

CITY OF FOUNTAIN VALLEY, CALIFORNIA

**SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS**

JUNE 30, 2013

CITY OF FOUNTAIN VALLEY

TABLE OF CONTENTS

June 30, 2013

	<u>Page Number</u>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards	3 - 5
<u>Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs</u>	
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7 - 8
Schedule of Findings and Questioned Costs	9 - 14
Summary Schedule of Prior Audit Findings	15

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and
Members of City Council
City of Fountain Valley
Fountain Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fountain Valley (the City), as of and for the year ended June 30, 2013, 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 13, 2013.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we have reported to management and the City Council in a separate letter dated December 13, 2013.

Purpose of this Report

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

White Nelson Dick Evans LLP

Irvine, California
December 13, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Mayor and
Members of City Council
City of Fountain Valley
Fountain Valley, California

Report on Compliance for Each Major Federal Program

We have audited the City of Fountain Valley's (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Fountain Valley 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of finding and questioned costs as item 2013-02, that we consider to be a significant deficiency.

Report on Internal Control over Compliance (Continued)

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questions 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.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fountain Valley, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 13, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

White Nelson Dick Evans LLP

February 19, 2014, except for the Schedule of Expenditures of Federal Awards to which the date is December 13, 2013
Irvine, California

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF FOUNTAIN VALLEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

Federal Grantor / Pass - Through Grantor / Program / Cluster Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Subrecipient Expenditures
<u>United States Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grants (CDBG) / Entitlement Grants	14.218	B-10-MC-06-0550	\$ 175,058	\$ -
		B-11-MC-06-0550	248,407	40,726
			<u>423,465</u>	<u>40,726</u>
Total United States Department of Housing and Urban Development				
<u>United States Department of Transportation</u>				
Passed through State of California:				
State and Community Highway Safety	20.600	20059	27,297	-
		PT1371	25,841	-
		SC13148	5,049	-
		SC14148	2,634	-
			<u>60,821</u>	<u>-</u>
Total United States Department of Transportation				
<u>United States Department of Homeland Security</u>				
Direct Assistance:				
Hazard Mitigation Grant	97.039	1810-DR-CR	21,337	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 505,623</u>	<u>\$ 40,726</u>

See Accompanying Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 through 5) and Notes to Schedule of Expenditures of Federal Awards (pages 7 and 8).

CITY OF FOUNTAIN VALLEY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

1. GENERAL:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Fountain Valley (the City). The City's reporting entity is defined in note 1 of the notes to the City's financial statements. All financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies to the City is included in the accompanying schedule.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, which is described in the Note 1 of the notes to the City's financial statements.

3. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the City's Comprehensive Annual Financial Report.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with amounts reported in federal financial reports.

5. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

See Accompanying Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 through 5) and the Schedule of Expenditures of Federal Awards (page 6).

CITY OF FOUNTAIN VALLEY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2013

6. FEDERALLY FUNDED LOANS:

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs:

<u>Federal Programs</u>	<u>Loans Expended During the Year Ended June 30, 2013</u>	<u>Loans Outstanding as of June 30, 2013</u>
Community Development Block Grants/ Entitlement Grants (CFDA 14.218)	\$ 17,385	\$ 154,088*
Home Investment Partnerships Program (CFDA 14.239)	-	68,243*

* All of the loans outstanding as of June 30, 2013 are forgivable and the City does not expect to receive repayment.

See Accompanying Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133* and the on Schedule of Expenditures of Federal Awards (pages 3 - 5) and Schedule of Expenditures of Federal Awards (page 6).

CITY OF FOUNTAIN VALLEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2013

1. SUMMARY OF AUDITORS' RESULTS:

Financial Statements:

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported

Noncompliance material to financial statements noted: yes no

Federal Awards:

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes none reported
 - o Finding reference number: 2013-02

Type of auditors' report issued on compliance for major programs:

- Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

- o Finding reference number: 2013-01 yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	United States Department of Housing and Urban Development, Community Development Block Grants (CDBG) / Entitlement Grants

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

Auditee qualified as low-risk auditee? yes no

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133* and the Schedule of Expenditures of Federal Awards (pages 1 - 5).

CITY OF FOUNTAIN VALLEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

2. FINDINGS RELATING TO FINANCIAL STATEMENTS:

There were no significant deficiencies, material weaknesses or noncompliance material to the financial statements which were disclosed by the audit of the financial statements of the City of Fountain Valley for the year ended June 30, 2013.

3. FINDINGS AND QUESTIONED COSTS RELATING TO MAJOR FEDERAL AWARDS:

Finding Number 2013-01

Noncompliance - Reporting

Major Program

United States Department of Housing and Urban Development, Direct Assistance, Community Development Block Grants (CDBG) / Entitlement Grants (CFDA #14.218), Grant Identification Numbers: B-11-MC-06-0550 and B-10-MC-06-0550

Criteria

The applicable federal code (24 CFR 84.52) states, "HUD requires recipients to submit the Federal financial report (FFR) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days after the project of the grant period end date".

Condition

We noted that the City did not submit quarterly Federal Cash Transactions Reports (SF-425) within 30 days after the end of each quarter for all quarters during the fiscal year.

Context

The City is required to submit four quarterly Federal Cash Transactions Reports (SF-425) for the fiscal year 2012-2013. Two out of the four SF-425 Reports were not filed timely.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133* and on the Schedule of Expenditures of Federal Awards (pages 1 - 5).

CITY OF FOUNTAIN VALLEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT
(CONTINUED):

Finding Number 2013-01 (Continued)
Noncompliance - Reporting (Continued)

Questioned Costs

None.

