

CITY OF WEST SACRAMENTO, CALIFORNIA

SINGLE AUDIT

Year ended June 30, 2019

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Year ended June 30, 2019

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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*

To the Honorable Mayor and Members of City Council
City of West Sacramento, California
West Sacramento, California

We have audited, in accordance with 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, business-type activities, each major fund, and the aggregate remaining fund information of City of West Sacramento, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated January 31, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompany schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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



Crowe LLP

Sacramento, California
January 31, 2020

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

To the Honorable Mayor and Members of City Council
City of West Sacramento, California
West Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited the City of West Sacramento, California's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 31, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.


Crowe LLP

Sacramento, California
January 31, 2020

CITY OF WEST SACRAMENTO, CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2019

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture, Food and Nutrition Service:</u>			
<i>Passed-through the State of California Department of Education</i>			
Child Nutrition Cluster - Summer Food Service Program for Children	10.559	04012-SFSP-57	\$ <u>23,347</u>
<u>U.S. Department of Housing and Urban Development:</u>			
<i>Direct Program</i>			
CDBG – Entitlement Grant Cluster - Community Development Block Grants/ Entitlement Grants	14.218	-	<u>1,105,871</u>
<i>Passed-through the State of California Department of Housing and Urban Development</i>			
Community Development Block Grants/State Program CDBG Use of Program Income	14.228	*	44,470
Home Investment Partnerships Program	14.239	*	<u>11,534</u>
Total U.S. Department of Housing and Urban Development			<u>1,161,875</u>
<u>U.S. Department of Justice</u>			
<i>Direct Programs:</i>			
Bulletproof Vest Partnership Program	16.607	-	7,111
Public Safety Partnership and Community Policing Grants	16.710	-	<u>83,683</u>
Total U.S. Department of Justice			<u>90,794</u>
<u>U.S. Department of Transportation, Federal Highway Administration</u>			
<i>Passed-through the State of California Business, Transportation and Housing Agency</i>			
Highway Planning and Construction Cluster:			
Sycamore Park U.S. 50 Connecting Phase 2	20.205	CML-5447(044)	451,599
Riverfront Street Extension	20.205	STPCML-5447(045)	160,121
West Capitol Avenue Road Rehabilitation	20.205	HSIPSTPL-5007(042)	357,300
TDM Innovation	20.205	SA01718018	14,558
Safe Routes to School	20.205	SRTSL-NI-5447(031)	47,883
Sycamore Trail/Westacre and Bryte Bicycles Routes	20.205	CML-5447(035)	<u>635,148</u>
Subtotal Highway Planning and Construction Cluster			<u>1,666,609</u>

(Continued)

CITY OF WEST SACRAMENTO, CALIFORNIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2019

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation, Federal Highway Administration (continued)</u>			
<i>Passed-through Sacramento Area Council of Government</i>			
Federal Transit Cluster - Federal Transit – Capital Investment Grants	20.500	*	\$ <u>196,843</u>
<i>Passed-through the State of California Business, Transportation and Housing Agency</i>			
National Infrastructure Investments	20.933	TGR20GL-5447(043)	<u>243,457</u>
<i>Passed-through the State of California, Office of Traffic Safety</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	PT18082	6,544
State and Community Highway Safety	20.600	PT18039	9,615
State and Community Highway Safety	20.600	PT1914	<u>6,553</u>
Subtotal Highway Safety Cluster			<u>22,712</u>
<i>Passed-through the State of California, Office of Traffic Safety</i>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18082	14,293
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19145	<u>7,787</u>
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>22,080</u>
Total U.S. Department of Transportation			<u>2,151,701</u>
<u>U.S. Environmental Protection Agency</u>			
<i>Direct Program</i>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	-	<u>801</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed through Yolo County Office of Emergency Services/ California Governor's Office of Emergency Services Grant</i>			
Homeland Security Grant Program	97.067	2016 Yolo OA-HS	35,869
Homeland Security Grant Program	97.067	2017 Yolo OA-HS	<u>23,033</u>
Total U.S. Department of Homeland Security			<u>58,902</u>
Total expenditures of federal awards			<u>\$ 3,487,420</u>

* No pass-through number was provided by the pass-through entity.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WEST SACRAMENTO, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the City of West Sacramento (the City) under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the City's operations, it is not intended to be and does not present the financial position, changes in financial position, or cash flows of the City.

Expenses reported on the Schedule of enterprise funds are reported on the accrual basis and expenditures of governmental funds are reported on the modified accrual basis of accounting. Such expenses/expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as a reimbursement.

