

**Single Audit Report
City of Norwalk, California
Year ended June 30, 2014
*with Report of Independent Auditors***

An Independently Owned Member
McGLADREY ALLIANCE



 **VASQUEZ
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

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**Report of Independent Auditors 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 Norwalk**

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 Norwalk, California (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Norwalk'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Norwalk's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Norwalk'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 of Norwalk'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.

Vasquez + Company LLP

**Los Angeles, California
December 19, 2014**

**Report of Independent Auditors on Compliance for Each Major Federal Program,
on Internal Control over Compliance, and on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

**The Honorable Mayor and Members of City Council
City of Norwalk**

Report on Compliance for Each Major Federal Program

We have audited the City of Norwalk's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Norwalk's major federal programs for the year ended June 30, 2014. The City of Norwalk'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 each of the City of Norwalk's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Norwalk's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Norwalk complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



Report on Internal Control Over Compliance

Management of the City of Norwalk is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Norwalk's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Norwalk'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

We have audited the basic financial statements of the City of Norwalk as of and for the year ended June 30, 2014, and have issued our report thereon dated December 19, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Vasquez + Company LLP

**Los Angeles, California
December 19, 2014**

City of Norwalk
Schedule of Expenditures of Federal Awards
Year ended June 30, 2014

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Program Identification Number</u>	<u>Federal Award Expenditures</u>	<u>Payments to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grant Entitlement Grant	14.218	B-13-MC06-0524	\$ 1,916,289	\$ 65,639
Home Investment Partnerships Program	14.239	M-13-MC06-0552	821,379	-
Section 8 Housing Choice Vouchers	14.871	CA118VO	6,716,922 *	-
Total U.S. Department of Housing and Urban Development			9,454,590	65,639
<u>U.S. Department of Health and Human Services</u>				
Passed-through State of California, Department of Education				
Child Care and Development Block Grant				
Child Care and Development Alternative Payment Program	93.596	CAPP-3024	102,155 *	-
CalWORKs Stage 3 Alternative Payment Program	93.575	C3AP-3022	426,165 *	-
Passed-through County of Los Angeles:				
Temporary Assistance for Needy Families				
CalWORKs Stage 1 Child Care Services	93.558	S1CC12-001	1,016,095 *	-
Special programs for Aging, Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	SSP-1014-18	54,008	-
Total U.S. Department of Health and Human Services			1,598,423	-
<u>U.S. Department of Transportation</u>				
Direct Assistance:				
Federal Transit Formula Grants	20.507	CA-90-X922	11,291	-
Federal Transit Formula Grants	20.507	CA-90-Y219	97,901	-
Federal Transit Formula Grants	20.507	CA-90-Y254	434,111	-
Federal Transit Formula Grants	20.507	CA-90-Y678	87,436	-
Federal Transit Formula Grants	20.507	CA-90-Y704	35,558	-
Federal Transit Formula Grants	20.507	CA-90-Y724	224,711	-
Federal Transit Formula Grants	20.507	CA-90-Y857	12,282	-
Federal Transit Formula Grants	20.507	CA-90-Z030	47,816	-
Federal Transit Formula Grants	20.507	CA-90-Z115	1,204,430	-
Federal Transit Formula Grants (ARRA)	20.507	CA-96-X039	23,477	-
			2,179,013	-
Passed-through State of California				
Office of Traffic Safety				
COPS - Supplemental Law Enforcement Service Fund	20.601	PS0617	190,038	-
Alcohol Impaired Driving Countermeasure Incentive	20.601	SC13286	10,000	-
			200,038	-
Selective Traffic Enforcement Program	20.608	PT1316	26,606	-
			226,644	-
Department of Transportation				
Federal Aid Program - HBRRP	20.205	BHLS-5347 (029)	3,100,512	-
Total U.S. Department of Transportation			5,506,169	-
<u>U.S. Department of Justice</u>				
Direct Assistance				
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0826	5,222	-
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-3174	12,255	-
			17,477	-
COPS - Hiring Grant	16.710	2011UMWX0021	275,293 *	-
Total U.S. Department of Justice			292,770	-
Total Expenditures			\$ 16,851,952	\$ 65,639

* Major Program

See Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Norwalk (City) that are reimbursable under programs of federal agencies providing financial awards. For the purposes of this schedule, financial awards include federal awards received directly from a federal agency and federal funds received indirectly by the City from a nonfederal agency or other organization. Only the portion of program expenditures reimbursable with federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other nonfederal funds are excluded from the accompanying schedule.

Basis of Accounting

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

NOTE 2 MAJOR PROGRAMS

The following Catalog of Federal Domestic Assistance (CFDA) programs were tested as major programs:

Name of Federal Program	CFDA Number
Section 8 Housing Choice Vouchers	14.871
Child Care and Development Block Grant:	
Child Care and Development Alternative Payment Program	93.575
CalWORKs Stage 3 Alternative Payment Program	93.596
Temporary Assistance for Needy Families:	
CalWORKs Stage 1 Child Care Services	93.558
COPS Hiring Grant	16.710

NOTE 3 PAYMENTS TO SUBRECIPIENTS

There were subrecipient grants awarded and payments made to subrecipients from the U.S. Department of Housing and Urban Development, Community Development Block Grant - Entitlement Grant. These subrecipient grants totaled \$65,639.

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted:	No

Federal Awards

Internal control over its major programs:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
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?	No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
93.575	Child Care and Development Block Grant: Child Care and Development Alternative Payment Program
93.596	CalWORKs Stage 3 Alternative Payment Program
93.558	Temporary Assistance for Needy Families: CalWORKs Stage 1 Child Care Services
16.710	COPS Hiring Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$505,559
Auditee qualified as a low-risk auditee:	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings

None noted

City of Norwalk
Status of Prior Year Findings and Questioned Costs
Year ended June 30, 2014

Finding Reference	Finding Description	Recommendation	Current Status	Explanation if not fully implemented
<u>CDBG Entitlement Grant (CFDA No. 14.218)</u>				
Finding F13-01	The City did not prepare monitoring reports after the site visits. Written agreements with the subrecipients did not disclose the Federal award information such as the CFDA title and number, and award name and number.	The City establish and implement stricter controls and procedures to ensure that the above subrecipient compliance requirements are performed to comply with the funding terms and conditions.	Implemented	



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801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777