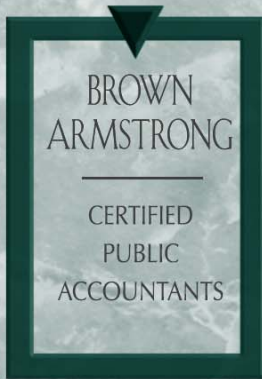


CITY OF FRESNO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2016

**CITY OF FRESNO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

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BROWN ARMSTRONG

Certified Public Accountants

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 Members of the
City Council of the
City of Fresno, California

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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fresno (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2017. Our report includes references to other auditors who audited the financial statements of the City of Fresno Cultural Arts Properties (discretely presented component unit) and the Successor Agency to the Redevelopment Agency of the City (component unit of the City), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies: 2016-001, 2016-002, and 2016-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

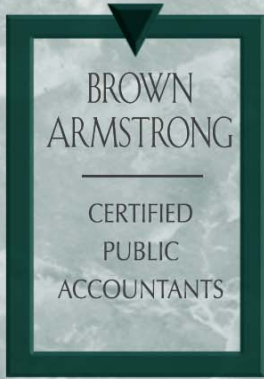
Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
January 19, 2017



BROWN ARMSTRONG

Certified Public Accountants

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 AND THE SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Members of the
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Report on Compliance for Each Major Federal Program

We have audited the City of Fresno's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2016. 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 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, 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 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.

Report on Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State or Local Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 19, 2017, which contained unmodified opinions on those financial statements. Other auditors audited the financial statements of the City of Fresno Cultural Arts Properties (discretely presented component unit) and the Successor Agency to the Redevelopment Agency of the City (component unit of the City), as described in our report on the City's financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and the schedule of expenditures of state or local awards are presented for purposes of additional analysis as required by the Uniform Guidance and the State of California, respectively, 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 schedule of expenditures of federal awards and schedule of expenditures of state or local awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
March 23, 2017

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
US Department of Agriculture					
Rural Utilities Service - Direct Program					
Daleville Area Water Project	10.763		8/13/2015	\$ -	\$ 36,410
<u>Total Rural Utilities Service - Direct Program</u>				-	36,410
TOTAL US DEPARTMENT OF AGRICULTURE				-	36,410
US Department of Commerce					
<i>Economic Development Cluster:</i>					
Economic Development Administration (EDA) - Direct Program					
Economic Adjustment Assistance Program - Revolving Loan Fund	11.307		07-39-02434	832,300	832,300
<u>Total Economic Development Administration (EDA) - Direct Program</u>				832,300	832,300
<i>Total Economic Development Cluster</i>				832,300	832,300
TOTAL US DEPARTMENT OF COMMERCE				832,300	832,300
US Department of Housing and Urban Development					
<i>Community Development Block Grants (CDBG) - Entitlement Grants Cluster</i>					
Office of Community Planning and Development - Direct Program					
Neighborhood Stabilization Program 1 - 2010	14.218		B-08-MN-06-0003	47,532	47,532
2012 Community Development Block Grants/Entitlement Grants	14.218		B-11-MC-06-0001	-	145,913
2014 Community Development Block Grants/Entitlement Grants	14.218		B-13-MC-06-0001	-	306,247
2014 Community Development Block Grants/Entitlement Grants	14.218		B-15-MC-06-0001	-	248,628
2015 Community Development Block Grants/Entitlement Grants	14.218		B-14-MC-06-0001	6,250	529,863
2016 Community Development Block Grants/Entitlement Grants	14.218		B-15-MC-06-0001	15,000	3,358,129
<u>Total Office of Community Planning and Development - Direct Program</u>				68,782	4,636,312
<i>Total CDBG - Entitlement Grants Cluster</i>				68,782	4,636,312
Emergency Solutions Grant (ESG) Program - Direct Program					
2012 Emergency Solutions Grant Program	14.231		E-11-MC-06-0001	26,607	26,607
2013 Emergency Solutions Grant Program	14.231		E-12-MC-06-0001	259,575	259,683
2014 Emergency Solutions Grant Program	14.231		E-13-MC-06-0001	227,080	237,980
2015 Emergency Solutions Grant Program	14.231		E-14-MC-06-0001	355,959	381,838
2016 Emergency Solutions Grant Program	14.231		E-15-MC-06-0001	6,168	41,168
<u>Total Emergency Solutions Grant (ESG) Program - Direct Program</u>				875,389	947,276
Home Investment Partnership Program (HOME) - Direct Program					
2010 Home Investment Partnership Program	14.239		M-09-MC-06-0204	-	3,585
2014 Home Investment Partnership Program	14.239		M-13-MC-06-0204	-	204,242
2015 Home Investment Partnership Program	14.239		M-14-MC-06-0204	-	2,159,809
2016 Home Investment Partnership Program	14.239		M-14-MC-06-0204	-	59,781
2016 Home Investment Partnership Program	14.239		M-15-MC-06-0204	-	2,226,060
2016 Home Investment Partnership Program	14.239		PWH-G-5-09-01 865/60308	-	6,163
<u>Total Home Investment Partnership Program - Direct Program</u>				-	4,659,640
Office of Healthy Homes Lead Hazard Control - Direct Program					
Healthy Homes Lead Hazard Control (2011)	14.900		CALHB0492-11	-	182,922
<u>Total Office of Healthy Homes Lead Hazard Control - Direct Program</u>				-	182,922
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				944,171	10,426,150