Loan program expenditures represent loans disbursed during the period. City of West Sacramento has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The City applied an Indirect Cost Allocation Plan (ICAP) rate approved by the California State Transportation Agency, Department of Transportation (CalTrans) to CFDA 20.205 and 20.500. The ICAP during the year ended June 30, 2019 included an ICAP rate of 115.77% and a fringe benefit rate of 58.74% of total direct salaries and wages. Indirect costs were applied only to the Highway Planning and Construction Cluster and Federal Transit Cluster.

NOTE 2 –SUBRECIPIENTS

There were no subrecipients of the City's programs during the year ended June 30, 2019.

NOTE 3 – LOAN PROGRAMS

The outstanding balances of loan programs were as follows:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Outstanding Loan Balance</u>
Community Development Block Grant	14.228	\$ 7,957,324
Home Investment Partnerships Program	14.239	\$ 4,438,986

CITY OF WEST SACRAMENTO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

CFDA Number

14.218

CDBG – Entitlement Grant Cluster –
Community Development Block
Grants/Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

(Continued)

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

CURRENT YEAR FINDING - FINANCIAL STATEMENT AUDIT

Finding 2019-001: Information System Controls (Significant Deficiency)

Criteria

Internal controls over information systems are a key component of an organization's control environment. Entities should have internal controls including policies and procedures regarding segregation of duties, user access, and monitoring changes to user security profiles. Where adequate segregation of duties cannot be employed to adequately separate those with super user access from operational access to process transactions, detective and monitoring review controls should be established that adequately mitigate such risks. Such controls enable entities to increase efficiency by reducing manual processes and improving the accuracy and quality of the data used across those information systems. Such controls are also important to prevent erroneous and fraudulent transactions or entry to systems. Access to information systems should be removed when there is no longer a business need.

Condition

We evaluated system access to the City's Active Directory as well as the financial system, OneSolution. The Active Directory authenticates and authorizes all users and computers in a Windows domain type network—assigning and enforcing security policies for all computers and installing or updating software. For example, when a user logs into a computer that is part of a Windows domain, Active Directory checks the submitted password and determines whether the user is an authorized user.

Context

During our assessment of information system controls, we noted there is one user in the Finance Department who maintains super user access to the financial system, in addition to operational roles in the normal course of business. The information and technology (IT) and finance departments do not have a process to evaluate and document the propriety of super user changes to user access profiles within the financial reporting system. The super user access was discovered in January 2019, and the access was corrected immediately by management.

Cause

Super user access—internal controls over users who have super user access were not properly designed to separate super users from those with operational roles in the financial reporting system. Additionally, management did not have a process to evaluate the propriety of changes made by the super users.

Effect

Inadequate segregation of duties among the City personnel responsible for changes to user account security settings and performing in an operational capacity during the regular course of business could lead to management override of internal controls. The absence of appropriate monitoring of super user access could result in unauthorized transactions recorded in the financial system, where management would not be able to detect such activity.

(Continued)

CURRENT YEAR FINDING - FINANCIAL STATEMENT AUDIT

Finding 2019-001 –Information System Controls (Significant Deficiency) (Continued)

Recommendation

We recommend that management should establish written system access policies and procedures which provide for the appropriate levels of user access based on the relative roles and responsibilities within the financial reporting system. A best practice is to provide the lowest level of access based on operational need. Further, we recommend the City perform a systematic review and maintain documentation of user's access rights within the financial reporting system, to ensure that a) there are not users with super user access who also have the ability to perform operational functions within the financial system and b) users access roles are only for those functions which are necessary to perform in the normal course of business. Additionally, we recommend that the City consider removing user access accounts for users which no longer have a business purpose to retain such access.

Management's Response and Planned Corrective Action

Once it was discovered that an employee was provided the "administrator" or "super-user" role in the financial system, I.T. immediately corrected the user set up to remove super-user access. In addition, the Administrative Services Director and I.T. Manager will conduct a full review of all financial system Roles and Permissions to ensure that users have the correct permissions to perform their job requirements, and nothing more. All changes to a user's financial system access will be reviewed and signed off by Administrative Director before the changes are implemented in the financial system. These requests will be tracked through the I.T. ticketing system.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF WEST SACRAMENTO, CALIFORNIA
SUMMARY OF PRIOR YEAR FINDINGS
Year ended June 30, 2019

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2018-001: Information Systems Controls (Significant Deficiency)

Criteria: A member of the Finance Department had super user access to the City's IT systems.

Status: See Finding 2019-001.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-002: Procurement, Suspension and Debarment, U.S. Department of Transportation, Federal Highway Administration – Passed-through the State of California Business, Transportation and Housing Agency, CFDA# 20.205 Highway Planning and Construction Cluster (Significant Deficiency)

Criteria: The City's purchasing policy did not reference the requirements in 2 CFR (Uniform Guidance) rather than referencing the Office of Management and Budget (OMB) Circulars.

Status: Corrected.