

CITY OF BURBANK, CALIFORNIA
SINGLE AUDIT OF FEDERAL AWARDS
JUNE 30, 2017

CITY OF BURBANK

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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*

City Council
City of Burbank
Burbank, 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 Burbank, California (the City), as of and for the year ended June 30, 2017, 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 14, 2017.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding Number 2017-001 that we consider to be a significant deficiency.

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*.

City's Response to the Finding

The City's response to the 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 the financial statements, and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 14, 2017

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

City Council
City of Burbank
Burbank, California

Report on Compliance for Each Major Federal Program

We have audited the City of Burbank's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. 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 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 Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding Numbers 2017-002 and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

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 compliance 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.

Report on Internal Control over Compliance (Continued)

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burbank, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 14, 2017, 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 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 basic financial statements as a whole.

White Nelson Diehl Evans LLP

Irvine, California
December 14, 2017

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

CITY OF BURBANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursement to Subrecipient
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants - Entitlement Grant	14.218	B-16-MC-06-0513	\$ 777,668	\$ 126,836
Supportive Housing Program	14.235	CA1499L9D001500	17,298	-
HOME Investment Partnerships Program	14.239	M-16-MC-06-0504	39,117	-
Section 8 - Housing Assistance - Voucher Program	14.871	CA105VO	9,291,009	-
Total U.S. Department of Housing and Urban Development			<u>10,125,092</u>	<u>126,836</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0230	15,046	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2015-MO-BX-0008	51,806	-
Equitable Sharing Program	16.922	CA0191200	17,715	-
Total U.S. Department of Justice			<u>84,567</u>	<u>-</u>
<u>U.S. Department of Labor</u>				
Passed through the State of California Employment Development Department:				
Local Workforce Investment Area	17.258	Catalog 417260	130,617	-
<u>U.S. Department of Transportation</u>				
Passed through the State of California Department of Transportation:				
Highway Planning and Construction				
Phase II of Burbank Channel Bikeway Path	20.205	CML-5200(046)	124,547	-
Cycle #3 – Verdugo at Parish and Keystone		HSIPL 5200(038)	453,903	-
			<u>578,450</u>	
Passed through the California Office of Traffic and Safety:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PP1574	34,784	-
Total U.S. Department of Transportation			<u>613,234</u>	<u>-</u>

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF BURBANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursement to Subrecipient
<u>United States Department of the Treasury</u>				
Direct Assistance:				
Asset Forfeiture	21.000	CA0191200	\$ 158,595	\$ -
<u>U.S. Department of Health and Human Services</u>				
Passed through the Los Angeles County Area Agency on Aging - Special Programs for the Aging: Aging Cluster:				
Title III, Part B - Grants for supportive services and senior centers	93.044	ENP-1216-003	115	-
Title III, Part C1-Congregate Nutrition	93.045	ENP-1216-003	107,824	-
Title III, Part C2-Home Delivered Meals		ENP-1216-003	129,813	-
			<u>237,637</u>	<u>-</u>
Total Aging Cluster			237,752	-
Nutrition Services Incentive	93.053	ENP-1216-003	35,772	-
Total U.S. Department of Health and Human Services			<u>273,524</u>	<u>-</u>
<u>Corporation for National and Community Service</u>				
Direct Program:				
Retired Senior and Volunteer Program	94.002	440P034/19	29,452	-
<u>U.S. Department of Homeland Security</u>				
Passed through the City of Los Angeles:				
Urban Area Security Initiative (UASI) 2014	97.067	UASI 14 - C-125459	45,919	-
Urban Area Security Initiative (UASI) 2015	97.067	UASI 15 - C-125459	12,931	-
Total U.S. Department of Homeland Security			<u>58,850</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,473,931</u>	<u>\$ 126,836</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF BURBANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Burbank (the City) under programs of the federal government, as well as federal financial assistance passed through other government agencies for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which are described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE:

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

4. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

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

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule agree with amounts reported in federal financial reports.

6. 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 BURBANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

2. FINDINGS RELATING TO FINANCIAL STATEMENTS:

SIGNIFICANT DEFICIENCY

Finding Number 2017-001 - Accounts Receivables

Condition

During our testing of accounts receivables, we noted two invoices related to revenues for billing periods that were for the following fiscal year were accrued and recorded as part of accounts receivables at year-end for the Tieton Hydro Special Revenue Fund and the Magnolia Power Plant Special Revenue Fund.