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and 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 and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
US Department of Justice					
Bureau of Justice Assistance - Pass-Through Program					
Project Safe Neighborhoods Grant 2014	16.609	CA Office of Emergency Services	US14016675	-	7,404
<u>Total Bureau of Justice Assistance - Pass-Through Program</u>				-	7,404
Equitable Revenue Sharing Program - Direct Program					
Joint Law Enforcement Operations (JLEO) - Seized Assets	16.111		2011	-	113,408
<u>Total Equitable Revenue Sharing Program - Direct Program</u>				-	113,408
Office of Juvenile Justice and Delinquency Prevention - Pass-Through Program					
Enforcing Underage Drinking Laws Program (2016)	16.727	CA Department of Alcoholic Beverage Control	15G-LA10	-	96,609
<u>Total Office of Juvenile Justice and Delinquency Prevention - Pass-Through Program</u>				-	96,609
<i>Justice Assistance Grant (JAG) Program Cluster</i>					
Bureau of Justice Assistance - Direct Program					
Edward Byrne Memorial Justice Assistance Grant FY 12	16.738		2012-DJ-BX-0291	-	4,230
Edward Byrne Memorial Justice Assistance Grant FY 13	16.738		2014-DJ-BX-0686	-	80,783
Edward Byrne Memorial Justice Assistance Grant FY 14	16.738		2014-DJ-BX-0686	-	61,303
Edward Byrne Memorial Justice Assistance Grant FY 15	16.738		2015-DJ-BX-0531	-	108
<u>Total Bureau of Justice Assistance - Direct Program</u>				-	146,424
<i>Total JAG Program Cluster</i>				-	146,424
TOTAL US DEPARTMENT OF JUSTICE				-	363,845
US Department of Transportation					
Federal Aviation Administration (FAA) - Direct Program					
FAA Airport Improvement Program (AIP)					
FAA AIP 70 FF12	20.106		3-06-0087-70	-	100,349
FAA AIP 71 FF13	20.106		3-06-0087-71	-	500
FAA AIP 73 FF14	20.106		3-06-0087-73	-	239,995
FAA AIP 74 FF14	20.106		3-06-0087-74	-	48,108
FAA AIP 75 FF14	20.106		3-06-0087-75	-	673,927
FAA AIP 76 FF14	20.106		3-06-0087-76	-	196,336
FAA AIP 77 FF15	20.106		3-06-0087-77	-	2,971,110
FAA AIP 78 FF16	20.106		3-06-0087-78	-	4,255
FAA AIP 19 FF14	20.106		3-06-0088-19	-	32,640
FAA AIP 20 FF14	20.106		3-06-0088-20	-	13,937
FAA AIP 21 FF15	20.106		3-06-0088-21	-	470,417
<u>Total Federal Aviation Administration (FAA) - Direct Program</u>				-	4,751,574
<i>Highway Planning and Construction Program Cluster</i>					
Federal Highway Administration - Pass-Through Program					
Highway Research, Planning, and Construction Program	20.205	State of California Department of Transportation	Master Agreement 06-5060	-	13,625,866
<u>Total Federal Highway Administration - Pass-Through Program</u>				-	13,625,866
<i>Total Highway Planning and Construction Program Cluster</i>				-	13,625,866
<i>Federal Transit Cluster</i>					
Federal Transit Administration - Capital Investment Grants - Direct Program					
FY04 Federal Transit Capital Investment Grant Bus Facility - (Construct Intermodal Bus Facility)	20.500		CA-03-0693-00	-	122,463
FY09 Federal Transit Capital Investment Grant - Fresno Bus Program	20.500		CA-04-0137-00	-	(1)
2012 5309 Bus and Bus Facilities Livability Initiative	20.500		CA-04-0256-00	-	760
2012-14 5309: Bus Rapid Transit - Very Small Starts	20.500		CA-04-0282-00	-	1,213,091
2012 5309: Bus and Bus Facilities Livability Initiative	20.500		CA-04-0280-00	-	85,184
<u>Total Federal Transit Administration - Capital Investment Grants - Direct Program</u>				-	1,421,497

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and 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 and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
US Department of Transportation (Continued)					
Federal Transit Administration - Formula Grants - Direct Program					
FY05 Urban Mass Transportation Capital, CMAQ	20.507		CA-90-Y676	-	13,103
FY06 Urban Mass Transportation Capital, CMAQ	20.507		CA-90-Y726	-	724,822
FY10 Urban Mass Transportation Capital, CMAQ	20.507		CA-95-X072	-	13,221
FY11 Urban Mass Transportation Capital, CMAQ	20.507		CA-95-X181	-	91
FY12 Urban Mass Transportation Capital, CMAQ	20.507		CA-95-X224	-	13,036
FY10 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y794-00	-	73
FY11 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y843-00	-	127
FY12 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y947-00	-	190,529
FY13 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Z026-00	-	119,227
FY15 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Z236-00	-	135,783
<u>Total Federal Transit Administration - Formula Grants - Direct Program</u>				-	1,210,012
<i>Total Federal Transit Cluster</i>				-	2,631,509
<i>Transit Services Program Cluster</i>					
Federal Transit Administration - Pass-Through Program					
2008 Job Access Reverse Commute (JARC)	20.516	Fresno Council of Governments	CA-37-X102-00	-	73
2008 New Freedom (NF)	20.521	Fresno Council of Governments	CA-57-X029-00	-	1,139
2010 New Freedom (NF)	20.521	Fresno Council of Governments	CA-57-X041 & CA-57- X054	-	47,724
<u>Total Federal Transit Administration - Pass-Through Program</u>				-	48,936
<i>Total Transit Services Program Cluster</i>				-	48,936
<i>Highway Safety Cluster</i>					
National Highway Traffic Safety Administration - Pass-Through Program					
State and Community Highway Safety-Selective Traffic Enforcement Program FY2015	20.600	CA Office of Traffic Safety	PT1516	-	304,417
State and Community Highway Safety-Selective Traffic Enforcement Program FY2016	20.600	CA Office of Traffic Safety	PT1643	-	482,849
<u>Total National Highway Traffic Safety Administration - Pass-Through Program</u>				-	787,266
<i>Total Highway Safety Cluster</i>				-	787,266
ARRA - Federal Railroad Administration - Pass-Through Program					
ARRA - High Speed Rail - Engineering and Plan Review Contract	20.319	California High Speed Rail Authority	HSR 11-29	-	244,570
ARRA - High Speed Rail - Consultant Contract	20.319	California High Speed Rail Authority	HSR 11-48	-	(6,753)
<u>Total ARRA - Federal Railroad Administration - Pass-Through Program</u>				-	237,817
TOTAL US DEPARTMENT OF TRANSPORTATION				-	22,082,968
US Department of the Treasury					
Treasury - Direct Program					
Department of Treasury	21.000			-	59,670
<u>Total Treasury - Direct Program</u>				-	59,670
TOTAL US DEPARTMENT OF THE TREASURY				-	59,670

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and 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 and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
US Environmental Protection Agency (EPA)					
<i>Drinking Water State Revolving Fund Cluster</i>					
Office of Water - Pass-Through Program					
Capitalization Grants for Drinking Water State Loan - Southeast Water Treatment Facility	66.468	CA Department of Public Health	D15-02012	-	27,060,645
Capitalization Grants for Drinking Water State Loan - OCSD Consolidation with City of Fresno	66.468	CA Department of Public Health	D15-02030	-	248,528
Capitalization Grants for Drinking Water State Loan - FKCP Friant Kern Canal Pipeline	66.468	CA Department of Public Health	D15-02040	-	1,815,416
Capitalization Grants for Drinking Water State Loan - KRP Kings River Pipeline	66.468	CA Department of Public Health	D15-02042	-	2,234,559
<u>Total - Office of Water - Pass-Through Program</u>				-	31,359,148
<i>Total Drinking Water State Revolving Fund Cluster</i>				-	31,359,148
TOTAL US ENVIRONMENTAL PROTECTION AGENCY (EPA)				-	31,359,148
US Department of Health and Human Services					
<i>Aging Cluster</i>					
Administration for Community Living - Pass-Through Program					
Special Programs for the Aging Nutrition Services: Senior Hot Meals FY16	93.045	Fresno Madera Area Agency on Aging	16-0310	-	68,000
<u>Total Administration for Community Living - Pass-Through Program</u>				-	68,000
<i>Total Aging Cluster</i>				-	68,000
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES				-	68,000
US Department of Homeland Security					
<i>Homeland Security Grant Cluster</i>					
Homeland Security Grant Program - Pass-Through Program					
FY 14 Homeland Security Grant Program	97.067	CA Homeland Security & County of Fresno	HSGP 2014-00093	-	5,205
Homeland Security Grant Program 2014	97.067	CA Office of Emergency Services & County of Fresno	2014-00093	-	133,892
<u>Total Homeland Security Grant Program - Pass-Through Program</u>				-	139,097
<i>Total Homeland Security Grant Cluster</i>				-	139,097
Federal Emergency Management Agency - Direct Program					
FY 13 Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.044		EMW-2013-FH-00436	-	1,030,743
<u>Total Federal Emergency Management Agency - Direct Program</u>				-	1,030,743
TOTAL US DEPARTMENT OF HOMELAND SECURITY				-	1,169,840
TOTAL EXPENDITURES OF FEDERAL AWARDS, EXCLUDING FEDERAL LOAN BALANCES				\$ 1,776,471	\$ 66,398,331
FEDERAL LOAN BALANCES WITH CONTINUING COMPLIANCE REQUIREMENTS					
US Department of Housing and Urban Development					
<i>Community Development Block Grants (CDBG) - Entitlement Grants Cluster</i>					
Office of Community Planning and Development - Direct Program					
Community Development Block Grants/Entitlement Grants	14.218		N/A	\$ -	\$ 1,749,000
TOTAL FEDERAL LOAN BALANCES WITH CONTINUING COMPLIANCE REQUIREMENTS				-	1,749,000
TOTAL EXPENDITURES OF FEDERAL AWARDS, INCLUDING FEDERAL LOAN BALANCES				\$ 1,776,471	\$ 68,147,331