Cause

The City had limited staff which caused the reports to be submitted late.

Effect

The City may be penalized or fined for its noncompliance with program compliance requirements.

Recommendation

We recommend that the City establish procedures to ensure that the required reports are filed on a timely basis. The performance of these procedures should be documented to ensure compliance.

Management Response

Management has established an automated task reminder to ensure that Form SF-425 is filed within 15 days after the end of any quarter.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133* and on the Schedule of Expenditures of Federal Awards (pages 1 - 5).

CITY OF FOUNTAIN VALLEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT
(CONTINUED):

Finding Number 2013-02

Significant Deficiency

Major Program

United States Department of Housing and Urban Development, Direct Assistance, Community Development Block Grants (CDBG) / Entitlement Grants (CFDA #14.218), Grant Identification Numbers: B-11-MC-06-0550 and B-10-MC-06-0550

Criteria

OMB Circular A-87 Appendix B Section 8(h)(4) provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted accounting principles. Also, OMB Circular A-87 Appendix B Section 8(h)(5) provides that employees who work on multiple activities should support their time with personnel activity reports or equivalent documentation that reflect an after-the-fact determination of actual time expended.

Condition

During our testing of payroll costs recorded as CDBG grant expenditures, we noted that payroll cost are charged to federal programs were based on budgeted amounts.

Context

All payroll costs recorded as CDBG grant expenditures totaling \$88,698 are based on budgeted amounts.

Questioned Costs

The federal expenditures reported for this grant include payroll changes based on budgeted amounts. These amounts may or may not exceed actual payroll amounts.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133* and on the Schedule of Expenditures of Federal Awards (pages 1 - 5).

CITY OF FOUNTAIN VALLEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT
(CONTINUED):

Finding Number 2013-02 (Continued)

Significant Deficiency (Continued)

Cause

The City uses budgeted allocations to charge employee payroll expenses throughout different funds and federal programs during the fiscal year. The City has employed this methodology for numerous years and believes the allocations are accurate based on the City's knowledge and understanding of personnel activity in relation to federal program administration.

Effect

Although the budgeted amounts did not differ significantly from the actual costs incurred, this practice is not accepted by federal granting agencies and could result in the recording of charges that were different than the actual costs incurred.

Recommendation

We recommend management require all employees charging their time to a federal grant to indicate their actual time spent on the grant on their timecards. For employees who charge 100% of their time to a federal grant they should provide a signed certification at least semi-annually that all their tasks relate to the purpose of the federal grant.

Management Response

In reference to the Procedures Associated with Payroll Charges to Federal Programs recommendations:

The City of Fountain Valley has received Community Development Block Grant (CDBG) funding since 1974 almost 40 years, in that time frame the City has become confident with calculating the amount of staff time needed to properly administer and manage various projects and activities funded with CDBG funds. CDBG regulations require annual planning of each project that is to be carried out during the year this is known as the annual Action Plan.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133* and on the Schedule of Expenditures of Federal Awards (pages 1 - 5).

CITY OF FOUNTAIN VALLEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT
(CONTINUED):

Finding Number 2013-02 (Continued)

Significant Deficiency (Continued)

Management Response (Continued)

For each activity an estimate of the amount of staff time needed to complete that activity is estimated. The total amount of staff hours are then budgeted for the activity. Certain activities such as Administration and Public Services are limited by CDBG regulations to the amount of funding that can be allocated. Administration is limited to 20% of the annual allocation and Public Services is limited to 15% of the allocation. With the shrinking CDBG allocations many times the amount allocated for these tasks is far less than the actual cost.

In many cases the hours charged to CDBG related activities do not cover the actual time spent on the administration of the activities. An example would be the Public Service Agency Grant Program; this program budget is limited to 15% of the annual CDBG allocation. It has been a direction of the City Council to allocate the entire 15% of the allocation to local non-profit agencies to assist the low and moderate income City residents. The administration of this program must come from the general administration or other funding sources such as General Fund or Housing Authority. The CDBG Code Enforcement is similar, last year the Code Enforcement Officer processed 598 residential cases in CDBG designated areas which equaled 40% of her caseload while only 361 hours or 17% of her time was charged to CDBG. Over the last few years CDBG funding has been reduced. In response the amount of staff time has been reduced as well including the elimination of staff positions allocated to CDBG activities

Although the City would prefer to get a full cost recovery for the staff time in CDBG projects, the City recognizes the value of assisting its low and moderate income residents. The City is willing to leverage its CDBG funds with other funding sources to achieve its goals.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133* and on the Schedule of Expenditures of Federal Awards (pages 1 - 5).

CITY OF FOUNTAIN VALLEY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2013

Finding Number 2012-03

Major Program

United States Department of Housing and Urban Development, Direct Assistance, Community Development Block Grants (CDBG) / Entitlement Grants (CFDA #14.218), Grant Identification Numbers: B-11-MC-06-0550

Condition

During testing of payroll costs recorded as CDBG grant expenditures, it was noted that payroll costs are charged to federal programs based on budgeted amounts.

Recommendation

It was recommended that management require all employees charging their time to a federal grant to indicate their actual time spent on the grant on their timecards. For employees who charge 100% of their time to a federal grant they should provide a signed certification at least semi-annually that all their tasks relate to the purpose of the federal grant.

Current Status

This finding is repeated in fiscal year 2012-2013. See Finding Number 2013-02.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by *OMB Circular A-133* and on the Schedule of Expenditures of Federal Awards (pages 1 - 5).