

**CITY OF VALLEJO**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**For the Year Ended June 30, 2018**

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**CITY OF VALLEJO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2018**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major federal programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   Yes        No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>12.612</u>	<u>Community Base Reuse Plan</u>
<u>14.218</u>	<u>Community Development Block Grant/Entitlement Grants</u>
<u>14.239</u>	<u>Home Investment Partnerships Program</u>
<u>14.871</u>	<u>Section 8 Housing Choice Vouchers</u>

Dollar threshold used to distinguish between type A and type B programs: \$871,858

Auditee qualified as low-risk auditee?   X   Yes        No

## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed significant deficiencies, but no material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 12, 2018 which is an integral part of our audits and should be read in conjunction with this report.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with Uniform Guidance.

### **Finding #SA2018-001: Federal Funding Accounting and Transparency Act Reporting Requirements**

**CFDA Number:** 14.218  
**CFDA Title:** Community Development Block Grants/Entitlement Grants (CDBG)  
**Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-17-MC-06-0029

**Criteria:** The Federal Funding Accounting and Transparency Act (FFATA) requires grant and cooperative agreement recipients and contractors for grants awarded on or after October 1, 2010 to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS by the end of the month following the month in which the prime contractor awards any sub-contract.

**Condition:** The City made subawards under the Community Development Block Grant B-17-MC-06-0029 in July 2017, but did not report the subaward data to FSRS until January 2019.

**Effect:** The City is not in compliance with the FFATA reporting requirements.

**Cause:** We understand the City had a significant loss of experienced staff in two key positions during the fiscal year and the current City staff were unaware of this reporting requirement.

**Recommendation:** The City must develop procedures to review award agreements in detail to ensure compliance with all reporting requirements and ensure FFATA reporting is timely.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-002: Annual Filing of HUD 60002 Performance Report**

**CFDA number:** 14.218  
**CFDA Title:** Community Development Block Grants/ Entitlement Grants (CDBG)  
**Name of Federal Agency:** Department of Housing and Urban Development (HUD)  
**Federal Award Identification Number:** B-17-MC-06-0029; B-15-MC-06-0029

**Criteria:** Section L(2) Performance Reporting of the OMB Uniform Guidance Compliance Supplement for the CDBG Program requires the annual filing of the HUD 60002 Section 3 Summary Report for each grant for which recipients expend in excess of \$200,000 in a program year on housing rehabilitation, housing construction, or other public construction.

**Condition:** The City did not file a HUD 60002 Section 3 summary report in fiscal year 2018 for the CDBG program.

**Effect:** The City is not in compliance with the performance reporting requirements of the CDBG program.

**Cause:** We understand the City had a significant loss of experienced staff in two key positions during the year and City staff were unaware of this reporting requirement.

**Recommendation:** The City must file the delinquent reports and develop procedures to ensure timely compliance with all grant reporting requirements.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-003: Timeliness of Vendor and Tenant Based Rental Assistance Payments**

**CFDA number:** 14.218, 14.239  
**CFDA Title:** Community Development Block Grant/Entitlement Grants (CDBG)  
Home Investment Partnerships Program (HOME)  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-17-MC-06-0029; M17-MC060223

**Criteria:** Payments made to vendors should be processed in a timely manner, usually within thirty days of receiving the invoice. In addition, the Home Investment Partnerships Program (HOME) tenant-based rental assistance (TBRA) payments should be made each month in accordance with the TBRA contracts for the tenants.

**Condition:** We tested fifteen disbursements under the CDBG program and noted one payment to a vendor for services performed in August 2017 was not made until June 2018. We tested twenty HOME program disbursements and noted one TBRA payment for a tenant receiving assistance for monthly rent from July 2017 through September 2017 was not paid until September 2017 and one TBRA payment for monthly rent from March through May 2018 was not paid until June 2018.

**Finding #SA2018-003: Timeliness of Vendor and Tenant Based Rental Assistance Payments (Continued)**

**Effect:** When invoices are not paid timely, the City runs the risk of unpaid invoices and incurring late fees, and the City is not in compliance with the TBRA contract requirements for the HOME program.

**Cause:** We understand the delays were due to staff turnover in the Public Works department and Housing department. Specific to the vendor payment for services performed in August 2017, a former City employee had questioned the project account coding for the invoice which delayed payment and after the employee left the City, we understand the invoice was misplaced.

**Recommendation:** The City must develop procedures to ensure that payments to vendors and landlords are made timely in accordance with grant requirements.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-004: Department of Housing and Urban Development Audit Deficiencies - HOME**

**CFDA Number:** 14.239  
**CFDA Title:** Home Investment Partnerships Program (HOME)  
**Name of Federal Agency:** Department of Housing and Urban Development (HUD)  
**Federal Award Identification Number:** M-17-MC-06-0223, M-16-MC-06-0223, M-15-MC-06-0223

**Criteria:** Title 24 Part 92 and Part 58 of the Code of Federal Regulations requires recipients of HOME funds to manage daily operations of the program, ensure funds are used in accordance with all requirements and written agreements, and to take appropriate action when performance issues arise. Furthermore, recipients should monitor grant and subgrant supported activities to ensure compliance with applicable Federal requirements and to assure performance goals are being achieved. These monitoring activities should cover each program, function or activity under the program.

**Condition:** The U.S. Department of Housing and Urban Development San Francisco Regional Office Community and Planning Development Division (HUD) conducted an onsite monitoring of the City's HOME program from May 21 to May 25, 2018, and issued a monitoring letter of findings dated November 20, 2018. The onsite monitoring focused on the City's compliance in five areas across Federal Fiscal Year (FFY) program years 2015, 2016 and 2017 and identified four deficiencies as follows:

- 1. *Insufficient Oversight of Overall Management Systems and Program Monitoring*** - The City has limited assigned staff responsible for the day-to-day oversight of its HOME program. Since the departure of the Housing and Community Development Manager, there has been one analyst primarily tasked with carrying out the City's reporting, financial analysis, voucher creation, internal audit, and monitoring of its grants and subgrants for its HOME program. Furthermore, the City's HOME program policies and procedures do not provide clear guidance to staff on conducting risk analyses, monitoring, and reporting. While the City conducts upfront assessments to establish project eligibility and reviews invoices for consistency with written agreements, the City has not conducted adequate oversight through onsite monitoring to verify compliance of its developers, subrecipients, and projects.



2. **Failed to Determine Compliance for HOME Assisted Units** – The finding is related to Finding FFY 2013-1 from a previous HUD monitoring of the City’s HOME program and was described as *Grantee Failed to Enforce the Agreement with Domus Development for Temple Art Lofts for the Four HOME Units in Accordance with 24 CFR Section 92.252*.

Temple Art Lofts is a multi-family project serving households at or below 50 percent of the area median income (AMI). The project has multiple funding sources including HOME, CDBG, NSPI, NSP3, Redevelopment, and Low-Income Housing Tax Credits (LIHTC). As noted in the FFY 2013 monitoring review from HUD, because the majority of the funding was in the form of tax credits, the developer (Domus Development Inc.) and the onsite management company (Domus Management Company) deemed the LIHTC regulations to be more restrictive. Rent and income calculations were not performed in accordance with HOME regulations and compared against LIHTC to determine the most restrictive regulations to be applied. Also, as noted in the FFY 2013 monitoring review, the management company was not aware that HOME funds were used in the development of the project.

In the analysis of its HOME funding, the City used a prorated methodology to determine that four units of the 29 units at Temple Art Lofts would be used as HOME floating units. Therefore, the onsite management company should ensure four units are occupied by tenants meeting the HOME criteria requirements including having a lease of a least one year. The FFY 2013 monitoring review showed the onsite management executed leases with terms of six months on the four HOME-assisted units at Temple Art Lofts. During the FFY 2018 monitoring review performed by HUD, the management company (Domus Management Company) was not available, and the project files were not accessible for HUD to review.