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and 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 and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

State or Local Grantor/Program and/or Project Title	State Agency	Pass-Through Grantor	Grant Number	Total Expenditures
Bureau of State and Community Corrections				
Public Safety and Victim Services Division - Direct Program				
CA Gang Reduction, Intervention and Prevention Program 2014	BSCC		BSCC806-13	\$ 253,348
CA Gang Reduction, Intervention and Prevention Program 2015	BSCC		BSCC806-14	450,737
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Clovis	BSCC		13-566	82,300
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Fresno	BSCC		13-566	448,671
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - Fresno County	BSCC		13-566	488,623
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Clovis	BSCC		13-566	103,612
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Fresno	BSCC		13-566	560,041
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - Fresno County	BSCC		13-566	255,356
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Clovis	BSCC		13-566	42,139
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Coalinga	BSCC		13-566	6,487
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Firebaugh	BSCC		13-566	9,703
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Fowler	BSCC		13-566	10,000
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Fresno	BSCC		13-566	831,771
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Kerman	BSCC		13-566	4,116
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Kingsburg	BSCC		13-566	1,847
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Mendota	BSCC		13-566	2,780
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Orange Cove	BSCC		13-566	10,000
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Parlier	BSCC		13-566	610
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Reedley	BSCC		13-566	10,000
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Sanger	BSCC		13-566	2,300
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Selma	BSCC		13-566	10,000
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Fowler	BSCC		13-566	306
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Reedley	BSCC		13-566	9
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Selma	BSCC		13-566	6,298
<u>Total Public Safety and Victim Services Division - Direct Program</u>				<u>3,591,054</u>
TOTAL BUREAU OF STATE AND COMMUNITY CORRECTIONS				3,591,054
CA State Agency - San Joaquin River Conservancy				
San Joaquin River Conservancy - Direct Program				
Life and Environmental Science Program FY16	CSJR		CSJR1410	4,858
<u>Total San Joaquin River Conservancy - Direct Program</u>				<u>4,858</u>
TOTAL CA STATE AGENCY - SAN JOAQUIN RIVER CONSERVANCY				4,858
CA State Department of Conservation				
Division of Recycling - Direct Program				
2013/2014 (FY14) - Recycling Program	DOC		2013/2014	132,484
<u>Total Division of Recycling - Direct Program</u>				<u>132,484</u>
TOTAL CA STATE DEPARTMENT OF CONSERVATION				132,484

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and 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 and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

<u>State or Local Grantor/Program and/or Project Title</u>	<u>State Agency</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Total Expenditures</u>
CA State Department of Finance				
Citizens Option for Public Safety - Direct Program				
Supplemental Law Enforcement Services Fund (SLESF) State Program COPS FY15	DOF		FY15	675,782
Supplemental Law Enforcement Services Fund (SLESF) State Program COPS FY16	DOF		FY16	457,139
<u>Total Citizens Option for Public Safety - Direct Program</u>				<u>1,132,921</u>
CA Division of Mass Transportation - Direct Program				
PROP 1B-FAX	DOF		Prop 1B	522,212
<u>Total CA Division of Mass Transportation - Direct Program</u>				<u>522,212</u>
CA Office of Emergency Services - Direct Program				
PROP 1B-FAX	DOF		Prop 1B	491,118
<u>Total CA Office of Emergency Services - Direct Program</u>				<u>491,118</u>
TOTAL CA STATE DEPARTMENT OF FINANCE				2,146,251
CA State Department of Fish and Game				
Wildlife Conservation Board - Direct Program				
RiverPartners Riverbottom Park Grant	WCB		WC-1230SM	3,265
<u>Total Wildlife Conservation Board - Direct Program</u>				<u>3,265</u>
TOTAL CA STATE DEPARTMENT OF FISH AND GAME				3,265
CA State Department of Housing and Community Development				
CalHome Rehabilitation Program - Direct Program				
CalHome Rehab - Mortgage 2010	HCD		10-CalHome-6672	687,724
<u>Total CalHome Rehabilitation Program - Direct Program</u>				<u>687,724</u>
PROP 1C - Direct Program				
California and Elm Improvements	HCD		14-HRPP-10344	240
Frank H. Ball Improvements	HCD		14-HRPP-10344	12,442
Mosqueda Center Improvements	HCD		14-HRPP-10344	23,080
Vinland Park Improvements	HCD		14-HRPP-10344	23,398
Radio Park Improvements	HCD		13-HRPP-9222	276,324
Pilibos Park Improvements	HCD		13-HRPP-9222	250,010
Holmes Park Improvements	HCD		13-HRPP-9222	434,461
<u>Total PROP 1C - Direct Program</u>				<u>1,019,955</u>
TOTAL CA STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT				1,707,679
CA State Department of Justice				
CA State Equitable Sharing Program - Pass-Through Program				
Equitable Sharing Agreement - Seized Assets	CASESP	County of Fresno		73,942
<u>Total CA State Equitable Sharing Program - Pass-Through Program</u>				<u>73,942</u>
TOTAL CA STATE DEPARTMENT OF JUSTICE				73,942

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and 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 and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

