

**CITY OF GARDEN GROVE**  
**Single Audit Report**  
**For the Year Ended June 30, 2014**



**CITY OF GARDEN GROVE, CALIFORNIA**

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**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***

**Independent Auditor's Report**

The Honorable City Council  
Of the City of Garden Grove, 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 Garden Grove, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated December 5, 2014.

**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.



Newport Beach, CA  
December 5, 2014

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

**Independent Auditor's Report**

The Honorable City Council  
of the City of Garden Grove, California

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

We have audited the City of Garden Grove, California's (City) 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's major federal programs for the year ended June 30, 2014. 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 compliance with the requirements of laws, regulations, contracts, and grants 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 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 Programs***

In our opinion, the City of Garden Grove 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.

## ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-01. Our opinion on each major federal program is not modified with respect to this matter.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **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 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 have identified certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-01, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

We have audited the financial statements of the City as of and for the year ended June 30, 2014, and have issued our report thereon dated December 5, 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.

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.

*Macias Gini & O'Connell LLP*

Newport Beach, CA  
December 5, 2014

**CITY OF GARDEN GROVE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<b>Federal Grantor/ Pass-through Grantor Program Title</b>	<b>Catalog of Federal Domestic Assistance (CFDA) Number</b>	<b>Program Identification Number</b>	<b>Federal Financial Assistance Expenditures</b>
<b>U.S. Department of Commerce</b>			
Direct programs:			
Community Trade Adjustment Assistance	11.010	074606579	\$ 492
Total U.S. Department of Commerce			<u>492</u>
<b>U.S. Department of Housing and Urban Development:</b>			
Direct programs:			
Community Development Block Grant	14.218	B-13-MC-070505	2,183,406
Emergency Shelter Grant	14.231	S-13-MC-070505	146,242
Neighborhood Stabilization Program (HERA)	14.228	09-NSP1-6108-AM1	40,398
HOME Investment Partnerships Programs	14.239	M-13-MC-070511	81,518
Section 8 Housing Assistance Payments - Housing Choice Vouchers	14.871	CA102	<u>30,488,502</u>
Total U.S. Department of Housing and Urban Development			<u>32,940,066</u>
<b>U.S. Department of Justice:</b>			
Direct programs:			
Technology Program Grant	16.607	2009-CK-WX-0463	14,693
	16.607	09-79-06911	<u>174,185</u>
Subtotal CFDA 16.607			188,878
Justice Assistance Grant	16.738	2013-DX-BX-1065	<u>35,307</u>
Total U.S. Department of Justice			<u>224,185</u>
<b>U.S. Department of Transportation:</b>			
Passed through California			
Department of Transportation:			
Highway Planning and Construction	20.205	HSIPL-5328(067)	375,316
	20.205	HSIPL-5328(065)	335,971
	20.205	HSIPL-5328(066)	583,348
	20.205	HSIPL-5328(070)	<u>243,625</u>
Subtotal CFDA 20.205			1,538,260
Passed through California			
Office of Traffic Safety:			
State and Community Highway Safety	20.600	SC13154	50,072
	20.600	SC20382	11,432
	20.600	PT1343	11,226
	20.600	PT1492	18,353
	20.600	SC14154	58,066
	20.608	PT1343	15,597
	20.608	PT1492	<u>17,654</u>
Subtotal CFDA 20.600			<u>182,400</u>
Total U.S. Department of Transportation			<u>1,720,660</u>

**CITY OF GARDEN GROVE**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2014**

<b>Federal Grantor/ Pass-through Grantor Program Title</b>	<b>Catalog of Federal Domestic Assistance (CFDA) Number</b>	<b>Program Identification Number</b>	<b>Federal Financial Assistance Expenditures</b>
<b>U.S. Department of Health and Human Services:</b>			
Passed through Community SeniorServe, Inc.: Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	20	22,109
Passed through the County of Orange Social Services Agency: Promoting Safe and Stable Families	93.556	FNH0710	<u>135,413</u>
Total U.S. Department of Health and Human Services			<u>157,522</u>
<b>U.S. Department of Homeland Security:</b>			
Passed through the California Office of Homeland Security and City of Anaheim: Homeland Security Grant Program	97.067	2011-SS-0077	<u>114,660</u>
Total U.S. Department of Homeland Security			<u>114,660</u>
Total Federal Expenditures			<u>\$ 35,157,585</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF GARDEN GROVE**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

**(1) GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the City of Garden Grove, California (City), and, therefore, does not present the financial position or results of operations of the City. The City's reporting entity is described in Note A to the City's basic financial statements.