3. **Cash Management** - The finding is related to a concern in the FFY 2013 HUD monitoring review of the City’s HOME program and was described in the FFY 2018 letter as *Slow to draw down funds and maintain a monthly or quarterly expenditure rate of HOME funds in accordance with 24 CFR Section 92.500(d)(1)(C)*. HUD noted that although the City committed funds in applicable years, the City does not draw funds in a timely manner in the Integrated Disbursement Information System (IDIS) and the City has several completed HOME projects with no accomplishment and beneficiary data entered into the IDIS.

During our fiscal year 2018 audit, we noted cash management issues as follows:

- IDIS drawdown on December 12, 2017 was for HOME expenditures incurred from July 2017 through October 2017
- IDIS drawdown on February 20, 2018 was for HOME expenditures incurred from October 2017 through December 2017
- IDIS drawdown on April 24, 2018 was for HOME expenditures incurred in January 2018
- IDIS drawdown on September 27, 2018 was for HOME expenditures incurred from April through June 2018

**Finding #SA2018-004:**

**Department of Housing and Urban Development Audit Deficiencies – HOME (Continued)**

- 4. Missing Environmental Reviews for HOME Assisted Activities** – The City submitted a Request for Release of Funds (RROF) for a project which consisted of the acquisition and rehabilitation of four separate properties, however, the City was unable to locate the environmental review (ER) for one of the properties. Although the City’s policies and procedures along with its written agreement require ERs to be completed prior to undertaking activities and expending funds, the City does not appear to have adequate procedures in place to ensure that the ERs are consistently filed. Furthermore, the City’s segmented filing system and structure do not have sufficient oversight to ensure the entire environmental review process is completed and documented in the property or project records. As a result, HUD was not able to determine if the City was in compliance with the requirements under 24 CFR 58.22 for the property.

**Effect:** The City is not in compliance with the federal requirements for HOME programs under Title 24 Part 92 and Title 24 Part 58 of the Code of Federal Regulations.

**Cause:** In fiscal year 2018, we understand the City had a significant loss of experienced staff in two key positions, the Housing and Community Development Manager and Senior Housing and Community Development Analyst. Prior to these key positions being vacated, one analyst was primarily responsible for completing reports, financial analysis, voucher creation, internal audits, and monitoring of its developers, subrecipients, and projects. Currently, given the span of control and complexity, it appears assigned staff is insufficient in number and in experience.

**Recommendation:** The 2018 HUD monitoring letter includes a summary of each of the findings listed above, the corrective action that must be taken and a timeline for the completion of each corrective action. The City must develop a plan to correct each of the deficiencies within the timeframe prescribed by the monitoring letter.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-005:**

**Subrecipient Monitoring**

**CFDA Number:** 14.218  
**CFDA Title:** Community Development Block Grants/Entitlement Grants (CDBG)  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-17-MC-06-0029

**Criteria:** 24 CFR Section 570.503 requires recipients of CDBG grants that make subawards to verify that subrecipients expending \$750,000 or more in federal awards during the subrecipient’s fiscal year have met the audit requirements and that required audits are completed within nine months of the end of the subrecipient’s audit period.

**Condition:** We selected two of the City’s eight subrecipients under the CDBG program who received subawards in fiscal year 2018 and noted that the City did not obtain a copy of any audit reports or a written statement that audit reports were not required for the subrecipient.

**Finding #SA2018-005: Subrecipient Monitoring (Continued)**

**Effect:** The City is not in compliance with the subrecipient monitoring requirements of 24 CFR Section 570.503.

**Cause:** We understand this was due to a staff oversight in the Housing department.

**Recommendation:** The City must obtain the required documentation from all of its subrecipients and develop procedures to ensure that subrecipients monitoring procedures are in place in accordance with the requirements of 24 CFR Section 570.503.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-006: Department of Housing and Urban Development Audit Deficiencies - NSP**

**CFDA number:** 14.218  
**CFDA Title:** Community Development Block Grant/Entitlement Grants  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-08-MN-06-0010 (NSP1); B-11-MN-06-0010 (NSP3)

**Criteria, Condition, Effect:** The U.S. Department of Housing and Urban Development San Francisco Regional Office Community and Planning Development Division (HUD) conducted an onsite monitoring of the City's Neighborhood Stabilization Program 1 (NSP1) and Neighborhood Stabilization Program 3 (NSP3) from July 17 to July 20, 2018, and issued a monitoring letter of findings dated November 20, 2018. The purpose of the visit was to assess the City's performance and compliance with Federal program regulations and requirements in accordance with 24 CFR Parts 84 and 85 and the NSP Register Federal Notices (73 Fed. Reg. 58335, E and 75 Fed. Reg. 64329). HUD determined that there are four findings for Federal Fiscal Year (FFY) 2018 and two unresolved findings from a prior monitoring visit related to FFY 2013 as follows pertaining to the NSP programs:

1. ***Timely Grant Closeout of NSP1 and NSP3 Programs*** - The Federal Register (Volume 75 Section II.M. of NSP Notice) requires recipients of NSP funds, specifically NSP1 and NSP3, to expend 100 percent of their initial allocation of the funds within four years (NSP1) and 3 years (NSP3) of receipt of those funds and to close out the grant. Furthermore, HUD has encouraged grantees to bring its NSP grants to a close. Grant closeout can occur when all expenditures have been incurred, all disbursements were made, all activities have been completed and meet a national objective, the 25 percent low income set-aside has been expended, and all other grant responsibilities and regulations have been carried out.

HUD noted that the City received NSP1 funds in 2008 and NSP3 funds in 2011 and we noted that as of June 30, 2018, the City had not expended the balances of the NSP funds in the amounts of \$749,311 for NSP1 and \$582,482 for NSP3, and therefore, has not closed out the grants.

The City cannot begin closeout procedures until these requirements have been met and any open findings have been resolved and therefore, the City is not in compliance with the grant closeout procedures.

2. ***NSP Eligibility*** – At the time of HUD’s visit, the City did not have access to the program files or property management records for the Temple Art Lofts project and had limited data documenting the method used for projecting and calculating annual income in its homebuyer assistance program. The City and its subrecipients, developers, and partners should establish annual income limits for beneficiaries receiving assistance in the NSP program. Before approving applications for NSP-funded housing assistance, whether for rental or homeownership assistance, the City and its subrecipients and developers must determine whether applicant annual gross income calculations are at or below the income limits. The City should also ensure that 25 percent of its NSP funds and program income has been set-aside for households with income at below 50 percent of the area median income (AMI).

If the City does not have proper income documentation for homebuyers or tenants participating in NSP, the project is noncompliant. Ineligible persons may be served, and disallowed costs may result. Furthermore, HUD may require repayment of NSP funds and/or other corrective action.

The City did not have access to program and property files for the Temple Art Loft project and project files for its homebuyer assistance program contained limited annual income data. Also, the City did not have procedures for its subrecipients and developers to document this requirement.

As a result, HUD has requested that the City complete a roster for the beneficiaries residing at Temple Art Lofts project for HUD to determine and select an objective sample size of program files to review. HUD has also requested the City to develop documents that specify program policies and procedures for the Temple Arts Lofts including, but not limited to the lease requirements, tenant selection criteria, tenant income eligibility requirements, property maintenance and habitability standards, and other applicable programmatic documents and records.

3. ***NSP Continued Affordability Requirements*** – The finding is related to Finding FFY 2013-1 from a previous HUD monitoring of the City’s NSP Program in FFY 2013 and was described as *Grantee Failed to Properly Administer HUD Programs by Failing to Monitor Projects and Development Partners*.

The City shall ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes and residential properties under this section remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income, or for units originally assisted with funds under the requirements of Section 2301(f)(3)(A)(ii), remain affordable to individuals and families whose incomes do not exceed 50 percent of area median income. Furthermore, the City shall define affordable rents and 17 continued affordability standards and enforcement mechanisms that it will apply to its NSP activities. HUD will consider any grantee adopting the HOME Investment Partnerships program standards at 24 CFR Section 92.252 (a), (c), (e), and (f) and 24 CFR Section 92.254 to be in minimal compliance with this standard and expects any other standards proposed and applied by a grantee to be enforceable and longer in duration.

