

CITY OF CHULA VISTA, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2014

CITY OF CHULA VISTA

JUNE 30, 2014

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 OMB Circular A-133	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2014.....	6
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2014.....	10
Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2013.....	12

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 *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Chula Vista, 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 Chula Vista, California, (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, and have issued our report thereon dated January 16, 2015.

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. 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*.



To the Honorable Mayor and Members of the City Council
City of Chula Vista, California

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 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.

Lance, Solt & Lughard, LLP

Brea, California
January 16, 2015

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 OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of Chula Vista, California

Report on Compliance for Each Major Federal Program

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Chula Vista'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 of Chula Vista'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 of Chula Vista's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Chula Vista 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.



To the Honorable Mayor and Members of the City Council
City of Chula Vista, California

Report on Internal Control over Compliance

Management of the City of Chula Vista 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 of Chula Vista'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 of Chula Vista'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. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2014-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding 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 and, accordingly, we express no opinion on the response.

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 of Chula Vista, California, 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 January 16, 2015, which contained an unmodified opinion 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 the 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



To the Honorable Mayor and Members of the City Council
City of Chula Vista, California

directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Lance, Solt & Lingham, LLP

Brea, California
January 16, 2015

CITY OF CHULA VISTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant*	14.218		
2012 Community Development Block Grant		B-12-MC-060540	\$ 508,204
2013 Community Development Block Grant		B-13-MC-060540	1,081,780
Total Community Development Block Grant Cluster			1,589,984
Emergency Shelter Grant Program	14.231		
2011 Emergency Shelter Grant Program		E11-MC-060540	45,896
2012 Emergency Shelter Grant Program		E12-MC-060540	47,247
2013 Emergency Shelter Grant Program		E13-MC-060540	68,918
Total Emergency Shelter Grant Program Cluster			162,061
Home Investment Partnership Program*	14.239		
2010 Home Investment Partnership Program		M10-MC-060505	576,427
2011 Home Investment Partnership Program		M11-MC-060505	789,734
2012 Home Investment Partnership Program		M12-MC-060505	383,265
2013 Home Investment Partnership Program		M13-MC-060505	3,732
Total Home Investment Partnership Program Cluster			1,753,158
Total U.S. Department of Housing and Urban Development			3,505,203
<u>U.S. Department of Justice</u>			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	BVP2012	2,328
Edward Byrne Memorial Competitive Grant Program	16.751	2013-DB-BX-0033	71,084
Public Safety Partnership and Community Policing Grants	16.710	2012-UL-WX-0006	51,221
Passed through the County of San Diego:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
2013 Justice Assistance Grant		2013DJ-BX-0685	52,781
2014 Justice Assistance Grant		BSCC 633-13	151,000
Total Justice Assistance Grant Cluster			203,781
Passed through the State of California:			
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		
2012 Paul Coverdell Forensic Sciences Improvement Grant Program		CQ12026364	1,372
2013 Paul Coverdell Forensic Sciences Improvement Grant Program		CQ13026364	1,337
Total Paul Coverdell Forensic Sciences Improvement Grant Program Cluster			2,709
Equitable Sharing Program	16.922	N/A	278,310
Total U.S. Department of Justice			609,433
<u>U.S. Department of Transportation</u>			
Passed through the California Office of Traffic Safety:			
Highway Planning and Construction*	20.205		
SafeTea-Lu		HPLI-5203 (028)	233,223
Highway Bridge Replacement and Rehabilitation		BHLS-5203 (016)	159,866
Highway Safety Improvement Program		HSIPL 5203 (025)	426,583
Public Lands Discretionary Grant		HPLU 5203 (029)	412,877
Total Highway Planning and Construction Cluster			1,232,549
Passed through the California Office of Traffic Safety:			
State and Community Highway Safety	20.600		
2013 Selective Traffic Enforcement Program		PT1329	3,350
2014 Selective Traffic Enforcement Program		PT1406	36,303
2009 Avoid the 14 DUI Campaign		AL0939	1,235
Total State and Community Highway Safety Cluster:			40,888

