 467,657	\$ 823,725
312	Accounts Payable <= 90 Days	\$ 26,091	\$ -	\$ -	\$ 26,091
333	Accounts Payable - Other Government	-	-	467,657	467,657
345	Other Current Liabilities	85,892	-	-	85,892
346	Accrued Liabilities - Other	45,547	-	-	45,547
310	Total Current Liabilities	157,530	-	467,657	625,187
353	Non-current Liabilities - Other	51,715	-	-	51,715
350	Total Non-Current Liabilities	51,715	-	-	51,715
300	Total Liabilities	209,245	-	467,657	676,902
400	Deferred Inflow of Resources	-	-	-	-
509.3	Restricted Fund Balance	146,823	-	-	146,823
513	Total Equity - Net Assets / Position	146,823	-	-	146,823
600	Total Liabilities, Deferred Inflows of Resources and Equity	\$ 356,068	\$ -	\$ 467,657	\$ 823,725

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

CITY OF SANTA MONICA, CALIFORNIA
Housing Financial Data Schedules (Continued)
For the Fiscal Year Ended June 30, 2015

Line Item No.	Description	Housing Choice Vouchers	Family Self-Sufficiency Program	Continuum of Care Program	Total Programs
Program Revenues and Expense Summary					
70600	HUD PHA Operating Grants	\$ 12,558,966	\$ 32,370	\$ 2,722,284	\$ 15,313,620
71400	Fraud Recovery	58,095	-	-	58,095
71500	Other Revenue	324,071	-	-	324,071
72000	Investment Income - Restricted	297	-	-	297
70000	Total Revenue	12,941,429	32,370	2,722,284	15,696,083
91100	Administrative Salaries	830,912	-	171,956	1,002,868
91200	Auditing Fees	6,704	-	-	6,704
91400	Advertising and Marketing	980	-	-	980
91500	Employee Benefit contributions - Administrative	469,518	-	-	469,518
91600	Office Expenses	16,744	-	-	16,744
91700	Legal Expense	4,713	-	-	4,713
91800	Travel	3,858	-	-	3,858
91900	Other	186,370	-	-	186,370
91000	Total Operating - Administrative	1,519,799	-	171,956	1,691,755
92100	Tenant Services - Salaries	34,648	32,370	-	67,018
92500	Total Tenant Services	34,648	32,370	-	67,018
96200	Other General Expenses	5,605	-	-	5,605
96000	Total Other General Expenses	5,605	-	-	5,605
96900	Total Operating Expenses	1,560,052	32,370	171,956	1,764,378
97000	Excess of Operating Revenue over Operating Expenses	11,381,377	-	2,550,328	13,931,705
97300	Housing Assistance Payments	11,896,475	-	2,550,328	14,446,803
97350	HAP Portability-In	303,531	-	-	303,531
90000	Total Expenses	13,760,058	32,370	2,722,284	16,514,712
10030	Operating Transfers from/to Primary Government	491,400	-	-	491,400
10100	Total Other financing Sources (Uses)	491,400	-	-	491,400
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	(327,229)	-	-	(327,229)
11030	Beginning Equity	474,052	-	-	474,052
11170	Administrative Fee Equity	(22,840)	-	-	(22,840)
11180	Housing Assistance Payments Equity	\$ 169,663	\$ -	\$ -	\$ 169,663
11190	Unit Months Available	13104	-	2856	15960
11210	Number of Unit Months Leased	11516	-	2670	14186

See Accompanying Notes to Schedule of Expenditures of Federal Awards and Housing Financial Data Schedules.

CITY OF SANTA MONICA, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards
and Housing Financial Data Schedules
For the Fiscal Year Ended June 30, 2015

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents only the expenditures incurred by the City of Santa Monica (City) that are reimbursable under federal award programs. Federal awards received directly from federal agencies, as well as federal awards passed through other nonfederal agencies, are included on the Schedule. The City's reporting entity is described in Note 1 to the City's basic financial statements. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA" in the federal program title.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting except for programs recorded in the City's enterprise funds, which are presented using the accrual basis of accounting.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the City's basic financial statements.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule are in agreement with the amounts reported in the related federal financial reports for the federal award programs.