**(2) BASIS OF ACCOUNTING**

The accompanying Schedule is presented using the modified accrual basis of accounting. Such basis of accounting is described in Note A to the City's basic financial statements.

**(3) RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying Schedule agree in all material respects with the amounts reported in the related federal financial reports.

**(4) PAYMENT TO SUBRECIPIENTS**

Included in the Schedule are the following amounts passed through to subrecipients:

<u>Program title</u>	<u>CFDA number</u>	<u>Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 55,932

**CITY OF GARDEN GROVE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

**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?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	None noted
Noncompliance material to financial statements noted?	No

***Federal Awards:***

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes. See item 2014-01
Type of auditor’s 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?	Yes. See item 2014-01
Identification of major programs:	
CFDA No. 14.218	Community Development Block Grant
CFDA No. 14.871	Section 8 Housing Assistance Payments- Housing Choice Vouchers
CFDA No. 20.205	Highway Planning and Construction
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,054,728
Auditee qualified as a low-risk auditee?	Yes

**CITY OF GARDEN GROVE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

**Section II – Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards***

None noted.

**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number:</b>	<b>2014-01</b>
<b>Federal Program Titles:</b>	<b>Community Development Block Grant (CDBG)</b>
<b>Federal Catalog Numbers:</b>	<b>14.218</b>
<b>Federal Agency:</b>	<b>Department of Housing and Urban Development (HUD)</b>
<b>Federal Award Numbers and Years:</b>	<b>B-13-MC-07-0505</b>
<b>Category of Finding:</b>	<b>Reporting</b>

***Criteria or Specific Requirement***

Code of Federal Regulations: Title 24 – *Housing and Urban Development*, Section 578.99 (c), *Transparency Act Reporting* - Recipients may be required to report subawards made either as pass-through awards, subrecipient awards, or vendor awards in the Federal Government Website [www.fsr.gov](http://www.fsr.gov) or its successor system.

*The Federal Funding Accountability and Transparency Act of 2006 SEC. 2(c)(4)* – The website established under this section shall be updated not later than 30 days after the award of any Federal award requiring a posting.

***Condition***

During our review of the reporting requirements, we noted that the City submitted the Federal Funding Accountability and Transparency Act Subaward Report for one of the subawards in November 2014, which is later than 30 days after the subaward contract was signed on July 1, 2013.

***Cause***

Due to staffing changes, the City did not timely prepare and submit the Federal Funding Accountability and Transparency Act Subaward.

***Effect***

As a result, the City was unable to provide the federal agency timely information regarding the City's subaward activity.

**CITY OF GARDEN GROVE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

***Questioned Costs***

Not applicable.

***Recommendation***

We recommend the City develop procedures to identify all reports required to be submitted to the federal agency.

***Views of Responsible Officials and Planned Corrective Action***

Staff have included the Federal Funding Accountability and Transparency Act Subaward report on its centralized division calendar to ensure timely reporting.

**CITY OF GARDEN GROVE**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2014**

**Reference Number:** 2013-01  
**Federal Program Titles:** Community Development Block Grant (CDBG)  
**Federal Catalog Numbers:** 14.218  
**Federal Agency:** Department of Housing and Urban  
Development (HUD)  
**Federal Award**  
**Numbers and Years:** B-12-MC-07-0505  
**Category of Finding:** Reporting

***Condition and Context***

During our review of the reporting requirements, we noted that the City filed the SF-425 report for the quarter ended September 30, 2012 on November 5, 2012, which was 5 days after the report due date of October 30, 2012.

***Corrective Action Taken***

The City has added the SF-425 report to its internal quarter-end closing checklist and monitored the OMB Circular A-133 Compliance Supplement for any future reporting requirements.

***Status***

Corrected.



**CITY OF GARDEN GROVE**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2014**

**Reference Number:** 2013-02  
**Federal Program Titles:** Community Development Block Grant (CDBG)  
**Federal Catalog Numbers:** 14.218  
**Federal Agency:** Department of Housing and Urban  
Development (HUD)  
**Federal Award**  
**Numbers and Years:** B-12-MC-07-0505  
**Category of Finding:** Reporting

***Condition and Context***

During our review of the reporting requirements, we noted that the City submitted the Federal Funding Accountability and Transparency Act Subaward Report on April 17, 2013, which is later than 30 days after the subaward contract was signed on July 1, 2012.

***Corrective Action Taken***

Staff has incorporated the Federal Funding Accountability and Transparency Act Subaward report preparation and submission into the sub-award process. All required sub-award reports will be completed within 30 days of the signing of the sub-award.

***Status***

Not yet corrected. Please see current year finding reference number 2014-01.