**Finding #SA2018-006:**

**Department of Housing and Urban Development Audit Deficiencies –  
NSP (Continued)**

Resale provisions should ensure for the duration of the period of affordability in which housing is subsequently purchased only by a buyer who is income eligible to receive NSP funds, and who will use the property as principal residence. The resale requirement should also ensure the price at resale provides the original NSP-assisted owner a fair return on investment, including the homeowner's investment and any capital improvement, and ensure that the housing will remain affordable to NSP eligible buyers.

Recapture provisions should ensure grantees recoup all or a portion of the NSP assistance made on behalf of the homebuyer if the property is sold during the period of affordability. The recapture requirement is triggered by a sale (voluntary or involuntary) of the property. The amount recaptured cannot exceed the net proceeds. The net proceeds are the sale price minus superior loan repayment (other than NSP funds) and any closing costs. Recapture can only be used when the following conditions are met: (1) the NSP subsidy is provided directly to a homebuyer or lease purchaser, and (2) the amount can be recaptured.

Although the City's draft policies and procedures provided to HUD indicate the recapture provisions are used to determine the period of affordability in its Homebuyer Assistance Program, the written agreements show that both the recapture and resale provisions were used. A review of the records by HUD shows that the regulatory agreement for the City's Homebuyer Assistance Programs were in the form of either recapture or resale provisions. Grantees can determine which method is best for its community and choose to implement either resale or recapture provisions, but cannot use both provisions. If the City plans to use both resale and recapture provisions for different projects or programs, it must explain in its policies how it will determine which provisions will be used in each case.

Compliance with resale or recapture provisions is not only required by Federal statute and regulations, it is vital to enforcing the period of affordability requirements and the successful operations of Homebuyer Assistance Programs. Nonetheless, regardless of whether a grantee uses recapture or resale provisions, clear, detailed written agreements assure that all parties are aware of the specific period of affordability requirements and any other applicable terms and conditions.

HUD determined that the City is not using standardized affordability restrictions in its NSP program and the recapture provisions are being revised, creating an administrative burden to its program and financial staff. In addition, the covenants may not be enforceable and may lead to the loss of affordability units for low- and moderate-income (LMMI) persons in the community.

The City's staff did not fully understand the requirements listed above. HUD determined that the City reported that only the recapture provisions are being used for its NSP program. Also, the City's draft policies and procedures specify the City's period of affordability is restricted to only the recapture provisions. However, a review of project files by HUD disclosed that each individual deed restriction stipulates either a recapture or a resale provision. Issuing conflicting affordability restrictions to eligible homebuyers may cause confusion and lead to noncompliant practices of LMMI persons who do not understand the difference between recapture and resale provisions. The City was not aware that recapture provisions were not clearly outlined in its affordability agreements.

**Finding #SA2018-006:**

**Department of Housing and Urban Development Audit Deficiencies – NSP (Continued)**

HUD has requested that the City take all necessary steps to ensure, to the maximum extent practicable and for the longest feasible term, that the sale, rental, or redevelopment of abandoned and foreclosed-upon homes and residential properties under this section remain affordable to individuals or families whose incomes do not exceed 120 percent of area median income, or for units originally assisted with funds under the requirements of section 2301(f)(3)(A)(ii) of HERA, as amended, remain affordable to individuals and families whose incomes do not exceed 50 percent of the area median income.

HUD has also requested that the City do the following: submit detailed recapture provisions to HUD for review; and upon review by HUD, amend its action plan specifying its recapture approach; Review each file and add an addendum to the property files and deed describing the type of affordability restriction; Notify any impacted homebuyer of the revised provisions and provide the homebuyer with a copy. Create a monitoring plan and mechanism for tracking long term affordability, including a list of projects, type of affordability restrictions, the affordability period, and the date of initiation of the affordability period.

4. ***Subrecipient and Developer Monitoring*** – The finding is sufficiently related to one open finding from a previous HUD monitoring of the City’s NSP Program in FFY 2013 and was described as *Grantee Failed to Determine in Advance Provisions to Ensure Continued Affordability*. At the time of the 2018, the City had not conducted any desk or onsite monitoring of NSP1 and NSP 3 projects or activities. Although the City conducts a thorough review of the invoice and supporting documentation submitted by subrecipients and developers, a comprehensive review of the project and activities is not performed. Furthermore, the lack of monitoring makes it difficult to ascertain if the projects are being carried out within NSP regulations and that continued affordability restrictions are enforced.

The City is responsible for managing the day-to-day operations of NSP programs including conducting reviews, audits, and onsite monitoring. The City should monitor its subrecipients and developers to assure compliance with applicable Federal requirements and performance goals are being achieved. Also, the City should establish remedies to prevent a continuance of the deficiency, mitigate any adverse effects or consequences, and prevent a recurrence in accordance with 24 CFR Section 85.40.

Monitoring is a critical role to verify and determine the adequacy, performance, and stability of activities, subrecipients, and developers, and to ensure Federal funds are being used within NSP program requirements. Without carrying out annual risk analyses and monitoring of the program activities, subrecipients, and developers, NSP funds are at risk of fraud, waste, mismanagement, neglect, and abuse. Also, monitoring assists grantees in determining if technical assistance is needed or if other sanctions or penalties should be imposed.

**Finding #SA2018-006:**

**Department of Housing and Urban Development Audit Deficiencies –  
NSP (Continued)**

HUD requested that the City provide a risk analyses and monitoring plan for its NSP program to HUD. The monitoring plan shall detail when and how the City will conduct monitoring of its NSP1 and NSP3 projects, subrecipients, and developers during the grant and affordability periods. The policies and procedures should describe a system for ensuring compliance with NSP continued affordability requirements for rental units and ownership units. Additionally, in preparation and as a requisite for closeout of the City's NSP grants, the City shall submit a management plan that includes the following information: subgrantee names, subgrantee numbers, responsible organizations, description of affordability mechanism (Resale, Recapture, Rental or Other), property addresses, DRGR activity numbers, start of affordability periods, and end of affordability periods.

5. ***Quarterly Performance Reports (QPRs)*** – The City failed to submit 18 NSP1 and 14 NSP3 QPRs in HUD's DRGR System in a timely manner. 73 Fed. Reg. 58341, II. 0. as amended at 75 Fed. Reg. 64337, II. 0. provides for alternative performance report requirements and requires grantees to submit a quarterly performance report no later than 30 days following the end of each quarter, beginning 30 days after the completion of the first full calendar quarter after grant award and continuing until the end of the grant. These Notices further require grantees to include information about the uses of funds, including, but not limited to, the project name, activity, location, national objective, funds budgeted and expended, the funding source and total amount of any non-NSP funds, numbers of properties and housing units, beginning and ending dates of activities, beneficiary characteristics, and numbers of LMMI persons or households benefiting.

HUD determined that the City is not in compliance with NSP regulations and is at an increased risk of noncompliance with other federal requirements. The untimely reporting also results in incorrect information being provided to HUD, congressional committees, and the community. The City will not be able to close its NSP grants until all QPRs are submitted and other required performance measures are identified and reported in DRGR.

As a result, HUD has requested that the City submit outstanding NSP1 and NSP3 QPRs, and include program income received in DRGR.

**Recommendation:** The 2018 HUD monitoring letter includes a summary of each of the findings listed above, the corrective action that must be taken and a timeline for the completion of each corrective action. The City must develop a plan to correct each of the deficiencies within the timeframe prescribed by the monitoring letter.