**5. UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD),
REAL ESTATE ASSESSMENT CENTER**

The Housing Financial Data Schedules are required schedules that public housing agencies are to provide to HUD. They are essentially a trial balance of the City's Section 8 Housing Choice Vouchers (CFDA 14.871), Family Self-Sufficiency Program (CFDA 14.896), and Continuum of Care Program (CFDA 14.267) reported in the City's Housing Authority special revenue fund in its basic financial statements, arranged in a program format as prescribed by HUD. The account descriptions in the schedules are not consistent with the terminology prescribed by generally accepted accounting principles for special revenue funds; rather, the descriptions include a blend of descriptions for proprietary funds (accrual based financial statements) and governmental funds (modified accrual based financial statements.) The Housing Financial Data Schedules are reported using the modified accrual basis of accounting.

6. PRIOR YEAR EXPENDITURES

Expenditures in the amount of \$15,828 incurred in fiscal year 2014 for the Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program (CFDA No. 20.608) and \$85 incurred in fiscal year 2014 for the Homeland Security Grant Program (CFDA No. 97.067) were not reported on the Schedule for fiscal year ended June 30, 2014. Those expenditures are being reported on the Schedule for the fiscal year ended June 30, 2015.

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CITY OF SANTA MONICA, CALIFORNIA
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Noncompliance material to the financial statements noted? No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Type of auditor’s 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 Circular A-133? Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$887,522

Auditee qualified as a low-risk auditee? Yes

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2015

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Reference Number:	2015-001
Federal Program Title:	Homeland Security Grant Program
Federal Catalog Number:	97.067
Federal Agency:	Department of Homeland Security
Pass-Through Entity:	City of Los Angeles [Grant Nos. C123529; C124029] County of Los Angeles [Grant No. 2013 – 00110]
Federal Award Number and Year:	2012 - C-124029 2012 - C-123529 2013 - 00110
Category of Finding:	Equipment and Real Property Management

Criteria:

TITLE 44 – EMERGENCY MANAGEMENT AND ASSISTANCE, Part 13 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart D – Management Requirements, Section 13.32 – Equipment (Title 44 CFR Part 13.32)

(5) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133—AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS (OMB Circular A-133), Subpart C— Auditees, Section .300—Auditee Responsibilities

(b) Maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition:

While the City personnel represented that a physical inventory of equipment was performed within the last two years, the results of the inventory and the reconciliation of the results to the property records were not documented.

Cause:

The City believed they were in compliance with the grant agreements and OMB A-133, however there was a lack of documentation in performing a physical inventory procedure at least once within the last two years.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2015

Effect:

Failure to perform and adequately document physical inventory procedures may result in noncompliance with OMB A-133 and the grant requirements.

Questioned Costs:

No questioned costs noted.

Context:

The City could not provide necessary documentation of physical inventory of equipment performed within the last two years.

Recommendation:

We recommend that the City enforce policies and procedures over the maintenance of physical inventory records to ensure that equipment and real property management procedures are in accordance with OMB A-133 and the grant requirements.

Management Response and Corrective Action:

Management agrees with the comment. Safety staff monitors the equipment identified in this finding on a daily, bi-weekly or monthly basis depending on the type of equipment. This monitoring ensures that systems and equipment are operational and in good condition and also safeguards against loss, damage, and theft. To fully comply with federal regulations, City staff now documents the results of the physical count and reconciles with the equipment ledger.

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CITY OF SANTA MONICA, CALIFORNIA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2015

Financial Statement Findings:

Finding 2013-001: Financial Reporting - Schedule of Expenditure of Federal Awards

Finding:

During our audit, we noted the following errors over the preparation of the Schedule of Expenditures of Federal Awards (SEFA):

- Certain federal expenditures incurred during the fiscal year were inadvertently omitted from the SEFA for the following federal programs: Homeland Security Grant Program (97.067), Community Development Block Grants/ Entitlements Grants Cluster (14.218), HOME Investment Partnerships Program (14.239), Federal Transit Formula and Traffic Signal Priority Grants (20.507). This resulted in a net understatement of \$539,536 on the preliminary SEFA.
- Non-federal expenditures were incorrectly included on the SEFA for the Supportive Housing Program (14.235), resulting in an overstatement of \$49,491 on the preliminary SEFA.
- Duplicate retention amounts were inaccurately reported on the SEFA for the Traffic Signal Priority Grant (20.507), resulting in an overstatement of \$88,858 on the preliminary SEFA.