State or Local Grantor/Program and/or Project Title	State Agency	Pass-Through Grantor	Grant Number	Total Expenditures
CA State Department of Parks and Recreation				
Off-Highway Motor Vehicle Recreation Division - Direct Program				
OHV-Related Law Enforcement Grant	MVRD		G14-03-94-L01	17,196
<u>Total Off-Highway Motor Vehicle Recreation Division - Direct Program</u>				<u>17,196</u>
Office of Grants and Local Services - Direct Program				
Martin Ray Reilly (MRR) Park	OGALS		SW-10-004	26,074
Cultural Arts District (CAD) Parks	OGALS		SW-10-002	225,335
<u>Total Office of Grants and Local Services - Direct Program</u>				<u>251,409</u>
TOTAL CA STATE DEPARTMENT OF PARKS AND RECREATION				268,605
CA State Department of Transportation				
Aeronautics Division of the CA Transportation Commission - Direct Program				
State Match to AIP 21 FF15	CTC		Fre-2-15-1-Mat	23,521
State Match to AIP 20 FF14	CTC		Fre-2-14-2-Mat	800
State Match to FAA AIP 19 FF14	CTC		Fre-2-14-1-Mat	1,646
<u>Total Aeronautics Division of the CA Transportation Commission - Direct Program</u>				<u>25,967</u>
Division of Local Transportation Assistance - Direct Program				
Highway Research, Planning, and Construction Program (State Program)	DOT		Master Agreement 06-5060	258,468
<u>Total Division of Local Transportation Assistance - Direct Program</u>				<u>258,468</u>
CalTrans - Pass-Through Program				
Bike Pedestrian Education Safety Training	DOT	Fresno Council of Governments	ATPLNI-5060(287)	38,583
<u>Total CalTrans - Pass-Through Program</u>				<u>38,583</u>
CalTrans - Direct Program				
Romain Park Improvements	DOT		EEM-2011(018)	60,005
Low Carbon Transit Operations Program (LCTOP) - CA Cap and Trade Funding	DOT			4,925
<u>Total CalTrans - Direct Program</u>				<u>64,930</u>
TOTAL CA STATE DEPARTMENT OF TRANSPORTATION				387,948
CA State Environmental Protection Agency				
Integrated Waste Management Board - Direct Program				
2013/2014 Waste Tire Cleanup Grant	CIWMB		TCU15-14-0018	21,567
2014/2015 Waste Tire Amnesty Grant	CIWMB		TA3	13,867
2014/2015 Waste Tire Enforcement Grant	CIWMB		TEA22	295,000
FY2015 CalRecycle - Oil Payment Program	CIWMB		OPP5	141,832
FY2014 CalRecycle - Oil Payment Program	CIWMB		OPP4	3,932
<u>Total Integrated Waste Management Board - Direct Program</u>				<u>476,198</u>
TOTAL CA STATE ENVIRONMENTAL PROTECTION AGENCY				476,198
CA State Water Resources Control Board				
Division of Financial Assistance - Pass-Through Program				
Supplemental Proposition 50 Upper Kings Basin Water Forum IRWM Plan - Residential Water Meter Installation Project Phase II	CSWRCB	Kings River Conservation District	4600009198	(2)
<u>Total Division of Financial Assistance - Pass-Through Program</u>				<u>(2)</u>
TOTAL CA STATE WATER RESOURCES CONTROL BOARD				(2)

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**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

State or Local Grantor/Program and/or Project Title	State Agency	Pass-Through Grantor	Grant Number	Total Expenditures
Community Science Workshop Network				
Community Science Workshop Network - Direct Program				
Highway City Community Science Workshop	CSW			6,398
California Tinkering Afterschool Network (CTAN) Grant	CSW			9,789
<u>Total Community Science Workshop Network - Direct Program</u>				<u>16,187</u>
TOTAL COMMUNITY SCIENCE WORKSHOP NETWORK				16,187
Fresno County Department of Public Health				
Childhood Lead Poisoning Prevention Program - Pass-Through Program				
2015 Childhood Lead Poisoning Prevention	CLPPP	County of Fresno	CLPPP2015	18,401
<u>Total Childhood Lead Poisoning Prevention Program - Pass-Through Program</u>				<u>18,401</u>
TOTAL FRESNO COUNTY DEPARTMENT OF PUBLIC HEALTH				18,401
National Recreation and Park Association (NRPA)				
NRPA - Direct Program				
Out-of-School Time Program	NRPA			6,844
Parks Build Program 2015	NRPA			17,898
<u>Total NRPA - Direct Program</u>				<u>24,742</u>
TOTAL NATIONAL RECREATION AND PARK ASSOCIATION (NRPA)				24,742
PG&E				
PG&E - Direct Program				
PG&E Movies in the Park 2015	PGE			5,000
PG&E Movies in the Park 2016	PGE			44
Science Camp at Highway City - PG&E 2014	PGE			3,484
<u>Total PG&E - Direct Program</u>				<u>8,528</u>
TOTAL PG&E				8,528
CA Strategic Growth Council				
Natural Resources Agency - Direct Program				
Romain Community Garden	SGC		U59304-0	35,708
<u>Total Natural Resources Agency - Direct Program</u>				<u>35,708</u>
TOTAL CA STRATEGIC GROWTH COUNCIL				35,708
The Fresno Regional Foundation				
The Fresno Regional Foundation - Direct Program				
Youth Liaison Officer Grant FY2015	FRF		FY14-15	130,294
<u>Total The Fresno Regional Foundation - Direct Program</u>				<u>130,294</u>
TOTAL THE FRESNO REGIONAL FOUNDATION				130,294

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and 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 and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2016**

<u>State or Local Grantor/Program and/or Project Title</u>	<u>State Agency</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Total Expenditures</u>
San Joaquin Valley Air Pollution Control District				
San Joaquin Valley Air Pollution Control District - Direct Program				
SJVAPCD New Alternative Fuel Vehicle Purchase	SJVAPCD		C-27279, C-27280, C-27281 and C-19367	100,000
SJVAPCD New Alternative Fuel Vehicle Purchase	SJVAPCD		C36536-A	40,547
<u>Total San Joaquin Valley Air Pollution Control District - Direct Program</u>				<u>140,547</u>
TOTAL SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT				140,547
AT&T				
AT&T - Direct Program				
Romain Summer Science Camp - AT&T	ATT			4,761
<u>Total AT&T - Direct Program</u>				<u>4,761</u>
TOTAL AT&T				4,761
CA Department of Public Health				
State Water Resources Control Board - Direct Program				
Clean Water State Revolving Fund - Tertiary Treatment Facility	CDPH		C-06-7893-110	20,982,538
Clean Water State Revolving Fund - Southwest Recycled Water Distribution System	CDPH		C-06-8061-110	13,450,610
<u>Total State Water Resources Control Board - Direct Program</u>				<u>34,433,148</u>
TOTAL CA DEPARTMENT OF PUBLIC HEALTH				34,433,148
US Tennis Association				
US Tennis Association - Direct Program				
US Tennis Association H.I.T.S. Red Ball JTT Program	USTA			1,500
<u>Total US Tennis Association - Direct Program</u>				<u>1,500</u>
TOTAL US TENNIS ASSOCIATION				1,500
TOTAL EXPENDITURES OF STATE AWARDS				\$ 43,606,098

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and 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 and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards and State or Local Awards (SEFA) present the activity of all federal and nonfederal award programs of the City of Fresno, California (the City). The SEFA include federal awards received directly from federal agencies, federal awards passed through other agencies, and nonfederal awards. The City's reporting entity is defined in Note 1 to the City's basic financial statements. The basic financial statements include the operations of the Successor Agency to the Redevelopment Agency of the City which had federal award expenditures for the year ending June 30, 2016, of \$0. Because the SEFA presents only a selected portion of the operations of the City, they are not intended to, and do not, present the operations of the City as a whole.

The accompanying SEFA is presented on the cash basis of accounting. The information in the SEFA is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the SEFA may differ from amounts presented in the basic financial statements. Expenditures of federal and nonfederal awards are primarily reported in the City's basic financial statements in the general fund, grants special revenue funds, transit enterprise funds, and airport enterprise funds.