**Cause:** The causes of each of the findings as noted by HUD are included above.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-007: FFY 2001 HOME and CDBG Findings**

**CFDA Number:** 14.239, 14.218  
**CFDA Title:** Home Investment Partnerships Program (HOME)  
Community Development Block Grant/Entitlement Grants (CDBG)  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** M-17-MC-06-0223, M-16-MC-06-0223, M-15-MC-06-0223, B-17-MC-06-0029, B-16-MC-06-0029, B-15-MC-06-0029, B-14-MC-06-0029

**Criteria:** OMB Circular A-133 and OMB Uniform Administrative Requirements Subpart E – Cost Principles requires that all costs charged to federal award programs are allowable and in accordance with the cost principles. Furthermore, Title 24 Part 570.501 through 503 requires that recipients of CDBG funds establish written grant administration procedures such as program policies, procedures and rehabilitation standards.

**Condition:** The U.S. Department of Housing and Urban Development San Francisco Regional Office Community and Planning Development Division (HUD) conducted an onsite monitoring of the City’s HOME and CDBG programs from May 21 to May 25, 2018, and issued a monitoring letter of findings dated November 20, 2018. The purpose of the visit was to assess the City’s performance and compliance with Federal program regulations and requirements as well as follow up regarding the disposition of open findings from Federal Fiscal Year (FFY) 2000, 2001, 2012, and 2013. HUD determined that there are three unresolved findings from FFY 2001 and two unresolved findings from FFY 2012 as follows:

*FFY 2001 Findings:*

- 1. Sewer Line Connections Paid with HOME Funds -** Generally, offsite public improvements costs are ineligible in the HOME program. The HOME regulations at 24 CFR Section 92.206(a)(3)(iii) allow utility connections including off site connections from the property line to the adjacent street. HUD determined that sewer line improvement costs of \$24,626.25 charged to the HOME program by the City under voucher number 574031 may be an ineligible activity. In this case, the costs for infrastructure improvements should be prorated in accordance with the cost principle requirements found in OMB Circular A-122 (and superseded by 2 Section 200.400). On December 5, 2017, the City stated that the project was completed in 2006 and as such, the project file and documentation of the HOME funded improvements are not accessible. As a result, HUD has requested repayment of \$24,626.25 from non-Federal sources to be reported in the Integrated Disbursement and Information System (IDIS).
- 2. Improper Allocation of Cost for Homebuyer’s Club Program -** Vallejo Neighborhood Housing Services (VNHS), a subrecipient of HOME and CDBG grant funds, billed the City \$400 per person for its Homebuyer’s Club Training. The one-day a week, six-week course was provided by a VNHS employee. As a nonprofit subrecipient, VNHS must charge on an actual basis. HUD found the charge of \$400 per person did not take into account the actual costs to conduct this training. HUD noted, the majority of the expenses necessary to operate this program were of a fixed nature, particularly the one full-time employee salary of the trainer. On December 5, 2017, the City responded to this finding in a letter, confirming that the City no longer uses estimates or projections for program expenditures of any kind. HUD responded to the City’s response that the City did not provide a cost comparison of actual costs incurred, the billing rate for the service, or a determination if any excess funds were charged to the CDBG or HOME programs and as such, has requested that the City provide this information.



3. **Compliance with Cost Principles** - HUD examined costs charged by VNHS for both CDBG and HOME funded activities and the recording of these activities in the account activity reports for CDBG and HOME in fiscal year ending 1999 and fiscal year ending 2000. HUD noted that a charge of \$120,000 for HOME Community Housing Development Organizations (CHDO) administration funds could not be substantiated and that VNHS continued to charge the City an administrative fee of \$0.16 per loan dollar. HUD was unable to determine if the fee amount was derived in accordance with the cost principles. Additionally, HUD noted that another voucher included an American Development invoice with a 15 percent profit charge of \$889.45 was not supported by documentation for the approval of the rate. Lastly, HUD noted that a change order to an American Development contract resulted in a charge of \$40,443.62 to the HOME program, which could not be substantiated by the City.

HUD requested the following corrective action for the above: (1) Reconcile these administrative charges with actual charges and adjust the charges to CDBG and HOME accordingly, (2) Provide a rationale for charging 15 percent profit on American Development's Winchester project, and (3) Provide a basis for approval of the \$40,443.62 change order for the American Development Winchester project.

The City responded to HUD as follows: On December 5, 2017, the City confirmed that all CDBG and HOME administrative and project expenses incurred by the City and its partners are reimbursed based on actual expenses with no exceptions. Based on interviews with key financial and program staff, any change orders are thoroughly reviewed, and if the change order is excessive or results in a significant change to the project, the City's building and maintenance supervisor conduct a costs analysis prior to approval of the change order. As a result, HUD concluded that the City has not provided sufficient documentation that reconciled the administrative charges with actual costs and provided the results to HUD.

*FFY 2012 Findings:*

4. **Overall Management Systems** – 24 CFR Section 570.501 through 570.503 describes the responsibility of the grantee administering the CDBG program. The City lacks written CDBG program policies and procedures.

HUD requested the following corrective action for the above: (1) Develop policies and procedures for administering the CDBG program, and (2) Ensure policies and procedures are implemented and being followed in the CDBG program and to send HUD a copy of these procedures.

5. **CDBG Rehabilitation Management** - 24 CFR Section 570.502 describes the responsibility of the grantee administering the CDBG program. The City's housing rehabilitation policies and procedures consist of copies of the California Health and Safety Code, Section 17920-17927, and a statement that the City will Comply with the Department of Housing and Urban Development Housing Quality Standards in accordance with 24 CFR Section 982.401.

HUD requested the following corrective action for the above: (1) Develop written rehabilitation standards; and (2) Ensure the rehabilitation standards are implemented and being followed in the CDBG program and to send HUD a copy of the procedures.

**Finding #SA2018-007: FFY 2001 HOME and CDBG Findings (Continued)**

**Questioned Costs:** We questioned the prior year costs noted by HUD as shown above listed as Finding # 1, 2 and 3.

**Effect:** The City is not in compliance with the allowable costs and program administration requirements for the CDBG and HOME programs and may have to return funds to the grantor if the issues are not resolved to the satisfaction of HUD.

**Cause:** The causes of each of the findings as noted by HUD are included above.

**Recommendation:** The 2018 HUD monitoring letter includes a summary of each of the findings listed above, the corrective action that must be taken and a timeline for the completion of each corrective action. The City must develop a plan to correct each of the deficiencies within the timeframe prescribed by the monitoring letter and implement policies and procedures to ensure they do not occur in the future.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-008: Rent Reasonableness Determinations**

**CFDA number:** 14.871  
**CFDA Title:** Section 8 Housing Choice Vouchers  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

**Criteria:** 24 CFR Section 982.507(b) *Comparability* requires Public Housing Authorities (PHA) that receive Section 8 housing choice vouchers to determine whether the rent paid to the owner is a reasonable rent in comparison to rent for other comparable unassisted units by considering the location, quality, size, unit type and age of the contract unit.

**Condition:** The U.S. Department of Housing and Urban Development's Quality Assurance Division (QAD) conducted a remote rent reasonableness review of the Vallejo Housing Authority (VHA) on September 19, 2018. During the review, the QAD noted that in six of thirty-two files reviewed, the unit type of one or more of the three comparable units used in the determination did not match the unit type of the program unit for which the rent reasonableness determination was being made and no dollar adjustment was made to account for the difference to establish comparability. In addition, in two of the thirty-two files reviewed, the program unit type as stated on the rent reasonableness certification form did not match the unit type as stated on the Inspection Report.

**Effect:** The City is not in compliance with the comparability requirements as stated in 24 CFR Section 982.507(b).

**Cause:** We understand the City uses different definitions that overlap for the unit type between the inspection reports, Form 50058, request for tenancy approval, and unit type schedule in the Housing Pro system that the City uses. Therefore, the unit type determinations are not always consistent.