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that federal expenditures reported on the SEFA are complete and accurate. Furthermore, we recommend that the Finance department strengthen the communication with departments to ensure federal expenditures are accurately reported.

Current Year Management Response:

Management agrees with the recommendation and has implemented procedural changes to ensure that preliminary drafts of the SEFA contain a comprehensive list of federal grant expenditures. Grant program managers have received individualized and/or Citywide training on federal grant reporting requirements and improving grant records management. A Senior Grants Analyst position was created in FY 2014-15 and the position was filled in May 2015. Among other responsibilities, the Senior Grants Analyst routinely reviews grant accounts in the General Ledger to ensure proper recording, has updated and maintains a comprehensive list of the City's active grants, and has flagged all federal grant accounts in the financial system to ensure inclusion in the SEFA.

Current Status as of June 30, 2015:

Implementation complete.

Implementation Date:

June 30, 2015

Finding 2012-01- Financial Reporting - SEFA

Finding:

Management inaccurately reported cost-sharing amounts, inadvertently omitted certain federal expenditures incurred during the fiscal year and inadvertently omitted a grant award from the initial Schedule of Expenditures of Federal Awards (SEFA). These exceptions were subsequently corrected by management on the fiscal year 2012 SEFA.

CITY OF SANTA MONICA, CALIFORNIA
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2015

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that federal expenditures reported on the SEFA are accurate and in accordance with the requirements of OMB Circular A-133.

Current Year Management Response:

Management agrees with the recommendation and has implemented procedural changes to ensure that preliminary drafts of the SEFA contain a comprehensive list of federal grant expenditures. Grant program managers have received individualized and/or Citywide training on federal grant reporting requirements and improving grant records management. A Senior Grants Analyst position was created in FY 2014-15 and the position was filled in May 2015. Among other responsibilities, the Senior Grants Analyst routinely reviews grant accounts in the General Ledger to ensure proper recording, has updated and maintains a comprehensive list of the City's active grants, and has flagged all federal grant accounts in the financial system to ensure inclusion in the SEFA.

Current Status as of June 30, 2015:

Implementation complete.

Implementation Date:

June 30, 2015

Finding 2011-01 – Risk Assessment Performance by the Internal Audit and Finance Departments

Finding:

The Internal Audit and Finance departments do not perform a formalized risk assessment that identifies the financial risks within the City. The lack of a formalized risk assessment could lead to risks not being identified or adequately addressed.

Recommendation:

A documented risk assessment should be prepared and updated annually in order to identify risk areas in financial reporting and fiscal controls over operations. The risk assessment should be compared with existing controls to evaluate their adequacy and monitoring to determine that they are functioning as designed.

Current Year Management Response:

On August 26, 2014, Council authorized the City Manager to negotiate and execute a professional services agreement with Moss Adams, LLP for internal audit services. In FY 2014-15, Moss Adams completed an internal controls review of the City's key financial processes, including key functions and over 100 controls. Although the risk assessment was not conducted Citywide, these key functions and controls were identified by the internal auditors as being traditionally areas of high risk and potentially having a significant impact to the City if internal controls were deficient. The internal controls review report, presented to Council in March 2015, considered both fiscal and organizational risk and will serve as a launching point for a number of more thorough reviews of the City's financial practices.

Current Status as of June 30, 2015:

Implementation complete.

Implementation Date:

March 17, 2015

CITY OF SANTA MONICA, CALIFORNIA
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2015

Finding 2011-02 – Accounting Policies and Procedures Manual

Finding:

We noted that the Finance Department has documented policies and procedures that are maintained in various documents and not in one comprehensive document. Procedures exist in the JD Edwards (JDE) manual, which provides guidance on their financial system and their annual budget document contains policies that are prepared for City Council approval. The lack of comprehensive written policies and procedures could contribute to inconsistent accounting treatment and poor internal controls.

Recommendation:

We recommend that a comprehensive accounting manual be maintained and updated and distributed to all finance department employees.

Current Year Management Response:

Management agrees with the recommendation and staff has continued to update the draft grant policy and procedures document over the course of the last fiscal year. Management expects a final policy to be formally adopted by the City by June 30, 2016.

Current Status as of June 30, 2015:

Partially implemented.