NOTE 2 – SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Economic Adjustment Assistance Program Revolving Loan Fund	11.307	\$ 832,300
Community Development Block Grants/Entitlement Grants Program	14.218	21,250
Emergency Solutions Grant Program	14.231	875,389
Neighborhood Stabilization Program 3	14.218	<u>47,532</u>
Total		<u>\$ 1,776,471</u>

NOTE 3 – SECTION 108 LOANS

The City has three (3) Section 108 loans outstanding at June 30, 2016. Semi-annual payments on these Section 108 loans are made from interest earned on the restricted loan investments and from Community Development Block Grants/Entitlement Grants Program and are included in the federal expenditures for the Community Development Block Grants on the SEFA. Principal and interest payments on all three (3) loans totaled \$496,547 for the year ended June 30, 2016, of which \$496,547 was paid from Community Development Block Grant funds.

NOTE 3 – SECTION 108 LOANS (Continued)

A summary of Section 108 loans outstanding as of June 30, 2016, is as follows:

CFDA #	Grant Loan Program	Unspent Loan Proceeds as of June 30, 2016	Outstanding Loan Balances as of June 30, 2016
14.218	Section 108 Note - Regional Medical Center	\$ -	\$ 525,000
14.218	Section 108 Note - Fresno-Madera Area Agency on Aging	-	470,000
14.218	Section 108 Note - Neighborhood Streets/Parks	-	754,000
		<u>\$ -</u>	<u>\$ 1,749,000</u>

NOTE 4 – STATE REVOLVING LOAN FUNDS

Beginning in fiscal year 2007, the City received Federal cross-cut revolving grant funds from the State in the form of loans, from the U.S. Environmental Protection Agency, Office of Water, passed through the California State Water Resources Control Board and the California Department of Public Health, under Capitalization Grants for Clean Water State Revolving Funds (CFDA # 66.458) and Capitalization Grants for Safe Drinking Water State Revolving Funds (CFDA # 66.468). The purpose of the grants/loans is to assist in financing the construction of projects that will enable the City to comply with statutory clean and safe drinking standards. The City received funds under six grants/loans. The terms of the grants/loans and the outstanding balances as of June 30, 2016, are as follows:

Grant Fiscal Year	Agreement Number	Description	Project Number	Not to Exceed	Interest Rate and Term	Outstanding Loan Balances as of June 30, 2016
2007	SRF06CX150	Wellsite Chlorination Project	10100007-004	\$ 2,210,000	2.2923% / 20 yrs*	\$ 1,584,365
2009	SRF08SWX101	Enterprise/Jefferson Canal Project	10100007-011	1,968,136	2.2923% / 20 yrs*	1,012,546
2011	SFR11CX104	Residential Water Meter Project	10100007-026C	51,405,432	0.0000% / 20 yrs*	46,264,881
2015	14-817-550	Wastewater Tertiary Plant	C-067893-110	33,138,638	1.00 - 1.70% / 30 yrs*	24,686,282
2016	D15-01011	Recycled Water Distribution Southwest	C-068061-110	52,475,049	1.00% / 30 yrs*	52,475,049
2016	D15-02012	Southeast Surface Water Treatment Facility	1010007-028C	195,489,000	1.66300% / 30 yrs*	8,897,728
						<u>\$ 134,920,851</u>

* Term begins at completion of project.

These loans are not considered to have continuing compliance requirements under 2 CFR Part 200, and, therefore, are only reported on the SEFA in the year in which funds are expended and drawn. The City expended \$31,359,148 under the loans during fiscal year 2016 and has reported these amounts on the SEFA as follows:

CFDA #	Project Name	Non-ARRA Amount	ARRA Amount	Total Amount
66.468	OCSD Consolidation with City of Fresno	\$ 248,528	\$ -	\$ 248,528
66.468	FKCP Friant Kern Canal Pipeline	1,815,416	-	1,815,416
66.468	KRP Kings River Pipeline	2,234,559	-	2,234,559
66.468	Southeast Water Treatment Facility	27,060,645	-	27,060,645
		<u>\$ 31,359,148</u>	<u>\$ -</u>	<u>\$ 31,359,148</u>

NOTE 5 – PRE-AWARD AUTHORITY SPENDING IN 2016

The City incurred costs totaling \$14,304 under the Airport Improvement Program (AIP) during the year ended June 30, 2016, prior to receiving the grant award. Under the U.S. Department of Transportation Federal Aviation Administration, Order 3100.38C, project costs incurred prior to the execution of a grant agreement may be reimbursed for costs incurred after September 1996 for funds apportioned to a sponsor as entitlements. As there are no executed grant agreements in place, these costs were not included as part of the AIP expenditures under the SEFA for the year ended June 30, 2016.

The City incurred costs totaling \$152,244 under the AIP during the year ended June 30, 2015, for which funding in the amount of \$793 was approved in fiscal year 2016. These expenditures are included on the SEFA as part of the AIP (CFDA #20.106) expenditures for the year ended June 30, 2016. The \$151,451 balance of the Pre-Award expenditures is expected to be awarded in fiscal year 2017 and will be reported when funded.

The City incurred Pre-Award costs totaling \$8,781,154 under the fiscal year 2016 Urban Mass Transportation Capital, Planning, Operating Assistance Grant under the CFDA # 20.507 during the year ended June 30, 2016, prior to receiving the official grant award. The Federal Register for the Department of Transportation/FTA/Vol.81, No. 30/Feb 16, 2016/Notices/Section V.A-1,2 gives pre-award authority to Grantees to incur project costs before grant approval and retain the eligibility of those costs for subsequent reimbursement after grant award. As there is no executed grant agreement in place, these costs were not included as part of the Urban Mass Transportation Capital, Planning, Operating Assistance Program expenditures under the SEFA for the year ended June 30, 2016. They will be reported in fiscal year 2017.

NOTE 6 – ECONOMIC DEVELOPMENT ASSISTANCE RFL GRANT CALCULATION

The amount reported on the SEFA for expenditures related to the Economic Adjustment Assistance Revolving Loan Fund (RLF) Grant (CFDA #11.307) is calculated using various criteria as defined by 2 CFR Part 200. The calculation for the year ended June 30, 2016, is as follows:

Balance of RLF loans outstanding at June 30, 2016	\$ 613,499
Cash and investment balance at June 30, 2016	191,756
Administrative expenses paid out	27,045
Unpaid principal of all loans written off	-
	<hr/>
Subtotal	832,300
	<hr/>
Federal share	100%
	<hr/>
Total expenditures reported at June 30, 2016	<u>\$ 832,300</u>

NOTE 7 – PRIOR YEAR EXPENDITURES INCLUDED IN SEFA

The SEFA includes the following expenditures that were incurred in the prior year:

The City incurred costs totaling \$152,244 under the AIP during the year ended June 30, 2015, for which funding in the amount of \$793 was approved in fiscal year 2016. These expenditures are included on the SEFA as part of the AIP (CFDA #20.106) expenditures for year ended June 30, 2016. The \$151,451 balance of the Pre-Award expenditures is expected to be awarded in Fiscal Year 2017 and will be reported when funded.

NOTE 8 – INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

NOTE 9 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 Catalog of Federal Domestic Assistance. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word “unknown” were used.

**CITY OF FRESNO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes ___ 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 federal programs:

Material weakness identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___ Yes X No

Identification of major programs:

<u>CFDA #(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Adjustment Assistance
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnership Program
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The threshold for distinguishing type A and B programs was \$1,991,950.

