

**CITY OF HAYWARD**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**For The Year Ended June 30, 2014**

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CITY OF HAYWARD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The 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?  X  Yes   No
- Significant deficiency(ies) identified?   Yes  X  None Reported

Noncompliance material to financial statements noted?   Yes  X  No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified?   Yes  X  No
- Significant deficiency(ies) identified?   Yes  X  None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?   Yes  X  No

Identification of major programs:

CFDA#(s)	Name of Federal Program or Cluster
14.218	Department of Housing and Urban Development – Community Development Block Grants/Entitlement Grants
14.714	Department of Housing and Urban Development – Housing Development Action Grant
84.215	Department of Education – Fund for the Improvement of Education
93.778	Department of Health and Human Services – Medical Assistance Program

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

Auditee qualified as low-risk auditee?   Yes  X  No

## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed material weaknesses, but no instances of noncompliance material to the basic financial statements. Our separately issued Memorandum on Internal Control dated March 19, 2015 is an integral part of our audits and should be read in conjunction with this report.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

## SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Prepared by Management

### Financial Statement Prior Year Findings

There were financial statement findings reported in the prior year, the current status of which we have communicated in a separate Memorandum on Internal Control dated March 19, 2015, which is an integral part of our audit and should be read in conjunction with this report.

### Federal Award Prior Year Findings and Questioned Costs

#### **Finding SA2013-01 – Accurate Preparation of Reimbursement Requests**

- **CFDA Number:** 20.205
- **CFDA Title:** Highway Planning and Construction
- **Federal Agency:** Department of Transportation
- **Pass Through Entity:** Metropolitan Transportation Committee

**Criteria:** The City should verify the accuracy of the reimbursement requests submitted to the awarding agency. The reimbursement rate on the reimbursement requests should agree with the finance letter.

**Condition:** Based on our testing of reimbursement requests, we noted that the rate used on the tested reimbursement requests for construction contract was 81.85%. This rate did not agree to the rate on the finance letter rate of 81.58%.

**Effect:** The City was reimbursed for 81.85% of total construction expenditures of \$1,146,005, which resulted in overage of \$3,094.

**Questioned Costs:** \$3,094

**Cause:** This was caused by a transposed error.

**Recommendation:** The City should ensure that its reimbursement requests are prepared correctly and are accurate.

**Current status prepared by management:** After a subsequent review of the Finance Letter (agreement), it was noted that the rate in the finding above is not correct. The rate reimbursed in fiscal year 2013 fell below the allowable rate of 84.74%.

Federal Award Prior Year Findings and Questioned Costs (Continued)

**Finding SA 2013-02 – Sub-Award Reporting under the Federal Funding Accountability and Transparency Act (FFATA)**

- **CFDA Number:** 14.218
- **CFDA Title:** Community Development Block Grant/ Entitlement Grants
- **Federal Agency:** Department of Housing and Urban Development

**Criteria:** According to the Addendum to Grant Agreement for CDBG Program of the above grant, the grantee shall comply with requirements of the Federal Funding Accountability and Transparency Act (FFATA). The City is required to report first-tier subrecipients obligating action of \$25,000 or more in federal funds. Note this was a prior year finding.

**Condition:** The City did not report the FFATA information regarding first-tier subrecipients as required.

**Effect:** The City is not in compliance with the program reporting requirements specified in OMB Circular A-133 or the Addendum to the Grant Agreement for CDBG Program.

**Cause:** Management was misinformed and told that the issue had been addressed. However it was not and therefore overlooked.

**Recommendation:** The City should comply with the above requirements and report sub-awards as required.

**Current status prepared by management:** The City corrected the issue for fiscal year 2013 FFATA upon discovery the item had not already been corrected. In fiscal year 2014, the City submitted all required FFATA information, upon availability of the grant B14Mc060012 within frfs.gov website for all CDBG subrecipients receiving \$25,000 or more.

CITY OF HAYWARD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Department of Housing and Urban Development Direct Programs:			
Community Development Block Grants/ Entitlement Grants	14.218		\$2,013,733
Housing Development Action Grant	14.174		<u>1,012,264</u>
Subtotal Department of Housing and Urban Development Direct Programs			<u>3,025,997</u>
Department of Housing and Urban Development Pass-Through Programs From:			
Alameda County			
Home Investment Partnerships Program	14.239	M13-DC060201	<u>939,892</u>
Total Housing and Urban Development Programs			<u>3,965,889</u>
Department of Justice Direct Program			
Public Safety Partnership and Community Policing Grants			
COPS Hiring Recovery Program (CHRP)	16.710		975,146
Department of Justice Pass-Through Programs From:			
Alameda County			
Edward Byrne Memorial Formula Grant Program			
Justice Assistant Grant	16.738	2013-DJ-BX-3420	<u>47,538</u>
Total Department of Justice Programs			<u>1,022,684</u>
Department of Transportation Pass-Through Programs From:			
State of California, Office of Transportation and Safety			
State and Community Highway Safety			
Selective Traffic Enforcement Program	20.600	PT1351	21,516
Selective Traffic Enforcement Program	20.600	PT1425	<u>20,499</u>
			<u>42,015</u>
Minimum Penalties for Repeat Offenders For Driving While Intoxicated			
Avoid the 21 2012-13	20.608	AL1331	126,337
Avoid the 21	20.608	AL1453	<u>100,903</u>
Total Department of Transportation Programs			<u>227,240</u>
National Endowment for Humanities Direct Program			
Institute of Museum and Library Services	45.310		
Grants to States			
Non Profit Resource Center			3,293
Teen Empowerment			2,525
Native Language Literacy			<u>959</u>
Total National Endowment for Humanities Program			<u>6,777</u>
Department of Education Pass-Through Program From:			
California State University East Bay			
Fund for the Improvement of Education			
Promise Neighborhood Implementation Grant	84.215	U215N110037	<u>363,642</u>
Total Department of Education Program			<u>363,642</u>
Department of Health and Human Services Pass-Through Programs From:			
Alameda County Probation Department			
MediCal Administrative Activities	93.778	08-85116	<u>190,790</u>
Total Department of Health and Human Services Program			<u>190,790</u>
Total Expenditures of Federal Awards			<u><u>\$5,819,037</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF HAYWARD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2014

**NOTE 1-REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Hayward, California and its component units as disclosed in the notes to the Basic Financial Statements.

**NOTE 2-BASIS OF ACCOUNTING**

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

**NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS**

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs when they occur.

**NOTE 4 - SUBRECEIPIENTS**

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grants/Entitlement	\$629,577
14.239	HOME Investment Partnership Program	907,576

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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  
of the City of Hayward, 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 basic financial statements of the City of Hayward as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2015. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles and the restatement of beginning net position and fund balance.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, we identified certain deficiencies that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control, we consider to be material weaknesses as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated March 19, 2015 which is an integral part of our audits and should be read in conjunction with this report.

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. We identified certain deficiencies in internal control, we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated March 19, 2015 which is an integral part of our audits and should be read in conjunction with this report.

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

### ***City's Response to Findings***

City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated March 19, 2015 which is an integral part of our audits and should be read in conjunction with this report. City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California  
March 19, 2015

**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 OMB CIRCULAR A-133**

Honorable Mayor and City Council  
of the City of Hayward, California

***Report on Compliance for Each Major Federal Program***

We have audited City of Hayward's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 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 year ended June 30, 2014.

### *Report on Internal Control Over Compliance*

Management 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 basic financial statements of the City as of and for the year ended June 30, 2014, and have issued our report thereon dated March 19, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

*Maze & Associates*

Pleasant Hill, California  
March 19, 2015

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