

**CITY OF PLEASANT HILL**

Single Audit Reports

For the Year Ended June 30, 2014

**CITY OF PLEASANT HILL**

For the Year Ended June 30, 2014

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Honorable Mayor and Members  
of the City Council  
City of Pleasant Hill, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pleasant Hill, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 31, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City’s internal control. Accordingly, we do not express an opinion on the effectiveness of City’s internal control.

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

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

***Compliance and Other Matters***

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

## **Purpose of this Report**

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

Macias Gini & O'Connell LLP

Walnut Creek, California  
December 31, 2014

**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 Members  
of the City Council  
City of Pleasant Hill, California

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

We have audited the City of Pleasant Hill, California’s (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the 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 of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our

audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 31, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Macias Gini É O'Connell LAP*

Walnut Creek, California  
March 31, 2015

**CITY OF PLEASANT HILL**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Identifying Number or Pass-Through Entity Number	Federal Expenditures
<b>U.S. Department of Justice</b>			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	Not Available	\$ 7,932
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX0028	89,171
Total U.S. Department of Justice			<u>97,103</u>
<b>U.S. Department of Transportation</b>			
Pass-Through State of California Department of Transportation:			
Highway Planning and Construction	20.205	BRLS-5375 (009)	468,140
Highway Planning and Construction	20.205	HSIP-5375 (022)	182,029
Highway Planning and Construction	20.205	HSIP-5375 (026)	335,455
Highway Planning and Construction	20.205	HSIP-5375 (027)	452,013
Subtotal Highway Planning and Construction			<u>1,437,637</u>
Total U.S. Department of Transportation			<u>1,437,637</u>
Total Expenditures of Federal Award:			<u><u>\$ 1,534,740</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

## **CITY OF PLEASANT HILL**

### Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

**(1) GENERAL**

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of the federal award programs of the City of Pleasant Hill, California (the City). The City's reporting entity is defined in Note 1 to its basic financial statements. The SEFA includes all federal awards received directly from federal agencies and federal awards passed-through other governmental agencies.

**(2) BASIS OF PRESENTATION**

The accompanying SEFA is presented using the modified accrual basis of accounting for grants as described in Note 1 to the City's basic financial statements.

**(3) RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS**

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds or as expenses/capital assets in the proprietary funds. Federal award expenditures/expenses/capital assets agree or can be reconciled with the amounts reported in the City's basic financial statements.

**(4) RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the SEFA agree to or can be reconciled with the amounts reported in the related federal financial reports.

**CITY OF PLEASANT HILL**

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 on the basic financial statements of the City: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? No

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

Catalog of Federal Domestic Assistance Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

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

Auditee qualified as a low-risk auditee? Yes

**Section II Financial Statement Findings**

None reported.

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

None reported.

**CITY OF PLEASANT HILL**

Schedule of Prior Year Findings and Questioned Costs

For the Year Ended June 30, 2014

Reference Number:	<b><i>Federal Award Finding 2013-001 – Davis Bacon Act</i></b>
Program Identification	U.S Department of Transportation Passed Through State of California Department of Transportation CFDA No. 20.205 Highway Planning and Construction
Audit Finding:	During our review of the City’s compliance with the Davis-Bacon Act for the Highway Planning and Construction (HPC) program, we tested 9 samples from a population of 46 certified payrolls for the HPC program. Our testing showed that for 6 out of 9 samples tested, the certified payroll reports or statement of nonperformance were not received timely by the City before payments were released to the contractors.
Recommendation:	We recommended that the City evaluate the effectiveness of its current internal control policies and grant agreements to ensure compliance with the Davis-Bacon Act requirements. In addition, we recommended that the City establish internal control policies and procedures to withhold release of contractor payments until receipt of certified payrolls.
City’s Corrective Action Plan:	The City will perform timely follow up in obtaining the certified payrolls and withhold release of contractor payments until receipt of certified payrolls. The City will file these records for a minimum of 3 years after the completion of the project.
Status:	Corrective action has been implemented.