

CITY OF SALINAS
SINGLE AUDIT
of
FEDERALLY ASSISTED GRANT PROGRAMS
JUNE 30, 2019

McGILLOWAY, RAY, BROWN & KAUFMAN
ACCOUNTANTS & CONSULTANTS

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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
of the City of Salinas
Salinas, 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 Salinas, California (the City), as of and for the fiscal year ended June 30, 2019, 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, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



McGilloway, Ray, Brown & Kaufman
Salinas, California
December 12, 2019



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INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM; AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE; AND ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Mayor and
Members of City Council
of the City of Salinas
Salinas, California

Report on Compliance for Each Major Federal Program

We have audited the City of Salinas, California's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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 Requirement, 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.

Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Jesus Montemayor, CPA | Smriti Shrestha, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Deanna Thomas, CPA | Sukhdev Singh, CPA

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, 2019.

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.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2019, 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, 2019, 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 City's 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 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 financial statements as a whole.



McGilloway, Ray, Brown & Kaufman
Salinas, California
December 12, 2019

CITY OF SALINAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor, Pass Through Grantor, Cluster, Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Grant or Pass-Through Number	Federal Expenditures	Amount Provided to Subrecipients
Direct Federal Awards				
U.S. Department of Housing and Urban Development				
Office of Community Planning and Development				
CDBG - Entitlement Grant Cluster				
Community Development Block Grants/ Entitlement Grants Cluster				
	14.218	B-14-MC-06-0005	\$ 126,814	
		B-15-MC-06-0005	62,573	
		B-16-MC-06-0005	52,361	
		B-17-MC-06-0005	50,181	
		B-18-MC-06-0005	735,727	
		Program Income	<u>263,670</u>	
Total CDBG - Entitlement Grant Cluster - CFDA No. 14.218			1,291,326	\$ 530,351
Emergency Solutions Grant Program				
	14.231	E-17-MC-06-0005	151,403	
		E-18-MC-06-0005	160,711	
		16-ESG-11118	<u>679,452</u>	
Total Emergency Solutions Grant Program - CFDA No. 14.231			991,566	947,413
Home Investment Partnerships Program				
	14.239	M 14-MC-06-0212	199,429	
		M 16-MC-06-0212	47,845	
		M 17-MC-06-0212	33,645	
		M 18-MC-06-0212	72,329	
		Program Income	<u>49,292</u>	
Total Home Investment Partnerships Program - CFDA No. 14.239			402,540	246,274
U.S. Department of Justice				
Office of Community Oriented Policing Services				
Public Safety Partnership and Community Policing Grant				
Cops Hiring Program - Eight School Resource Officers*				
	16.710	014-UL-WX-0022	234,252	-
Bureau of Justice, Office of Justice Programs - JAG Program				
Edward Byrne Memorial Justice Assistance Grant Program				
	16.738	2015-DJ-BX-0655	9,357	
		2016-DJ-BX-0614	<u>6,239</u>	
Total Edward Byrne Memorial Justice Assistance Grant Program - CFDA No. 16.738			15,596	-
Second Chance Act Reentry Initiative				
FY15 Smart Supervision: Reducing Prison Population, Saving Money and Creating Safer Communities				
	16.812	2015-SM-BX-0005	42,039	10,760
Federal Reimbursements				
	16.UNKNOWN	UNKNOWN	172,239	-