Auditee qualified as low-risk auditee? ___ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

2016-001: Internal Audits (Significant Deficiency)

Criteria:

Management is responsible for implementing a system of internal control. An internal audit function assists management with enhancing controls over potential risks that could hinder the achievements and goals of an organization.

Condition:

The City of Fresno (the City) does not currently have an internal audit function.

Cause:

The City's only Principal Internal Auditor retired in January 2016, and all other internal audit positions were eliminated when the City implemented budget cuts. During the time the Principal Internal Auditor was with the City, a City-wide risk assessment was not implemented as it was not considered beneficial or cost effective at the time due to the limited staffing and the City's financial condition. Absent a City-wide risk assessment, the internal audit function did not perform internal audits for areas where there might have existed high risk. In the past five years, the internal audit department only performed "limited scope audits and special projects" which were mostly at the request of City Management as issues arose.

Effect or Possible Effect of Condition:

Internal control deficiencies or material weaknesses may go un-noticed thereby leading to errors, material misstatements, or potential fraud, which may result in exponential losses considering the size of the City.

Recommendation:

We recommend Management reinstate the internal audit function and direct the internal audit department to develop a City-wide risk assessment to assess the City's risks and develop annual audit plans to ensure effective coverage of audit areas and ensure "high risk" areas are covered. The internal audit function provides an independent and objective assurance that the internal controls are functioning adequately to enable the City to achieve its goals and objectives. An Audit Committee would provide oversight of the internal audit function. In its oversight role, the Audit Committee would have authority to direct the Internal Audit Manager, external auditors, or consultants to conduct an audit, review, and/or investigation into any matters within the Audit Committee's scope of responsibility. The internal audit function would submit to the City Council annually the audit plan and the Audit Committee would review and recommend to the City Council the approval of the annual audit plan, and any changes to the plan.

Management Response/Corrective Action Plan:

The City has begun recruitment for a Principal Internal Auditor. Additionally, the City has converted a vacant position in the Budget Division to an Internal Auditor in order to create an Internal Audit team of two. The recruitment for the Internal Auditor has begun as well. Management anticipates that both positions will be filled before the start of Fiscal Year 2018.

The City's Charter does not allow for the Council's Audit Committee to provide oversight and direction of the Internal Audit staff. Instead, the Charter specifies that all City employees other than the City Attorney, the City Clerk, and the Retirement Administrator ultimately report to the City Manager. However, that doesn't preclude the Internal Audit staff from briefing the Audit Committee on a regular basis about the audits they are conducting and the findings that they have made.

Management agrees that a Citywide risk assessment needs to be completed. Such an assessment will be the Internal Audit staff's first priority when both positions are filled.

2016-002: Information Technology (IT) – Periodic User Access Reviews for PeopleSoft, the SunGard/Utility Billing System, and Active Directory Are Not Performed (Significant Deficiency)

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of the five private sector organizations, including the American Institute of Certified Public Accountants and the Institute of Internal Auditors, and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control, and fraud deterrence. The COSO *Internal Control-Integrated Framework* (Framework) is the common framework against which internal control systems can be assessed and improved. The Framework provides for three objectives, which allow organizations to focus on differing aspects of internal control:

- *Operations Objectives* – the effectiveness of the entity’s operations, including operational and financial performance goals, and safeguarding of assets against loss;
- *Reporting Objectives* – internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or entity policies; and
- *Compliance Objectives* – adherence to laws and regulations to which the entity is subject.

The Framework establishes five elements of internal control as a method to meeting the objectives above: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. Risk Assessment is an integral part of internal control and management should periodically evaluate the risks and monitor the changes facing the City. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

Condition:

The City’s procedures for regularly reviewing user accounts and permissions within the PeopleSoft, SunGard/Utility Billing, and Active Directory systems are not consistently performed. The City’s review procedures are summarized in the following table:

System	Reviewed for Potential User Accounts Requiring Removal?	Reviewed for Appropriate Role Provision?
Active Directory	No	No
PeopleSoft Financials	Yes	No
PeopleSoft HRMS	No	Yes
SunGard/Utility Billing	No	Yes

During our inquiry with City staff, we noted that functional leads are currently still granted administrative access that allows them to add or modify user account permissions within the PeopleSoft systems. We recognize that the City determined this appropriate due to staffing constraints; however, as these individuals also perform activities involving financial transactions, these administrative access rights create a conflict of duties whereby the functional leads have the ability to grant themselves additional access permissions that have not been approved. The City has also not yet implemented monitoring/auditing controls to review permissions changes on a daily basis, as recommended in the prior year.

Cause:

There is a shortage of staff due to budget constraints.

Effect or Possible Effect of Condition:

Failure to perform regular reviews for appropriate role provision within the PeopleSoft Financials and Active Directory systems increases the risk that user accounts may have access to system functions that are not commensurate with their current job responsibilities (if assigned to an employee) or their current functions/purposes (if assigned to a vendor or system function).

Furthermore, failure to review user accounts within the PeopleSoft HRMS, SunGard/Utility Billing, and Active Directory systems for potential user accounts requiring removal increases the risk that unneeded or unauthorized user accounts are not identified and removed or disabled on a timely basis. While it is acknowledged that any reports of terminated employees would be created using the PeopleSoft HRMS system, and therefore that any identified user accounts belonging to terminated employees would theoretically already be disabled within the PeopleSoft HRMS system due to the City's automated disabling procedures, failure to review all user accounts increases the risk that the City does not identify and disable other PeopleSoft HRMS user accounts that are not disabled as a result of this process, such as temporary accounts utilized for projects that have concluded or those that remained in the system at the time of an employee's termination for a business-use scenario (i.e., review of the work completed by the terminated employee or duplication of roles to a new user account).

Recommendation:

We recommend the City consistently perform regularly scheduled (on an annual basis, at a minimum) reviews of user accounts and their associated permissions across each of the PeopleSoft, SunGard/Utility Billing, and Active Directory systems to ensure that no unneeded or unauthorized user accounts exist, and that the permissions assigned within the systems are appropriate for the individuals' job responsibilities and/or the user accounts' purposes. For all reviews conducted to identify potential accounts for removal, it is recommended that the reviewer compare the active user accounts with an official employee roster provided by the Human Resources or payroll department to ensure that all terminated employees' user accounts have been disabled. However, all generic, system, and/or service type accounts should also be included in the review to ensure that they are required to perform current functions. For all reviews conducted to ensure that roles are appropriately provisioned, the associated department head responsible for the function under review should examine all role and permission assignments to determine if access permissions are appropriate, but if the review is performed by the City's Information Services Department (ISD) staff members, they may wish to work with individual departments during this process to ensure that they are aware of current employee lists and job positions, if deemed necessary. It is also recommended that the City's existing processes for reviewing the PeopleSoft HRMS and SunGard/Utility Billing systems for appropriate role provision are further formalized and conducted on a more regular basis; the City should formally determine which roles are considered high risk and should therefore be subjected to review, and establish a regular schedule (on an annual basis, at a minimum) for performing such reviews.

We also recommend that the City examine the administrative access permissions given to the functional leads and seek to remove these to eliminate the potential for a conflict of duties. If the City is unable to remove the permissions due to staffing constraints, it is recommended that a daily monitoring control be established whereby all access permission changes during the prior 24 hours are automatically reported by the PeopleSoft application. This report should be reviewed to confirm that all changes had been properly approved per the City's policy. The review should be performed by a member of management without administrative access permissions to change user access permissions.