**Recommendation:** The City must develop procedures to ensure that the correct unit type is used and documented for all program and comparable units in all reasonable rent determinations.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-009:                    General Depository Agreement**

**CFDA number:**                    14.871  
**CFDA Title:**                    Section 8 Housing Choice Vouchers  
**Name of Federal Agency:**     Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

**Criteria:** 24 CFR Section 982.156 *Depository for Program Funds* requires recipients who receive Section 8 housing choice vouchers to deposit all funds with a financial institution selected as depository by the Vallejo Housing Authority (VHA) in accordance with Housing and Urban Development (HUD) requirements. Furthermore, the VHA must enter into an agreement with the depository in the form required by HUD.

Section 13, Paragraph b of form HUD 52520, the “*Consolidated Annual Contributions Contract*” (ACC) requires VHA to deposit and invest all program funds under an ACC in accordance with the terms of a General Depository Agreement (GDA). The GDA must be in a form approved by HUD and is to be executed between VHA and the depository. In addition, the ACC requires VHA to invest General Fund (program) monies only in HUD approved investments.

**Condition:** The U.S. Department of Housing and Urban Development – Office of Housing Voucher Programs Quality Assurance Division (QAD) conducted an on-site Financial Management Review at the VHA in 2018 and issued a monitoring letter of findings dated November 13, 2018. Although we noted that VHA has since submitted the required GDA agreements and has deposited funds in HUD approved depositories, during the monitoring period the VHA did not have a GDA as required by the ACC for all financial institution accounts where housing choice voucher funds are maintained (Wells Fargo and the California Local Agency Investment Fund (LAIF)).

**Effect:** The City was potentially in breach of its ACC because HUD funds were not covered by the mandated GDA.

**Cause:** The City did not have an executed GDA for the housing choice voucher funds maintained in accounts at Wells Fargo and LAIF.

**Recommendation:** Although the City has entered in to the required GDA agreements as noted above, the City must develop procedures to ensure that the depository requirements for housing choice voucher funds are maintained for any future accounts.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-010: Net Position Account Balances in Voucher Management System**

**CFDA number:** 14.871  
**CFDA Title:** Section 8 Housing Choice Vouchers  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

**Criteria:** 24 CFR Section 982.151 and PIH Notice 2015-17 require the Vallejo Housing Authority (VHA) who receives Section 8 housing choice vouchers report restricted net position, unrestricted net position and cash/investment balances to HUD on a monthly basis in the Voucher Management System (VMS) in accordance with the calculation requirements in the VMS User Manual.

**Condition:** The U.S. Department of Housing and Urban Development – Office of Housing Voucher Programs Quality Assurance Division (QAD) conducted an on-site Financial Management Review at the VHA in 2018 and issued a monitoring letter of findings dated November 13, 2018. During the review, it was noted that the restricted net position, unrestricted net position, and cash/investment account balances were incorrectly calculated and reported in the VMS from January 2012 through 2017.

**Effect:** The VHA Housing Choice Voucher program actual financial position was not correctly reported in the VMS in accordance with HUD regulations.

**Cause:** We understand City staff preparing the calculations were not aware of the calculation requirements for the VMS reporting

**Recommendation:** VHA must develop procedures to ensure that all monthly VMS balances are calculated correctly.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-011: Use of Post-2003 Administrative Funds**

**CFDA number:** 14.871  
**CFDA Title:** Section 8 Housing Choice Vouchers  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

**Criteria:** PIH Notice 2015-17 requires the Vallejo Housing Authority (VHA) who receives Section 8 housing choice vouchers to use post-2003 administrative funds for housing choice voucher program administrative expenses.

**Condition:** The U.S. Department of Housing and Urban Development (HUD) – Office of Housing Voucher Programs Quality Assurance Division (QAD) conducted an on-site Financial Management Review at the VHA in 2018 and issued a monitoring letter of findings dated November 13, 2018. During the review, it was noted that VHA used post-2003 administrative funds for non-housing choice voucher program expenses. As a result, the VHA must reimburse the housing choice voucher program \$3,879,689 for the post-2003 administrative funds that were inappropriately transferred or spent on ineligible expenses.

**Questioned Costs:** We questioned the prior year costs of \$3,879,689 identified by HUD.

**Finding #SA2018-011: Use of Post-2003 Administrative Funds (Continued)**

**Effect:** The VHA Choice Voucher program was placed at financial risk by HUD.

**Cause:** The VHA Choice Voucher program was loaning housing choice voucher funds for the rehabilitation of homes and to other programs prior to 2004 and when funds were repaid from various sources, the program incorrectly considered those funds as replenishing the pre-2004 unrestricted net position balance. In addition, the program was transferring funds back and forth between the program and the City making it difficult to track the source of funds.

**Recommendation:** VHA must determine how the pre-2004 unrestricted net position balance was calculated or must reimburse the housing choice voucher program for the post-2003 administrative funds used.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-012: Family Self-Sufficiency (FSS) Program Coordinator Grant Funding**

**CFDA number:** 14.871, 14.896

**CFDA Title:** Section 8 Housing Choice Vouchers  
FSS Coordinator Grant

**Name of Federal Agency:** Department of Housing and Urban Development

**Federal Award Identification Number:** CA-055FSH066A016; FSS17CA2052-01-00

**Criteria:** Real Estate Assessment Center (REAC) Accounting Brief # 23 issued May 2015, requires the Vallejo Housing Authority (VHA) to report the FSS Coordinator Grant under Catalog of Federal Domestic Assistance (CFDA) #14.896, beginning with the end of the 2013 FSS Coordinator Grant (fiscal year 2014 disbursement) separately from the Section 8 Housing Choice Voucher program under CFDA #14.871. The Accounting Brief also requires that the VHA set up a separate FSS escrow depository account for the grant funds.

**Condition:** The U.S. Department of Housing and Urban Development (HUD) – Office of Housing Voucher Programs Quality Assurance Division (QAD) conducted an on-site Financial Management Review at the VHA in 2018 and issued a monitoring letter of findings dated November 13, 2018. During the review, it was noted that VHA was recording the FSS Coordinator Grant funding, salary and benefits to the housing choice voucher program under CFDA # 14.871 and that the City had not set up separate general ledger accounts for the grant. It was also noted that VHA did not maintain a separate FSS escrow depository account for the grant funds and maintained the funds in the LAIF investment account comingled with other VHA funds.

We noted that the City subsequently set up separate general ledger accounts and depository accounts for the FSS Coordinator Grant in December 2018.

**Effect:** As a result of the above, the VHA choice voucher program used funds to cover expenses that should have been covered by the FSS Coordinator Grant. Furthermore, the VHA housing choice voucher program is not in compliance with the federal requirements pertaining to FSS Coordinator Grant funds.

**Cause:** We understand the VHA staff were unaware of the account brief requirements for FSS Coordinator Grants.

**Finding #SA2018-012:**            **Family Self-Sufficiency (FSS) Program Coordinator Grant Funding (Continued)**

**Recommendation:** VHA must develop procedures to ensure that all accounting briefs and notices related to grant programs are adhered to.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-013:**            **Interest Earned on Housing Assistance Payment Funds**

**CFDA number:**                    14.871  
**CFDA Title:**                      Section 8 Housing Choice Vouchers  
**Name of Federal Agency:**      Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

**Criteria:** 24 CFR 85.21(i) requires that interest earned on housing assistance payments under the Section 8 Housing Choice Voucher program over \$100 per year from 2012 to 2013 be returned to the U.S. Treasury. 2 CFR 200.305(b)(9) requires that interest earned on housing assistance payments under the Section 8 Housing Choice Voucher program over \$500 per year starting in 2014 be returned to the U.S. Treasury.

**Condition:** The U.S. Department of Housing and Urban Development (HUD) – Office of Housing Voucher Programs Quality Assurance Division (QAD) conducted an on-site Financial Management Review at the Vallejo Housing Authority (VHA) in 2018 and issued a monitoring letter of findings dated November 13, 2018. During the review, it was noted that VHA had not returned \$13,823 in interest earned on HAP funds that exceeded the portion that VHA was permitted to retain as administrative revenue, after December 31, 2011, to Treasury.

**Effect:** The VHA Choice Voucher program is not in compliance with the interest earnings requirements of the federal regulations for the program.