CITY OF CHULA VISTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Passed through the California Office of Traffic Safety:	20.608		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated*			
2013 Selective Traffic Enforcement Program		PT1329	106,903
2014 Selective Traffic Enforcement Program		PT1406	73,739
Passed through UC Berkeley:			
2013 Sobriety Checkpoint Program		SC13075	64,825
2014 Sobriety Checkpoint Program		SC14075	151,544
Passed through the County of San Diego:			
2014 Avoid the 14 DUI Campaign		AL1432	5,088
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated Cluster:			402,099
Passed through the California Office of Traffic Safety:	20.616		
National Priority Safety programs			
2014 Selective Traffic Enforcement Program		OTSSTEP2014C	2,389
Total U.S. Department of Transportation			1,677,925
<u>U.S. Department of the Treasury</u>			
Passed through the State of California:			
Treasury Forfeiture Fund Program	21.000	N/A	12,846
Total U.S. Department of Treasury			12,846
<u>U.S. Department of Environmental Protection Agency</u>			
Direct Programs:			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96943301-0	149,678
Total U.S. Department of Environmental Protection Agency			149,678
<u>U.S. Department of Energy</u>			
Direct Programs:			
Office of Science Financial Assistance Program	81.049	DE-SC-0005169	304,002
Total U.S. Department of Energy:			304,002
<u>U.S. Department of Education</u>			
Direct Programs:			
Fund for the Improvement of Education	84.215	U215N20024	131,775
Total U.S. Department of Education:			131,775
<u>Executive Office of the President</u>			
Direct Programs:			
High Intensity Drug Trafficking Areas Program*	95.001		
2013 California Border Alliance Group		G13SC0002A	1,533,791
2014 California Border Alliance Group		G14SC0002A	727,099
2014 High Intensity Drug Trafficking Area NMPI		G14AC0011A	111,816
Total High Intensity Drug Trafficking Areas Program Cluster:			2,372,706
Total Executive Office of the President:			2,372,706
<u>U.S. Department of Homeland Security</u>			
Passed through San Diego County:			
National Urban Search and Rescue (US&R) Response System	97.025	N/A	13,797
Emergency Management Performance Grants	97.042	FY2013EMPG	59,058
Passed through San Diego Office of Homeland Security:			
Homeland Security Grant Program*	97.067		
2011 Urban Area Security Initiative		UASI 2011	230,611
2012 Urban Area Security Initiative		UASI 2012	320,330
2013 Urban Area Security Initiative		UASI 2013	102,023
2011 State Homeland Security Program		SHSP2011	155,842
2012 State Homeland Security Program		SHSP2012	64,037
2013 State Homeland Security Program		SHSP2013	195,790
2011 SDLECC State Homeland Security Program		SDLECC-SHSP2011	427,353
2012 SDLECC State Homeland Security Program		SDLECC-SHSP2012	66,424
2013 SDLECC State Homeland Security Program		SDLECC-SHSP2013	113,893
2011 SDLECC Urban Area Security Initiative		SDLECC-UASI2011	96,209
2012 SDLECC Urban Area Security Initiative		SDLECC-UASI2012	40,168

CITY OF CHULA VISTA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
2013 SDLECC Urban Area Security Initiative		SDLECC-UASI2013	99,789
2011 Operation Stone Garden		OPSG2011	138,836
2012 Operation Stone Garden		OPSG2012	179,926
2013 Operation Stone Garden		OPSG2013	42,996
Total Homeland Security Grant Program Cluster:			<u>2,274,227</u>
Total U.S. Department of Homeland Security:			<u>2,347,082</u>
Total Federal Expenditures:			<u>\$ 11,110,650</u>

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$183,312.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Chula Vista, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

CITY OF CHULA VISTA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number 2014-001: Quarterly Progress Reports

Federal Program: Minimum Penalties for Repeat Offenders for Driving While Intoxicated

CFDA Number: 20.608

Title: Selective Traffic Enforcement Program

Federal Agency: United States Department of Transportation – *passed through the California Office of Traffic Safety*

Grant Numbers: PT1329 & PT1406

Significant Deficiency

Condition and Criteria

The City is required to submit Quarterly Progress Reports which are due 30 days after each Quarter Ending.

Cause

The City submitted the Quarterly Progress Reports for Quarter-Ending September, 2013 and December, 2013 on December 4, 2013 and March 4, 2014, respectively.

Questioned Costs

No questioned costs.

Effect

The City does not have controls in place to monitor the submission of Quarterly Progress Reports, thus resulting in a significant deficiency in internal control.

Recommendation

We recommend management establish various internal control procedures to ensure that each Quarterly Progress Report pertaining to this grant is submitted within 30 days of each Quarter Ending in order to comply with Circular A-133 Compliance Requirements.

Management's Response and Corrective Action Plan

The Police Department has established internal controls to ensure that each Quarterly Progress Report pertaining to OTS Selective Traffic Enforcement Program (STEP) grant is submitted within 30 days of each Quarter Ending in order to comply with Circular A-133 Compliance Requirements. The late submittal in fiscal year 2013-2014 occurred because of a transition of grant duties in the Traffic Unit. Proper controls are now in place to ensure late submittals do not happen again.

Estimated Completion Date

January 1, 2015

Contact Person

Phillip Davis, Director of Finance

CITY OF CHULA VISTA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.