While City management should determine the best method by which to document its reviews, all documentation should include the following at a minimum: the date on which the review was conducted and/or completed, the name of the individual(s) conducting the review, the information reviewed (e.g., which roles were reviewed, the specific date period covered by the monitoring control report), and any results of the review (e.g., the removal of unneeded roles from a user account, the rollback of permission changes, etc.).

Management Response/Corrective Action Plan:

In the past, ISD has requested that the functional leads perform periodic reviews of the user accounts and permissions granted. ISD has provided reports and support toward those efforts; however, we recognize the need for a better audit process. ISD will perform this function; however, this will continue to be a challenge for the City due to staffing constraints in Finance, Personnel, and ISD. The goal for us will be to schedule meetings at least annually during the next reporting period to examine user access and permissions granted. Ideally, we would document the discussion and results so that can be provided during the next audit. We also have a Security Position within the budget that may help with this function; however, we will not know if this position will be approved until later this year, so, we will try to complete the requirement with existing staffing.

Concerning administrative access for functional leads, in November 2016, ISD staff in the Systems and Applications division implemented auditing for PeopleSoft Financials and HRMS which captures changes made to the PeopleSoft user profiles and permissions assigned within PeopleSoft. So there is now a record of access changes which can be queried if necessary. Additionally, there are positions requests that would help fulfill the audit function (as stated earlier), however, we will not know until the budget is approved later this year as to the availability of that position. Finance also has a Systems Analyst (appropriated and yet to be hired) that may help with the separation of duties in this respect. We will take this under advisement and see about fulfilling the requirement with current staffing levels for the next evaluation period.

2016-003: Information Technology (IT) – IT Risk Assessments Are Not Conducted on an Annual Basis (Significant Deficiency)

Criteria:

The COSO is a joint initiative of the five private sector organizations, including the American Institute of Certified Public Accountants and the Institute of Internal Auditors, and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control, and fraud deterrence. The COSO Framework is the common framework against which internal control systems can be assessed and improved. The Framework provides for three objectives, which allow organizations to focus on differing aspects of internal control:

- *Operations Objectives* – the effectiveness of the entity’s operations, including operational and financial performance goals, and safeguarding of assets against loss;
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- *Compliance Objectives* – adherence to laws and regulations to which the entity is subject.

The Framework establishes five elements of internal control as a method to meeting the objectives above: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. Risk Assessment is an integral part of internal control and management should periodically evaluate the risks and monitor the changes facing the City. This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

Condition:

The City contracted with Accuvant, a third-party firm, to complete a “Security Strategy Assessment” that assessed the City’s operational risk in view of its business objectives, goals, and strategies during the prior year; however, a complete formal risk assessment was not conducted during the audit period. Furthermore, although the City has considered the results of Accuvant’s assessment during its Strategic Technology Master Plan project, we were unable to determine based on the documentation provided that management had begun the process of remediating the identified risks per Accuvant’s recommendations.

Cause:

There is lack of a formal and complete evaluation of the City’s risk assessments on an annual basis.

Effect or Possible Effect of Condition:

There is an increased possibility that the City is unaware of IT-related risks that could have detrimental impacts on its ability to conduct day-to-day operations and fulfill organizational goals. In addition, failure to implement the recommendations as provided by Accuvant increases the risk that the associated threats are realized and that the City’s day-to-day operations and organizational goals are negatively impacted.

Recommendation:

It is recommended that the City proceed with the remediation activities identified by the Accuvant Security Strategy Assessment as soon as possible. Furthermore, it is recommended that the risks identified by the Accuvant report are reviewed on an annual basis in order to identify any new or changed risks that need to be remediated, as well as to determine the progress of any ongoing remediation activities. While it is not considered necessary that the City utilize a third-party in each year to review the risks identified by the Accuvant report, the annual review should comprise a fair and accurate measurement of the City's progress towards remediating the identified risks as well as identification of any new or changed risks; typically, if not performed by a third-party, such reviews should be conducted by an entity's internal audit function. The City has taken formal action to address some of the risks including appropriating in the budget for two positions in the Internal Audit Department. Until the Internal Audit Department is reinstated, management should determine the best course of action with respect to ensuring annual reviews are being performed.

Additionally, the City should formally document any remediation plans that are developed as a result of initial risk assessment processes, such as the one conducted by Accuvant in the prior year. Management should also formally document the progress of such plans, whether they are reviewed annually or via more frequent regular status meetings, to ensure that implementation is proceeding as intended and in order to provide constituents and interested parties with confirmation that risks identified during these assessments are being actively remediated.

Management Response/Corrective Action Plan:

An IT Risk/Security assessment was conducted in 2015 and a cost assessment was completed thereafter. Once the assessment was completed in 2015, the City immediately moved on items within our budget range and is currently implementing items within the assessment that were of high importance, including a Windows Application Firewall (WAF), Security Appliance (IPS/IDS, etc.), Logging Server, and Penetration Test. In addition, we are requesting a Security Position for next fiscal year budget who will be able to handle many of the security functions, including the audits that are being requested each year. We have been actively moving forward on the assessment. We can formalize the process in the form of a project plan and/or reporting.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings.

**CITY OF FRESNO
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

2015-001: Risk Assessment (Significant Deficiency)

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of the five private sector organizations, including the American Institute of Certified Public Accountants and the Institute of Internal Auditors, and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control, and fraud deterrence. The *COSO Internal Control-Integrated Framework* (Framework) is the common framework against which internal control systems can be assessed and improved. The Framework provides for three objectives, which allow organizations to focus on differing aspects of internal control:

- *Operations Objectives* – the effectiveness of the entity's operations, including operational and financial performance goals, and safeguarding of assets against loss;
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- *Compliance Objectives* – adherence to laws and regulations to which the entity is subject.

The Framework establishes five elements of internal control as a method to meeting the objectives above: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring. Risk Assessment is an integral part of internal control and management should periodically evaluate the risks and monitor the changes facing the City of Fresno (the City). This process involves evaluating both previously identified risks and potential new risks and providing assurance that (1) controls are designed properly to address significant risks and (2) controls are operating effectively.

Condition:

As noted in prior years, the City has not performed an entity-wide risk assessment. In addition to challenges faced by the City, the information technology (IT) department has also been challenged both financially and operationally. Long-term, continued operations that are underfunded or understaffed, significantly increase the risk that appropriate controls are not implemented or operating effectively which may introduce errors that can affect the processing of financial transactions and or financial reporting. Failure to perform and evaluate the City's risk assessments on an annual basis increases the possibility that the City is unaware of IT-related risks that could have detrimental impacts on its ability to conduct day-to-day operations and fulfill organizational goals.

Cause:

In recent years the City has experienced significant financial challenges due to both internal and external factors, which significantly impacted its operations through staff and service reductions, including monitoring activities by the Finance Department and Internal Audit Section.

Effect:

With the various changes in the City, including staff reductions, new fiscal policies, new federal grant compliance requirements under the Uniform Guidance, continuing changes in State legislation and funding, current economic conditions, and upcoming retirements of key positions, the City is exposed to various risks to operational effectiveness and efficiency, accurate financial reporting, and compliance with laws and regulations.

