

**CITY OF SANTA MONICA,  
CALIFORNIA**

Single Audit Reports (Revised) and  
Housing Financial Data Schedules

For the Fiscal Year Ended June 30, 2014



Certified  
Public  
Accountants

**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 & O'Connell LLP". The signature is written in a cursive, flowing style.

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<br>Grantor/Program Title  | CFDA<br>Number | Grant Number/ Pass-<br>Through<br>Grantor's Number | Federal<br>Expenditures | Subrecipients  |
|--|----------------|--|-------------------------|----------------|
| <b><u>U.S. Department of Agriculture</u></b>   |                |  |                         |                |
| <i>Passed through the California Department of Education</i>   |                |  |                         |                |
| Summer Food Service Program for Children   | 10.559         | —  | \$ 21,255               | \$ -           |
| <b>Total U.S. Department of Agriculture</b>  |                |  | <u>21,255</u>           | <u>-</u>       |
| <b><u>U.S. Department of Housing and Urban Development</u></b>   |                |  |                         |                |
| <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              | -              |
| <b>Total U.S. Department of Housing and Urban Development</b>  |                |  | <u>19,120,572</u>       | <u>526,897</u> |
| <b><u>U.S. Department of the Interior</u></b>  |                |  |                         |                |
| <i>Direct Program:</i>   |                |  |                         |                |
| Water SMART (Sustaining and Manage America's Resources for Tomorrow) -<br>System Optimization Review Grant | 15.507         | R11AP35321   | 138,776                 | -              |
| <b>Total U.S. Department of the Interior</b>   |                |  | <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<br>Grantor/Program Title                               | CFDA<br>Number | Grant Number/ Pass-<br>Through<br>Grantor's Number | Federal<br>Expenditures | Subrecipients |
|---|----------------|--|-------------------------|---------------|
| <b><u>U.S. Department of Justice</u></b>  |                |  |                         |               |
| <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                  | -             |
| <b>Total U.S. Department of Justice</b>   |                |  | 82,201                  | -             |
| <b><u>U.S. Department of Transportation</u></b>                                     |                |  |                         |               |
| <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              | -             |
| <b>Total Federal Transit Cluster - CFDA Nos. 20.500 and 20.507</b>                  |                |  | 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                  | -             |
| <b>Total U.S. Department of Transportation</b>                                      |                |  | 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<br>Grantor/Program Title  | CFDA<br>Number | Grant Number/ Pass-<br>Through<br>Grantor's Number | Federal<br>Expenditures | Subrecipients     |
|--|----------------|--|-------------------------|-------------------|
| <b><u>U.S. Department of Treasury</u></b>  |                |  |                         |                   |
| <i>Direct Program:</i>   |                |  |                         |                   |
| Treasury Asset Forfeiture Program  | 21.000         | —  | \$ 16,842               | \$ -              |
| <b>Total U.S. Department of Treasury</b>   |                |  | <u>16,842</u>           | <u>-</u>          |
| <b><u>National Endowment for the Arts</u></b>  |                |  |                         |                   |
| <i>Passed through Arts Midwest:</i>  |                |  |                         |                   |
| Promotion of the Arts - Grants to Organizations and Individuals - The Big Read                                   | 45.024         | 190132   | 15,950                  | -                 |
| <b>Total National Endowment for the Arts</b>   |                |  | <u>15,950</u>           | <u>-</u>          |
| <b><u>Institute of Museum and Library Services</u></b>   |                |  |                         |                   |
| <i>Passed through the Southern California Library Cooperative:</i>   |                |  |                         |                   |
| Grants to States - Book to Action  | 45.310         | —  | 273                     | -                 |
| <b>Total Institute of Museum and Library Services</b>  |                |  | <u>273</u>              | <u>-</u>          |
| <b><u>U.S. Department of Homeland Security</u></b>   |                |  |                         |                   |
| <i>Passed through the State of California Emergency Management Agency:</i>                                       |                |  |                         |                   |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) -<br>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>          |
| <b>Total U.S. Department of Homeland Security</b>  |                |  | <u>708,766</u>          | <u>-</u>          |
| <b>Total Expenditures of Federal Awards</b>  |                |  | <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

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**Section I – Summary of Auditor’s Results**

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**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

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**Section II – Financial Statement Findings**

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**None noted.**

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**Section III – Federal Award Findings and Questioned Costs**

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**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 3<sup>rd</sup> 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 4<sup>th</sup> 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