* Denotes major program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF SALINAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor, Pass Through Grantor, Cluster, Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Grant or Pass-Through Number	Federal Expenditures	Amount Provided to Subrecipients
Direct Federal Awards, continued				
U.S. Department of Transportation Federal Aviation Administration Airport Improvement Program*	20.106	AIP 3-06-0206-27	957,624	-
U.S. Department of Homeland Security Federal Emergency Management Agency Assistance to Firefighters Grant (AFG)	97.044	EMW-2017-FR-40462	3,185	-
Federal Emergency Management Agency Staffing for Adequate Fire and Emergency Response	97.083	EMW-2013-FH-0524	462,674	-
Total Direct Federal Awards			<u>4,573,041</u>	<u>1,734,798</u>
Indirect Federal Awards				
U.S. Department of Transportation Highway Planning and Construction Cluster Passed through Federal Highway Administration	20.205	HSIPL 5045 (027) 74A0907 HSIPL 5045 (033)	1,375,563 96,582 13,712	
Passed through Federal Highway Administration - Caltrans Active Transportation Program, Bardin Road Safe Routes	20.205	ATPL-5045 (031)	506,275	
Active Transportation Program, Alvin-Linwood, Chaparral, Maryal		ATPL-5045 (030)	178,197	
Active Transportation Program, Downtown Complete Street		ATPL-5045 (032)	130,549	
Total Highway Planning and Construction Cluster - CFDA No. 20.205*			<u>2,300,878</u>	-
Passed through State and Community Highway Safety Highway Safety Cluster Selective Traffic Enforcement Program	20.600	PT19104 PT18126	16,039 10,275	
Total Highway Safety Cluster - CFDA No. 20.600			<u>26,314</u>	-
Selective Traffic Enforcement Program	20.608	PT19104 PT18126	75,305 15,827	
Total Selective Traffic Enforcement Program CFDA No. 20.608			<u>91,132</u>	-
Total Indirect Federal Awards			<u>2,418,324</u>	-
Total Direct and Indirect Federal Awards			<u>\$ 6,991,365</u>	<u>\$ 1,734,798</u>

* Denotes major program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF SALINAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

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

A. Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the expenditures incurred by the City of Salinas, California (the City) that are reimbursable under programs of federal agencies providing federal awards. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a nonfederal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that was funded with other state, local or other nonfederal funds are excluded.

B. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1 of the City's basic financial statements. Such expenditures, as the federal awards were both awarded prior to and after December 24, 2014, are recognized following the cost principles contained in the Uniform Guidance and OMB A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Direct and Indirect (Pass-Through) Federal Awards

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal awards programs when they occur.

D. Indirect Cost Rate

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

E. Relationship to Federal Financial Reports

Grant expenditure reports for the year ended June 30, 2019, which have been submitted to grantor agencies, will, in some cases, differ from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies, if any, are for timing differences.

CITY OF SALINAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

2. Sub-recipients

The City provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
U.S. Department of Housing and Urban Development Office of Community Planning and Development Community Development Entitlement Grant Program	14.218	
Special Programs		
Legal Services for Seniors		\$ 25,000
Alliance on Aging		25,000
Boys and Girls Clubs		30,000
Girls Inc of the Central Coast		25,000
Food Bank		103,850
Girl Scouts of Monterey Bay		35,000
Grid Alternatives		50,000
Multi Family Housing		162,079
Eden Council Hope & Opportunity		43,637
Partners for Peace		<u>30,785</u>
Total CFDA No. 14.218		530,351
U.S. Department of Housing and Urban Development Emergency Shelter Grants Program	14.231	
Special Programs		
Central Coast Center Independent		241,996
Interim-Mental Health Wellness		181,020
Housing Resource Center of Monterey County		114,660
Community Homeless Solutions		218,936
San Benito County		<u>190,801</u>
Total for CFDA No. 14.231		947,413
Home Investments Partnership Program	14.239	
Special Programs		
Vista De La Terraza		<u>246,274</u>
Total for CFDA No. 14.239		<u>246,274</u>
Total sub-recipients for U.S. Department of Housing and Urban Development		<u>1,724,038</u>
U.S. Department of Justice FY15 Smart Supervision: Reducing Prison Population, Saving Mor and Creating Safer Communities	16.812	
Monterey County Probation Department		<u>10,760</u>
Total for CFDA No. 16.812		<u>10,760</u>
Total all sub-recipient awards		<u>\$ 1,734,798</u>

CITY OF SALINAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

3. 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.

CITY OF SALINAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes None reported

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

Unmodified

Any audit finding disclosed that are required to be reported in accordance with 2 CFR Section 500.516(a) of the Uniform Guidance?

Yes No

Identification of Major Programs

CFDA Number

16.710	U.S. Department of Justice, Office of Community Oriented Policing Services
20.106	U.S. Department of Transportation, Federal Aviation Administration
20.205	U.S. Department of Transportation, Federal Highway Administration

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

Yes No