Recommendation:

We recommend that the City perform an IT risk assessment including an evaluation of its control activities as it relates to significant applications that support the City's financial reporting procedures. The City should conduct the process of evaluating IT-related risks on an annual basis in order to ensure that any new IT-related risks associated with changes to the City's IT environment and IT staffing, as well as any that may have been missed in prior year assessments, are identified and addressed. The City may want to consider outsourcing the risk assessment to a third-party with knowledge of similar organizations and who can assist the City in identifying and evaluating significant risks and developing a cost effect solution to address these areas.

Management Response/Corrective Action Plan:

Management agrees with this recommendation. The City will take this up under advisement. This process is generally performed by Internal Audit. Management can (and will) seek out a proper IT Assessment process/firm according to our understanding, however, if there's a recommended program, we would like that recommendation.

Current Year Status:

Not implemented, see current year finding 2016-003.

2015-002: Access to Programs and Data (Significant Deficiency)

Criteria:

The City is responsible for ensuring that its IT systems are reliable and its data is secure. General computer controls over the access to programs and data require that network and application security controls be implemented to ensure administrative, master, and super user activities are properly authorized and to safeguard access to information technology resources and data. Furthermore, these controls should require that adequate safeguards are in place to prevent unauthorized access to or destruction of documents, records, and assets.

Condition:

During our review and evaluation of the general controls over information systems, we noted the following:

The City does not currently have a process in place to regularly review user access accounts and permissions within the PeopleSoft, SunGard/Utility Billing, and Active Directory systems. This increases the risk that user accounts may have access to system functions that are not commensurate with their current job responsibilities and unneeded or unauthorized user accounts are not identified and removed or disabled on a timely basis. Examples of accounts that may need removing might include temporary accounts utilized for projects that have concluded or those that remained in the system at the time of an employee's termination for a business-use scenario (e.g., review of the work completed by the terminated employee or duplication of roles to a new user account).

Additionally, we noted during our examination of PeopleSoft user accounts with access permissions to add or modify user account permissions that functional leads have been granted administrative access to perform this activity. We recognize that the City determined this appropriate due to staffing constraints; however, as these individuals also perform activities involving financial transactions, these administrative access rights create a conflict of duties whereby the functional leads have the ability to grant themselves additional access permissions that have not been approved.

Cause/Effect:

The City has only recently resurrected its Innovation IT Advisory Committee (IT Steering Committee), and is starting to identify critical policies and leading practices. Prior to establishment of the Advisory Committee, the City staff has had the combination of a common forum and the resources to address core policy issues impacting IT security.

Recommendation:

We recommend that the City implement regularly scheduled (on an annual basis, at a minimum) reviews of PeopleSoft, SunGard/Utility Billing system, and Active Directory user accounts and their associated permissions to ensure that no unneeded or unauthorized user accounts exist, and that the permissions assigned within the systems are appropriate for the individuals job responsibilities. It is recommended that the reviewer compare the active user accounts with an official employee roster provided by the Human Resources or payroll department. All user access permissions should be reviewed by the department head responsible for the function to determine if access permissions are appropriate. All generic, system, and/or service type accounts should be included in the review. If the review is performed by City IT staff members, they may wish to work with individual departments during this process to ensure that they are aware of current employee lists and job positions, if deemed necessary.

We also recommend that the City examine the administrative access permissions given to the functional leads and seek to remove these to eliminate the potential for a conflict of duties. If the City is unable to remove the permissions due to staffing constraints, it is recommended that a daily monitoring control be established whereby all access permission changes during the prior 24 hours are automatically reported by the PeopleSoft application. This report should be reviewed to confirm that all changes had been properly approved per the City's policy. The review should be performed by a member of management without administrative access permissions to change user access permissions.

Management Response/Corrective Action Plan:

We agree with this finding. As part of the City's Security Assessment in 2015, it was noted that the City needed to perform an audit on user accounts. Management will evaluate and determine how this audit will take place during this calendar year. Management intends to not only include an appropriate rights review, but also a process to audit and monitor appropriate rights for our end users.

Current Year Status:

Not implemented, see current year finding 2016-002.

2015-003: Reporting on HUD 60002 Report (Significant Deficiency)

Federal Program Title: Community Development Block Grants (CDBG) and Home Investment Partnership Program (HOME)

Federal Catalog Number: CDBG: 14.218; HOME: 14.239

Federal Agency: U.S. Department of Housing and Urban Development (HUD)

Federal Award Numbers: CDBG: B-14-MC-06-001 and B-13-MC-06-001; HOME: M-14-MC-06-0204, M-13-MC-06-0204

Category of Finding: Reporting

Criteria:

The reporting compliance requirement in accordance with 24 Code of Federal Regulations (CFR) Section 135, requires that the prime recipient must submit Form HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low and Very Low-Income Persons*, for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction. For recipients of HUD Community Planning and Development funding, the Form HUD 60002 is due at the same time as annual performance (e.g., CAPERS) reports, which is within 90 days after the reporting period.

Condition:

During our audit of the reporting requirements, we noted that the Form HUD 60002 related to the year ended June 30, 2016, for the CDBG and HOME programs was not submitted. The City department responsible for this report is the Development and Resources Management Department.

Cause of Condition:

The Development and Resources Management Department was focused on completing the Consolidated Annual Performance Evaluation Report, and did not have the resources to complete the Form HUD 60002 for the CDBG and HOME programs.

Effect:

As of the result of management not filing this report, these programs were not in compliance with the timely submission of the Form HUD 60002, thus not providing HUD with necessary information to monitor housing rehabilitation, housing construction, and other public construction activities.

Questioned Costs:

None noted.

Recommendation:

We recommend the City annually identify all reporting requirements for grants, develop procedures, and evaluate and address resource needs to ensure timely submission of required reports.

Management Response/Corrective Action Plan:

Management agrees.

Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992, requires that recipients of financial assistance provided by the U.S. Department of Housing and Urban Development ("HUD"), to the greatest extent feasible, provide training and employment opportunities from low income area residents and contract opportunities for performance of work by local businesses owned by and/or employing low income residents.

Under HUD Section 3, recipients are required to collect information on every Sponsor, Contractor, Sub-Contractor, etc. for each federal funded grant in excess of \$200,000 that involves housing rehabilitation, housing construction, or other public construction, to ensure compliance with Section 3 regulations. The HOME program falls under Section 3 requirements. Recipients are required to submit Summary Report, Form HUD 60002, and the annual report showing the recipients' Section 3 effectiveness.

The City currently does not have a Section 3 Program in place. This program requires that the recipient comply with the following:

- (1) Notify Section 3 residents of employment and contracting opportunities
- (2) Facilitate employment and training of residents
- (3) Incorporate Section 3 clauses
- (4) Inform contractors of requirements
- (5) Assist contractors with compliance
- (6) Document compliance actions

Staff worked with the DBE Section in the Purchasing Division to draft a Section 3 Plan. The Development and Resource Management Department (DARM) believed that there was a requirement in which the Section 3 Plan needed to be presented to HUD as well as the City Council for Action and Approval. The DARM Director received direction from their consultant that the Section 3 Plan can be adopted administratively into their Program Procedures Manual. Beginning July 2015, all contracts exceeding \$200,000 will have to comply with the Section 3 guideline and the Annual Form HUD 60002 will be filed annually along with the CAPER in fiscal year 2016.

Current Year Status:

Implemented.