**Cause:** We understand the City has returned the funds, but HUD staff requires documentation showing these funds have been returned to the Treasury.

**Recommendation:** VHA must ensure that all cumulative interest earned on housing assistance payments for the Section 8 Housing Choice Voucher Program is remitted to the U.S. Treasury and interest earned in excess of \$500 is remitted each year thereafter.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**Finding #SA2018-014: Community Development Block Grant Program Cash Management**

**CFDA Number:** 14.218  
**CFDA Title:** Community Development Block Grants/Entitlement Grants (CDBG)  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-17-MC-06-0029, B-16-MC-06-0029, B-15-MC-06-0029, B-14-MC-06-0029

**Criteria:** 2 CFR 200.305(b) requires that payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity.

In addition, 24 CFR 570.902 indicates that the Department of Housing and Urban Development will review the performance of each entitlement, HUD-administered small cities, and Insular Areas recipient to determine whether each recipient is carrying out its CDBG-assisted activities in a timely manner. One of the factors in determining timeliness is the timing of the use of entitlement grant funds and the amount of undisbursed entitlement grant funds that remain in the Integrated Disbursement Information System (IDIS).

Therefore, the City should submit drawdown requests in the IDIS system throughout the fiscal year as costs are incurred. Those drawdown requests should be completed at least quarterly, depending on the volume of program activity, to improve the cash management for the program and to match expenditures with associated revenues throughout the fiscal year.

**Condition:** During our testing of grant drawdown requests during fiscal year 2018, we noted that a drawdown made in September 2018 included expenditures from April 2018 and that a drawdown made in October 2018 was for May 2018 expenditures. The City submitted the drawdown requests in the IDIS over five months after the program expenditures were incurred.

**Effect:** The City is not matching expenditures with associated revenues throughout the fiscal year as expenditures are incurred and is at risk of being out of compliance with the provisions of 2 CFR 200.305(b) and 24 CFR 570.902.

**Cause:** We understand that the drawdowns were delayed due to staff turnover in the Housing department.

**Recommendation:** The City should develop procedures to ensure that drawdown requests are submitted more frequently, at least on a quarterly basis.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

CITY OF VALLEJO, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Grant Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Defense <b>Direct</b> Program				
Community Base Reuse Plan	12.612			
Mare Island Cooperative Agreement - Environmental Services East				\$2,102,453
Mare Island Cooperative Agreement - East administrative charges				121,112
<b>Total Department of Defense</b>				<b>2,223,565</b>
Department of Homeland Security <b>Direct</b> Program				
Assistance to Firefighters Grant Program	97.044			331,639
Department of Homeland Security <b>Pass-Through</b> Program From:				
California Governor's Office of Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4344-DR-CA		8,249
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		FEMA-4301-DR-CA		20,660
Program Subtotal				28,909
<b>Total Department of Homeland Security</b>				<b>360,548</b>
Department of Housing and Urban Development <b>Direct</b> Programs				
Community Development Block Grant / Entitlement Grants	14.218			
Grant Allocations (B-17-MC-06-0029)				266,202
Grant Allocations (B-16-MC-06-0029)				60,715
Grant Allocations (B-15-MC-06-0029)				394,747
Grant Allocations (B-14-MC-06-0029)				4,446
Entitlement - Subgrants			\$152,455	152,455
Program Income - Other				37,874
Neighborhood Stabilization Program - Program Income (B-08-MC-06-0010)				4,331
Unexpended Program Income balance at end of year (NSP)				434,046
Program Subtotal			152,455	1,354,816
HOME Investment Partnerships Program	14.239			
Grant Allocations (M-17-MC-06-0223)				85,596
Grant Allocations (M-16-MC-06-0223)				72,831
Grant Allocations (M-15-MC-06-0223)				6,416
Program Income - Other Expenditures				282,234
Recaptured Funds (HP) - Other Expenditures				264,060
Unexpended Program Income (PI) balance at end of year				780,150
Unexpended Recaptured Funds (HP) balance at end of year				96,315
Program Subtotal				1,587,602
Section 8 Housing Choice Vouchers	14.871			
Housing Choice Voucher Program-HAP (CA-055VO0170)				4,691,247
Housing Choice Voucher Program-HAP (HUD Held Reserve)				275,882
Housing Choice Voucher Program-HAP (HUD Held Reserve)				53,671
Housing Choice Voucher Program-HAP (CA-055VO0171)				1,484,538
Housing Choice Voucher Program-HAP (HUD Held Reserve)				187,549
Housing Choice Voucher Program-HAP (CA-055VO0172)				2,969,078
Housing Choice Voucher Program-HAP (HUD Held Reserve)				451,468
Housing Choice Voucher Program-HAP (CA-055VO0173)				3,405,416
Housing Choice Voucher Program-HAP (CA-055VO0174)				1,618,521
Housing Choice Voucher Program-HAP (HUD Held Reserve)				62,139
Housing Choice Voucher Program-HAP (CA-055VO0175)				1,618,521
Housing Choice Voucher Program-HAP (HUD Held Reserve)				83,907
Housing Choice Voucher Program-HAP (CA-055VO0181)				1,635,036
Housing Choice Voucher Program-HAP (HUD Held Reserve)				81,417
Housing Choice Voucher Program-HAP (CA-055VO0182)				33,077
Housing Choice Voucher Program-HAP (CA-055VO0183)				1,618,812
Housing Choice Voucher Program-HAP (HUD Held Reserve)				48,700
Housing Choice Voucher Program-HAP (Fund Balance)				14,091
Housing Choice Voucher Program-Admin (CA-055AF0112)				562,293
Housing Choice Voucher Program-Admin (CA-055AF0113)				286,930
Housing Choice Voucher Program-Admin (CA-055AF0114)				284,872
Housing Choice Voucher Program-Admin (CA-055AFR317)				504
Housing Choice Voucher Program-Admin (CA-055AF0115)				142,211
Housing Choice Voucher Program-Admin (CA-055AF0116)				142,211
Housing Choice Voucher Program-Admin (CA-055AF0117)				141,815
Housing Choice Voucher Program-Admin (CA-055AF0118)				141,815
Housing Choice Voucher Program-Admin (CA-055AFR417)				12,771
Housing Administration (Fund Balance)				88,876
Program Subtotal				22,137,368

(Continued)



CITY OF VALLEJO, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Grant Number	Pass-Through To Subrecipients	Federal Expenditures
Family Self-Sufficiency Program Coordinator Grant	14.896			
Housing Choice Voucher Program -FSS Coordinator (CA-055FSH066A016)				34,342
Housing Choice Voucher Program -FSS Coordinator (FSS17CA2052-01-00)				34,548
Program Subtotal				<u>68,890</u>
<b>Total Department of Housing and Urban Development</b>			<u>152,455</u>	<u>25,148,676</u>
Department of Justice <b>Direct</b> Programs:				
Public Safety Partnership and Community Policing Grants	16.710			
COPS Hiring Program (CHP) - 2015				676,661
Edward Byrne Memorial Justice Assistance Program	16.738			112,492
Equitable Sharing Program	16.922			47,822
<b>Total Department of Justice</b>				<u>836,975</u>
Department of Treasury <b>Direct</b> Program:				
Equitable Sharing Program	21.016			14,500
Department of Transportation				
<b>Pass-Through</b> Programs From:				
California Department of Transportation				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205			
Sonoma Blvd		HSIPL-5030 (057)		22,494
SR2S Wardlaw and Cooper		CML-5030 (059)		13,526
ATP SR2S Vallejo Benicia		ATPL-5030 (062)		33,048
MI Causeway Bridge Painting		BPMP-5030 (060)		197,903
Sacramento Street Bridge Seismic		STPLZ-5030 (056)		66,153
Downtown Streetscape Maine		STPLZ-5030 (061)		5,539
Downtown Streetscape Phase 3		TCSPCML-5030 (058)		7,248
Mare Island Causeway Bridge		BRLS-5030 (054)		5,420
Program Subtotal				<u>351,331</u>
State of California Office of Traffic Safety				
Minimum Penalties for Repeat Drunk Driving Prevention Incentives	20.608			
Selective Traffic Enforcement Program		PT17136		47,852
Selective Traffic Enforcement Program		PT18079		78,498
Program Subtotal				<u>126,350</u>
<b>Total Department of Transportation</b>				<u>477,681</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$152,455</u>	<u>\$29,061,945</u>

See Notes to Schedule of Expenditures of Federal Awards

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**CITY OF VALLEJO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2018**

**NOTE 1-REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Vallejo, California, and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the Vallejo Flood and Wastewater District. Federal awards expended by the District, if any, are excluded from the Schedule and are subject to a separate Single Audit.

**NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 – INDIRECT COST ELECTION**

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – PRIOR YEAR ADJUSTMENT**

The current year Schedule of Expenditures of Federal Awards includes expenditures from fiscal year 2017 for the Department of Treasury – Equitable Sharing Program in the amount of \$14,500.

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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***

To the Honorable Members of the City Council  
City of Vallejo, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vallejo, California, as of and for the year ended June 30, 2018, 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 12, 2018. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles and the status of loans to the Successor Agency to the former Redevelopment Agency.

***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 City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We identified certain deficiencies in internal control that we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies and items 2017-03, 2017-04 and 2016-01 on the Status of Prior Year Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated December 12, 2018, which is an integral part of our audits and should be read in conjunction with this report.

### ***Compliance and Other Matters***

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

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

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated December 12, 2018, which is an integral part of our audits and should be read in conjunction with this report. 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 result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California  
December 12, 2018

**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 THE UNIFORM GUIDANCE**

To the Honorable Members of the City Council  
City of Vallejo, California

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

We have audited the City of Vallejo's compliance with the types of compliance requirements described in the *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, 2018. 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. The City's basic financial statements include the operations of the Vallejo Flood and Wastewater District, which received no federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of the District, because the District is subject to a separate Single Audit.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items SA2018-001 through SA2018-014. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are 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 compliance and, accordingly, we express no opinion on the response.

### ***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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items SA2018-004, SA2018-006, SA2018-007, and SA2018-009 to SA2018-013 to collectively be material weaknesses.



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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items SA2018-001 to SA2018-003, SA2018-005, SA2018-008 and SA2018-014 to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs for current year findings. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Required by the Uniform Guidance***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 12, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Mane & Associates*

Pleasant Hill, California  
March 29, 2019

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**SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2018**

**CORRECTIVE ACTION PLANS**

**FINANCIAL STATEMENT FINDINGS - CURRENT YEAR**

**Finding Reference Number: 2018-01      Inaccurate Customer Fees Charged**

- **Fiscal Year of Initial Finding:** *June 30, 2016*
- **Name of the contact person:** Rekha Nayar, Finance Director
- **Corrective Action Plan:**

The City agrees with this recommendation.

When the City became aware of this formula issue, the software vendor, CRW Systems Inc. (CRW), was brought in to resolve the problem. Former City staff had not correctly input the permit fee schedule formulas into the data tables for the fiscal year 2015-16. The City's Information Technology (IT) Division has now instructed CRW to block city-staff from processing any unauthorized changes to the permit fee data tables. Staff have been trained and supervised regularly to monitor the accuracy of permit fees charged.

During the past year, City staff have spent considerable time conducting an internal audit of customer accounts. A 3% berth fee increase has been implemented each July 1st of the past three years. It was determined the fee deviation was a result of incorrect slip lengths being charged and/or inconsistent rounding of the rate increases. Corrections in the billing system have been made to prevent future rounding errors. Furthermore, a listing of all Marina slips and their applicable base rent fees is established each July 1st for staff to reference in order to prevent calculation errors. Updated contracts are in the process of being executed with existing Marina berthers to ensure correct fees are being charged and collected.

- **Anticipated Completion Date:** June 30, 2019



## FEDERAL AWARD FINDINGS - CURRENT YEAR

**Finding Reference Number:** SA2018-001: **Federal Funding Accounting and Transparency Act Reporting Requirements**

**CFDA Number:** 14.218  
**CFDA Title:** Community Development Block Grants/Entitlement Grants (CDBG)  
**Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-17-MC-06-0029

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

The City agrees with this recommendation.

The City of Vallejo's Housing and Community Development Division hired a consultant in February 2019 to work exclusively on developing a CDBG/HOME/NSP Program Policies and Procedures Manual, including a master calendar for reporting deadlines. Federal Funding Accountability and Transparency Sub-Award Reporting shall be completed by the end of the month following the month in which the prime contractor awards any sub-contract.

- Anticipated Completion Date: June 30, 2019

**Finding Reference Number:** SA2018-002: **Annual Filing of HUD 60002 Performance Report**

**CFDA number:** 14.218  
**CFDA Title:** Community Development Block Grants/ Entitlement Grants (CDBG)  
**Name of Federal Agency:** Department of Housing and Urban Development (HUD)  
**Federal Award Identification Number:** B-17-MC-06-0029; B-15-MC-06-0029

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

The City agrees with this recommendation.

The City of Vallejo's Housing and Community Development Division hired a consultant in February 2019 to work exclusively on developing a CDBG/HOME/NSP Program Policies and Procedures Manual, including a master calendar for reporting deadlines. Filing of the HUD 60002 Section 3



Summary Report shall be completed by no later than 90 days after the end of each fiscal year. Although there is no activity to report, a report so noting will be filed by the scheduled due date.

- Anticipated Completion Date: June 30, 2019 (Policies and Procedures Manual)

**Finding Reference Number: SA2018-003: Timeliness of Vendor and Tenant Based Rental Assistance Payments**

**CFDA number:** 14.218, 14.239  
**CFDA Title:** Community Development Block Grant/Entitlement Grants (CDBG)  
Home Investment Partnerships Program (HOME)  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-17-MC-06-0029; M17-MC060223

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

Delays in TBRA payments were due to landlords not completing required contract documents. Staff will be more assertive in following up on delinquent documents in the future. This requirement will also be part of the CDBG/HOME/NSP Program Policies and Procedures Manual.

- Anticipated Completion Date: June 30, 2019

**Finding Reference Number: SA2018-004: Department of Housing and Urban Development Audit Deficiencies - HOME**

**CFDA Number:** 14.239  
**CFDA Title:** Home Investment Partnerships Program (HOME)  
**Name of Federal Agency:** Department of Housing and Urban Development (HUD)  
**Federal Award Identification Number:** M-17-MC-06-0223, M-16-MC-06-0223, M-15-MC-06-0223

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

The Housing and Community Development Division hired a consultant in February 2019 to work exclusively on developing a CDBG/HOME/NSP Program Policies and Procedures Manual. Staff has regular check-in meetings with HUD representatives. HUD has approved the timeline for the completion of the manual. Since the audit, staff has updated IDIS with HOME project accomplishment and beneficiary data.



- Anticipated Completion Date: June 30, 2019

**Finding Reference Number: SA2018-005: Subrecipient Monitoring**

**CFDA Number:** 14.218  
**CFDA Title:** Community Development Block Grants/Entitlement Grants (CDBG)  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-17-MC-06-0029

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

The City agrees with this recommendation.

The City of Vallejo's Housing and Community Development Division hired a consultant in February 2019 to work exclusively on developing a CDBG/HOME/NSP Program Policies and Procedures Manual.

