

**CITY OF BURBANK, CALIFORNIA**  
**SINGLE AUDIT OF FEDERAL AWARDS**  
**JUNE 30, 2018**

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 14, 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 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. 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 a matter involving internal control and its operation that we have reported to management of the City in a separate letter dated January 14, 2019.

## **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  
January 14, 2019

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, 2018. 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, 2018.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is 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 Number 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 14, 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 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

February 26, 2019, except for our report on the schedule of expenditures of federal awards required by the Uniform Guidance, for which the date is January 14, 2019

**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, 2018

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-15-MC-06-0513 B-16-MC-06-0513 B-17-MC-06-0513	\$ 968,245	\$ 254,905
Supportive Housing Program	14.235	CA1499L9D001500	95,876	-
HOME Investment Partnerships Program	14.239	M-11-MC-06-0504 M-12-MC-06-0504 M-14-MC-06-0504 M-15-MC-06-0504 M-16-MC-06-0504 M-17-MC-06-0504	904,157	-
Section 8 - Housing Assistance - Voucher Program	14.871	CA105VO	9,685,514	-
Total U.S. Department of Housing and Urban Development			<u>11,653,792</u>	<u>254,905</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2015-MO-BX-0008	49,243	-
Total U.S. Department of Justice			<u>49,243</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	58,355	-
<u>U.S. Department of Transportation</u>				
Passed through the State of California Department of Transportation:				
Highway Planning and Construction				
Cycle #4 - Verdugo Bike Lanes	20.205	HSIPL 5200(039)	706,016	-
5 N San Fernando		HSIPL 5200 (045)	522,778	-
6 BV Adaptive Controls		HSIPL 5200 (047)	17,731	-
Burbank Channel Bikeway		CML-5200(046)	44,581	-
			<u>1,291,106</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, 2018

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 Transportation (Continued)</u>				
Passed through the California Office of Traffic and Safety:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PP1574	\$ 88,794	\$ -
Total U.S. Department of Transportation			<u>1,379,900</u>	<u>-</u>
<u>United States Department of the Treasury</u>				
Direct Assistance:				
Asset Forfeiture	21.016	CA0191200	76,509	-
<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	101	-
Title III, Part C1-Congregate Nutrition	93.045	ENP-1216-003	120,018	-
Title III, Part C2-Home Delivered Meals		ENP-1216-003	131,188	-
			<u>251,206</u>	<u>-</u>
Total Aging Cluster			251,307	-
Nutrition Services Incentive Program	93.053	ENP-1216-003	46,864	-
Total U.S. Department of Health and Human Services			<u>298,171</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the State of California Governor's Office of Emergency Services:				
Fire Management Assistance Grant	97.046	037-08954	574,667	-
		037-08954	176,595	-
			<u>751,262</u>	<u>-</u>
Passed through the City of Los Angeles:				
Homeland Security Grant Program	97.067	UASI C-127391	593,770	-
		UASI C-129267	269,676	-
		2014-2015	24,296	-
			<u>887,742</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>1,639,004</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 15,154,974</u>	<u>\$ 254,905</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, 2018

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, 2018. 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, 2018

2. FINDINGS RELATING TO FINANCIAL STATEMENTS:

None noted.

CITY OF BURBANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2018

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

Finding Number 2018-001 - Noncompliance: Timeliness of Reporting

Major Program

United States Department of Housing and Urban Development, Direct Assistance, Community Development Block Grants, B-15-MC-06-0513, B-16-MC-06-0513, B-17-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

One of the four reports for the fiscal year ended June 30, 2018 was not submitted timely.

Questioned Costs

None noted.

Perspective Information

One of four reports required during the fiscal year was not submitted timely.

Cause

Tracking system for the report was inadvertently overlooked.

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 City of Burbank Finance Department will coordinate with the City Grants Coordinator to ensure that the review process is followed each quarter, with accurate information and a timely filing of each quarterly report.

CITY OF BURBANK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

SIGNIFICANT DEFICIENCY

Finding Number 2017-001 - Accounts Receivable

Condition

During our testing of accounts receivable, 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.

Recommendation

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

Current Status

No similar finding was noted in the 2018 audit.

FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD PROGRAMS

OTHER MATTERS

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).

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.

CITY OF BURBANK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(CONTINUED)

For the year ended June 30, 2018

FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD PROGRAMS  
(CONTINUED)

OTHER MATTERS (CONTINUED)

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

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.

Current Status

No similar finding was noted in the 2018 audit.

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).

Condition

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

Recommendation

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

Current Status

This finding has not been corrected. See current year finding number 2018-001