Implementation Date:

June 30, 2016

Federal Award Findings

**Finding 2013-002 Allowable Costs/ Cost Principles and Reporting
CFDA No. 20.507 – Federal Transit Cluster**

Condition:

During our audit, we noted the following exceptions:

- Retention amounts paid to contractors totaling \$88,858 were reported twice on the Quarterly Progress report for the Transit Priority Grant. Of this retention amount, \$86,730 was inadvertently drawn down twice, and the estimated interest earned was \$36, resulting in questioned costs in the amount of \$86,766.
- Management reported annual expenditures totaling \$12,239,294 on the 3rd quarter 1512 - ARRA report and cumulative expenditures totaling \$12,245,969 on the Federal Financial Report, for the same period, resulting in a variance of \$6,675. The variance is generally a result of timing differences, which management corrects on the subsequent report. However, we noted that the variance was not corrected on the 4th quarter 1512 - ARRA report for the fiscal year ended June 30, 2013.

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that federal fund drawdowns, federal expenditures reported on quarterly progress reports and the SEFA, as well as other required reports are complete and accurate.

CITY OF SANTA MONICA, CALIFORNIA
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2015

Management Response and Corrective Action:

Management agrees with the recommendation. Management will update procedures and develop forms that will assist in the preparation and review of grant reports and will improve the communications and coordination with grant managers and departments throughout the City. We anticipate completion of this corrective action by June 30, 2015.

Current Year Management Response:

Management agrees with the recommendation and has provided individualized and citywide grant training to grant program managers on federal grant reporting requirements and improving grant records management. A Senior Grants Analyst position was created in FY 2014-15 and the position was filled in May 2015. Among other responsibilities, the Senior Grants Analyst routinely reviews grant accounts in the General Ledger to ensure proper recording and reviews and approves grant paperwork and reimbursement requests prior to submitting to granting agencies.

Current Status as of June 30, 2015:

Implementation complete.

Implementation Date:

June 30, 2015

Finding 2013-003 Reporting

CFDA No. 81.128 - ARRA - Energy Efficiency and Conservation Block Grant Program

Condition:

During our audit, we selected a sample of two quarterly performance reports and two quarterly financial reports. We noted that all four reports selected for testing were submitted to the National Energy Technology Laboratory (NETL) after the due dates.

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that required reports are submitted in a timely manner in accordance with the federal grant agreement.

Management Response and Corrective Action:

Management agrees with the recommendation. In addition to the creation and anticipated final approval of the City's policy on grant awards, Office of Sustainability and the Environment (OSE) will integrate federal grant reporting schedules into the existing contract management system to ensure that OSE management and all staff are aware of all impending grant report due dates and the submission status of all federal grant reports. We anticipate completion of this corrective action by June 30, 2015.

Current Year Management Response:

Management has implemented procedural changes to ensure that reports are submitted on time. Grant program managers have received individualized and/or Citywide training on federal grant reporting requirements and improving grant records management. A Senior Grants Analyst position was created in FY 2014-15 and the position was filled in May 2015. Among other responsibilities, the Senior Grants Analyst monitors periodic reporting requirements for grants.

Current Status as of June 30, 2015:

Implementation complete.

CITY OF SANTA MONICA, CALIFORNIA
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2015

Implementation Date:

June 30, 2015

Finding 2012-02 Reporting

CFDA No. 81.128 – ARRA - Energy Efficiency and Conservation Block Grant

Condition:

The City did not submit the required Federal Financial Report and PAGE report for the quarter ended June 30, 2012 by the due date of July 30, 2012. The reports were submitted on August 6, 2012.

Recommendation:

We recommend that management strengthen their policies and procedures to ensure federal financial and performance reports are submitted to the granting agency in a timely manner.

Management Response and Corrective Action:

Management agrees with the recommendation and has strengthened its policies and procedures to ensure that federal financial performance reports are submitted to the granting agency by the due date.

Current Year Management Response:

Management agrees with the recommendation and has implemented procedural changes including individualized and/or Citywide training provided to grant program managers on federal grant reporting requirements and improving grant records management, improving grants records management process within the Finance Department, and reallocating and clarifying grant reporting responsibilities. A Senior Grants Analyst position was created in FY 2014-15 and the position was filled in May 2015. Among other responsibilities, the Senior Grants Analyst monitors periodic reporting requirements for grants.

Current Status as of June 30, 2015:

Implementation complete.

Implementation Date:

June 30, 2015