- Anticipated Completion Date: June 30, 2019

**Finding Reference Number: SA2018-006: Department of Housing and Urban Development Audit Deficiencies - NSP**

**CFDA number:** 14.218  
**CFDA Title:** Community Development Block Grant/Entitlement Grants  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-08-MN-06-0010 (NSP1); B-11-MN-06-0010 (NSP3)

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

The City is currently evaluating the feasibility of an affordable housing project as an NSP activity. This project may begin in FY 2018-19. Regarding the Temple Art Lofts project file, the records could not be located during HUD's visit due to the loss of experienced staff. Additionally, QPR reports were not kept current in DRGR as the NSP staff person was laid off in January 2014. The City has asked for technical assistance from HUD. The City of Vallejo's Housing and Community Development Division hired a consultant in February 2019 to work exclusively on developing a CDBG/HOME/NSP Program Policies and Procedures Manual, including a monitoring schedule and a monitoring risk criteria.



- Anticipated Completion Date: June 30, 2019

**Finding Reference Number: SA2018-007: FFY 2001 HOME and CDBG Findings**

**CFDA Number:** 14.239, 14.218  
**CFDA Title:** Home Investment Partnerships Program (HOME)  
Community Development Block Grant/Entitlement Grants (CDBG)  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** M-17-MC-06-0223, M-16-MC-06-0223, M-15-MC-06-0223, B-17-MC-06-0029, B-16-MC-06-0029, B-15-MC-06-0029, B-14-MC-06-0029

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

City staff is currently working with HUD on closing out these open items. The Housing and Community Development Division hired a consultant in February 2019 to work exclusively on developing a CDBG/HOME/NSP Program Policies and Procedures Manual which will address the issues in this finding. Staff has regular check-in meetings with HUD representatives who have approved the timeline for completion of the manual.

- Anticipated Completion Date: June 30, 2019

**Finding Reference Number: SA2018-008: Rent Reasonableness Determinations**

**CFDA number:** 14.871  
**CFDA Title:** Section 8 Housing Choice Vouchers  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

- Names of the contact person: Judy Shepard-Hall, Housing and Community Development Manager and/or LaTanya Terrones, Housing Specialist Supervisor
- Corrective Action Plan:

The concerns listed by HUD on the Rent Reasonableness Review have all been reviewed and addressed. All staff members have been retrained on the processing of rent reasonableness files. Additionally, adjustments in the settings in the software program, GoSection8.com, have been made to ensure that comparable unit types are utilized as part of the rent reasonableness certification.



All new contract files and rent reasonableness files are reviewed by the supervisor to ensure consistency in processing.

- Anticipated Completion Date: June 30, 2019

**Finding Reference Number: SA2018-009: General Depository Agreement**

**CFDA number:** 14.871  
**CFDA Title:** Section 8 Housing Choice Vouchers  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

The City submitted a Corrective Action Plan to the U.S. Department of Housing and Urban Development addressing this issue on January 11, 2019 and is awaiting a response. A housing procedure manual will be developed and will include documentation for the proper processing of housing choice voucher funds.

- Anticipated Completion Date: December 31, 2019

**Finding Reference Number: SA2018-010: Net Position Account Balances in Voucher Management System**

**CFDA number:** 14.871  
**CFDA Title:** Section 8 Housing Choice Vouchers  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

- Name of the contact person: Florita Cruz, Deputy Finance Director

Corrective Action Plan:

The City submitted a Corrective Action Plan to the U.S. Department of Housing and Urban Development addressing this issue on January 11, 2019 and is awaiting a response. A housing procedure manual will be developed and will include information on the VMS calculation requirements.

- Anticipated Completion Date: December 31, 2019





**Finding Reference Number: SA2018-011: Use of Post-2003 Administrative Funds**

**CFDA number:** 14.871  
**CFDA Title:** Section 8 Housing Choice Vouchers  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager

**Corrective Action Plan:**

The City submitted a Corrective Action Plan to the U.S. Department of Housing and Urban Development addressing this issue on January 11, 2019 and is awaiting a close-out letter to address this finding.

- Anticipated Completion Date: December 31, 2019

**Finding Reference Number: SA2018-012: Family Self-Sufficiency (FSS) Program Coordinator Grant Funding**

**CFDA number:** 14.871, 14.896  
**CFDA Title:** Section 8 Housing Choice Vouchers  
FSS Coordinator Grant  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055FSH066A016; FSS17CA2052-01-00

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager

- Corrective Action Plan:

The City submitted a Corrective Action Plan to the U.S. Department of Housing and Urban Development addressing this issue on January 11, 2019 and is awaiting a response. A housing procedure manual will be developed and will include reference to the importance of following all HUD accounting briefs and notices.

- Anticipated Completion Date: December 31, 2019



**Finding Reference Number: SA2018-013: Interest Earned on Housing Assistance Payment Funds**

**CFDA number:** 14.871  
**CFDA Title:** Section 8 Housing Choice Vouchers  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** CA-055VO0170

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

The City submitted a Corrective Action Plan to the U.S. Department of Housing and Urban Development addressing this issue on January 11, 2019 and is awaiting a response. A housing procedure manual will be developed and will include documentation for the proper processing of interest earnings.

- Anticipated Completion Date: December 31, 2019

**Finding Reference Number: SA2018-014: Community Development Block Grant Program Cash Management**

**CFDA Number:** 14.218  
**CFDA Title:** Community Development Block Grants/Entitlement Grants (CDBG)  
**Name of Federal Agency:** Department of Housing and Urban Development  
**Federal Award Identification Number:** B-17-MC-06-0029, B-16-MC-06-0029, B-15-MC-06-0029, B-14-MC-06-0029

- Name of the contact person: Judy Shepard-Hall, Housing and Community Development Manager
- Corrective Action Plan:

Draws are done on a quarterly basis. Moving forward, draws for the first three quarters shall be done no later than 40 days after the end of each fiscal quarter, and no later than 60 days after the end of the fourth fiscal quarter.

- Anticipated Completion Date: May 10, 2019.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINANCIAL STATEMENT FINDINGS – PRIOR AUDIT**

**Finding Reference Number:                      2017-01                      Recording and Depositing Receipts in a Timely Manner**

- *Fiscal Year of Initial Finding: June 30, 2017*
- *Current Status: Implemented.*

**Finding Reference Number:                      2017-02                      Monitoring Development Project Escrow Deposit Activity**

- *Fiscal Year of Initial Finding: June 30, 2017*
- *Current Status: Implemented.*

**Finding Reference Number:                      2017-03                      Compliance with Credit Card Use Policy**

- *Fiscal Year of Initial Finding: June 30, 2017*
- *Current Status: Partially implemented.*

*The City has implemented a process whereby all CalCard statements are reviewed and approved. The City created a procedure whereby the Mayor reviews and approves the City Manager and City Attorney credit card expenses.*

**Finding Reference Number:                      2017-04                      Employee Benefits – Clarify Benefits for Contract Employees**

- *Fiscal Year of Initial Finding: June 30, 2017*
- **Current Status:**  
The City agrees with this audit recommendation.

The City will look into this matter, make a determination as to the correct approach to be taken, and implement the required changes on a consistent basis for all contract employees.

**Finding Reference Number:**                      **2017-05**                      **Access to Vendor and Payroll Databases  
and Controls Over Adding and Deleting  
Access to the Databases**

- *Fiscal Year of Initial Finding: June 30, 2017*
- *Current Status: Implemented.*

**Finding Reference Number:**                      **2016-01**                      **Inaccurate Permit Fees**

- *Fiscal Year of Initial Finding: June 30, 2016*
- *Current Status:*

The City agrees with this recommendation.

When the City became aware of this formula issue, the software vendor, CRW Systems Inc. (CRW), was brought in to resolve the problem. Former City staff had not correctly input the permit fee schedule formulas into the data tables for the fiscal year 2015-16. The City's Information Technology (IT) Division has now instructed CRW to block city-staff from processing any unauthorized changes to the permit fee data tables. Staff have been trained and supervised regularly to monitor the accuracy of permit fees charged.

**Finding Reference Number:**                      **2016-02**                      **Compliance with Credit Card Use Policy**

- *Fiscal Year of Initial Finding: June 30, 2016*
- *Current Status: Partially implemented – see finding 2017-03 above.*

**FEDERAL AWARD FINDINGS – PRIOR AUDIT**

There were no prior year federal award findings.