

CITY OF PASADENA, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2017

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TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2017.....	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2017.....	9
Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2016.....	16

CITY OF PASADENA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Condition

As part of our audit procedures, we inspected the CAPER prepared by the City for the program year ended June 30, 2016. We observed that the CAPER was completed and submitted to HUD on October 11, 2016; the deadline to submit the CAPER to HUD was September 28, 2016, which is ninety (90) days after the program year-end.

Cause of the Condition

This condition was caused by inadequate internal controls regarding the identification, communication, and review of reporting deadlines for the grant program.

Effect or Possible Effect

The City is not in compliance with the reporting aspect of the Citizen Participation special provisions of the CDBG program. Potentially, if reporting requirements are consistently not met, HUD may reconsider providing the City with CDBG funding.

Questioned Costs

No questioned costs were identified (\$0).

Context

Only one CAPER is filed each program year. As such, any late filing would be considered to be noncompliance with the program requirements.

Repeat Finding

This is a new finding for the fiscal year ended June 30, 2016.

Recommendation

We recommend that the City implement procedures and controls to identify reporting deadlines and to verify that all reports required by the federal agencies are prepared, reviewed, approved, and filed with the agency in a timely manner.

Management Response and Corrective Action

The City (Housing and Career Services Department) will publish the required 15-day notice of a CAPER public hearing by September 1st to allow for public comment. The City will finalize and approve the CAPER prior to September 28th in order to meet the HUD submission deadline.

Status of Prior Period Finding

This finding is considered resolved. The corrective action was taken as indicated in the 2015-16 Management Response and Corrective Action.

Finding 2016-009 – Procurement, Suspension, and Debarment

Noncompliance/Significant Deficiency

Federal Award Information

CFDA Number: 14.267

Program Title: Continuum of Care Program

Federal Award Numbers: CA0659L9D071407, CA1360L9D071400, CA0933L9D071405, CA1054L9D071404, CA0653L9D071401, CA0662L9D071205, and CA1363L9D071400

Federal Award Year: 2014

Name of Federal Agency: U.S. Department of Housing and Urban Development

CITY OF PASADENA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Criteria or Specific Requirement

Recipients of federal awards are required by 2 CFR sections 200.212, 200.318(h), 180.300, and 48 CFR section 52.209-6 to verify that an entity (such as a subrecipient or contractor) with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded from receiving federal funds or working on federally funded projects.

Condition

As part of our audit procedures, we performed tests to verify that the City performed tests of its subaward recipients and contractors receiving program funds. We noted that for subawards made to certain not-for-profit entities that the City did not utilize the System for Awards Management (SAM) to verify that the subrecipient entities were not debarred or excluded from receiving federal funds before making the subaward.

Cause of the Condition

The City recently amended its Request for Proposal (RFP) processes to require that potential subrecipients and contractors provide proof of SAM clearance, along with other documentation required by the RFP. This change to the policy was proposed after the prior year's Single Audit, but was not implemented until fiscal year 2015-2016 and after the subawards for that year had already been made.

Effect or Possible Effect

For the fiscal year under audit, the City did not comply with the SAM verification requirements of the program. The possible effect of this condition is that there is increased risk that the City passed federal funding through to entities which are prohibited from receiving federal funds or administering federal programs.

Questioned Costs

No questioned costs were identified (\$0).

Context

We examined the subrecipient files for the City's eight (8) subawards and noted that each one was missing documentation for SAM clearance. The update to the City's RFP process was implemented during the fiscal year under audit, and should correct this finding in future years' audits.

Repeat Finding

This is a new finding for the fiscal year ended June 30, 2016.

Recommendation

We recommend that the City continue to implement and adhere to its new RFP policy regarding the provision of SAM clearance by potential contractors and subrecipients.

Management Response and Corrective Action

SAM clearance was pulled for the subrecipients following last year's finding, which was after fiscal year 2016 Continuum of Care (CoC) contracting. As stated by the auditor, this issue will be resolved for future audits as a result of the steps put in place following last year's Single Audit.

Status of Prior Period Finding

This finding is considered resolved. The corrective action was taken as indicated in the 2015-16 Management Response and Corrective Action.

CITY OF PASADENA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Finding 2016-010 – Procurement, Suspension, and Debarment

Noncompliance/Significant Deficiency

Federal Award Information

CFDA Number: 20.205

Program Title: Highway Planning and Construction

Federal Award Numbers: HP21L-5062(020)

Federal Award Year: 2014

Name of Federal Agency: U.S. Department of Transportation

Pass-Through Entity: State of California Department of Transportation

Criteria or Specific Requirement

Recipients of federal awards are required by 2 CFR sections 200.212, 200.318(h), 180.300, and 48 CFR section 52.209-6 to verify that an entity (such as a subrecipient or contractor) with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded from receiving federal funds or working on federally funded projects.

Condition

As part of our audit procedures, we performed tests to verify that the City performed tests of its subaward recipients and contractors receiving program funds. We noted that for the construction contractor awarded the contract for the La Loma Bridge project the City did not utilize the System for Awards Management (SAM) to verify that the subrecipient entities were not debarred or excluded from receiving federal funds before making the subaward.

Cause of the Condition

The City recently amended its Request for Proposal (RFP) processes to require that potential subrecipients and contractors provide proof of SAM clearance, along with other documentation required by the RFP. This change to the policy was proposed after the prior year's Single Audit, but was not implemented until fiscal year 2015-2016 and after the subawards for that year had already been made.

Effect or Possible Effect

For the fiscal year under audit, the City did not comply with the SAM verification requirements of the program. The possible effect of this condition is that there is increased risk that the City passed federal funding through to entities which are prohibited from receiving federal funds or administering federal programs.

Questioned Costs

No questioned costs were identified (\$0).

Context

We examined the contractor agreement for the La Loma Bridge project and noted that it was missing documentation for SAM clearance. The update to the City's RFP process was implemented during the fiscal year under audit, and should correct this finding in future years' audits.

Repeat Finding

This is a new finding for the fiscal year ended June 30, 2016.

Recommendation

We recommend that the City continue to implement and adhere to its new RFP policy regarding the provision of SAM clearance by potential contractors and subrecipients.

CITY OF PASADENA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Management Response and Corrective Action

The City agrees with this finding. The City started implementing the new RFP policy which required SAM clearance for subrecipients and contractors in the middle of fiscal year 2016. The City will enforce the RFP policy moving forward.

Status of Prior Period Finding

This finding is considered resolved. The corrective action was taken as indicated in the 2015-16 Management Response and Corrective Action.