Criteria

The City is required to produce financial statements that are free of material misstatements.

Cause

The City incorrectly identified the billings as billings for fiscal year 2017.

Effect

The accounts receivable balance at year-end was overstated and the accrual had to be reversed.

Recommendation

We recommend that the City establish procedures that will ensure that receivables and revenues are recorded in the proper period.

Management's Response

The City will have in place sufficient procedures to ensure that the recording of receivables and revenues are recorded in the proper period.

CITY OF BURBANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

3. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS:

Finding Number 2017-002 - Noncompliance: After-the-Fact Determination of Personal Services

Major Program

United States Department of Housing and Urban Development, Direct Assistance, Community Development Block Grants, B-16-MC-06-0513 (CFDA No. 14.218).

Criteria

Uniform Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart E, §200.430 allows for budget estimates for personal services to be used for interim accounting purposes provided, among other criteria, that “The non-Federal entity’s system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.”

Condition

Personal services charged were recorded based on budget to the program and an after-the-fact determination of personal services charged to the program was not conducted and adjustments, if necessary, were not recorded.

Questioned Costs

The amount of salaries and wages charged to the federal program that were based on budgeted percentages during the fiscal year 2017, is approximately \$85,000. The amount of questioned costs cannot be determined since there are no records that accurately reflect the actual work performed.

Perspective Information

Payroll was charged based on budgeted percentages on 3 of 3 samples tested. There were a total of 26 pay periods where one employee’s wages were charged to the program based on budgeted percentages.

Cause

The program director was not aware of the requirement to make an after-the-fact accounting of time spent on the program.

CITY OF BURBANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

3. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS
(CONTINUED):

Finding Number 2017-002 - Noncompliance: After-the-Fact Determination of Personal Services
(Continued)

Effect

The amount of personal services charged to the Federal award may be over or understated.

Recommendation

We recommend that personnel track their actual time spent working on the program so that an after-the-fact adjustments can be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Management's Response

The City will maintain records of work performed through timesheets for the Grants Coordinator for the Community Development Block Grant.

Finding Number 2017-003 - Noncompliance: Timeliness of Reporting

Major Program

United States Department of Housing and Urban Development, Direct Assistance, Community Development Block Grants, B-16-MC-06-0513 (CFDA No. 14.218).

Criteria

Federal Financial Reports (SF-425) should be submitted within 30 days of the end of each quarter.

Condition

Each of the four reports for the fiscal year ended June 30, 2017 were not submitted timely.

CITY OF BURBANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2017

3. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARDS PROGRAMS
(CONTINUED):

Finding Number 2017-003 - Noncompliance: Timeliness of Reporting (Continued)

Questioned Costs

None noted.

Perspective Information

All four reports required during the fiscal year were not submitted timely.

Cause

Administrative delays by personnel in charge of preparing the reports.

Effect

The City was not in compliance with reporting requirements.

Recommendation

We recommend that the City review its processes to allow for reporting to take place in timely manner.

Management's Response

The timely submission of the reports will be addressed by creating an internal FFR tracking schedule to be utilized by the Grants Coordinator, which will alert staff of upcoming submissions one month in advance of the due date

CITY OF BURBANK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

SIGNIFICANT DEFICIENCIES

Finding Number 2016-001 - Closing Completed Projects

Condition

Certain projects that were completed and placed in service have not been transferred from construction in progress to the appropriate capital asset class.

Recommendation

We recommend that the City review the status of projects included in the construction in progress account throughout the year. As these projects are completed, the assets should be transferred to the appropriate capital asset category.

Current Status

No similar finding was noted in the 2017 audit.

Finding Number 2016-002 - Deposits Liabilities

Condition

Balance of deposits liabilities included items outstanding for more than two years.

Recommendation

We recommend that the City review outstanding deposits periodically to determine the status of the deposits.

Current Status

No similar finding was noted in the 2017 audit.

FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD PROGRAMS

There were no findings or questioned costs related to major federal award programs reported for the year ended June 30, 2016.