

CITY OF THOUSAND OAKS, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2013

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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*

To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, 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 City of Thousand Oaks, California, (the City) as of and for the year ended June 30, 2013, 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 5, 2013.

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*.



To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, California

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.

Lance, Solt & Lingham, LLP

Brea, California
December 5, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, California

Report on Compliance for Each Major Federal Program

We have audited the City of Thousand Oaks' 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 Thousand Oaks' major federal programs for the year ended June 30, 2013. The City of Thousand Oaks' 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 opinions on compliance for each of the City of Thousand Oaks' 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB 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 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 Thousand Oaks' 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 legal determination of the City of Thousand Oaks' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Thousand Oaks 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, 2013.



To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, California

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB A-133 and which are described in the accompanying schedule of findings and questioned costs as item 13-1. Our opinion on each major federal program is not modified with respect to these matters.

The City of Thousand Oaks' response to the noncompliance findings identified on our audit is described in the accompanying schedule of findings and questioned costs. The City of Thousand Oaks' 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 of Thousand Oaks is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Thousand Oaks' 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 controls 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 Thousand Oaks' 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 13-1, that we consider to be significant deficiencies.

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



To the Honorable Mayor and Members of the City Council
City of Thousand Oaks, California

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 communication 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Thousand Oaks, California, as of and for the year ended June 30, 2013, and have issued our report thereon dated December 5, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Lance, Soll & Lughard, LLP

Brea, California
December 5, 2013

CITY OF THOUSAND OAKS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant	14.218	B-10-MC-06-05-49	\$ 302,158
Community Development Block Grant	14.218	B-11-MC-06-05-49	607,098
Community Development Block Grant	14.218	B-12-MC-06-05-49	491,291
Passed through the State of California			
Department of Housing and Community Development:			
CalHome Grant	14.239	09-HOME-6257	45,013
Total U.S. Department of Housing and Urban Development			1,445,560
<u>U.S. Department of Justice</u>			
Direct Program:			
Bureau of Justice Assistance:			
ARRA - Edward Byrne Memorial Justice Assistance Grant*	16.803	2009-F1629-CA-SU	3,459
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-H3396-CA-DJ	5,485
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-H1500-CA-DJ	7,430
Passed through the County of Ventura			
Federal Asset Seizure	16.922	CA0560001	65,950
Total U.S. Department of Justice			82,324
<u>U.S. Department of Transportation</u>			
Passed through the State of California			
Department of Transportation:			
Lynn Road Bike Lanes*	20.205	CML-5392(050)	279,075
Lighted Crosswalks*	20.205	SRTSL-5392(035)	194,616
Signal Synchronization*	20.205	CML-5392(033)	5
ARRA - Moorpark Road Repaving*	20.205	ESPL-5392(041)	588,060
Wendy Route 101 Interchange*	20.205	STPL-5392-(038)	4,923,976
Safe Routes to School Program*	20.205	SRTSLNI-5392(042)	1,944
Erbes Road Improvements*	20.205	CML-5392(048)	964,449
Route 101/23 Interchange*	20.205	ESPL-5392(040)	185,268
ARRA - Route 101/23 Interchange*	20.205	ESPL-5392(040)	787,951
Passed through the State of California			
Office of Traffic Safety:			
Sobriety Checkpoint	20.600	SC12430	20,862
Avoid the 14 DUI Campaign	20.600	20553	3,970
Sobriety Checkpoint	20.600	SC13430	20,288
Avoid the 14 DUI Campaign	20.600	AL1373	6,775
Direct Program:			
Transit Center Master Plan	20.507	CA-90-Y858	8,474
Bus Maintenance	20.507	CA-90-Y858	126,278
Bus Shelter Maintenance	20.507	CA-90-Y858	14,860
TOTC Maintenance - DAR	20.507	CA-90-Y858	1,253
Moorpark Shuttle	20.507	CA-37-X179	504
Travel Planning - BUS	20.507	CA-37-X179	243
Carpool Operational Costs	20.507	CA-37-X179	15,000
Municipal Service Center Expansion	20.507	CA-90-Y803	137,502
TOTC Maintenance - DAR	20.507	CA-90-Y803	20,408
Bus Shelter Enhancements	20.507	CA-90-Y803	5,302
TOTC Maintenance - BUS	20.507	CA-90-Y803	20,140
Transit Planning - DAR	20.507	CA-90-Z055	1,853
Beach Bus	20.507	CA-90-Z055	2,065
Municipal Service Center Expansion	20.507	CA-90-Y737	86,059

CITY OF THOUSAND OAKS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Municipal Service Center Expansion	20.507	CA-90-Y399	68,876
Municipal Service Center Expansion	20.507	CA-95-X196	253,102
Extended Bus Hours	20.507	CA-95-X196	160,475
Transit Marketing - DAR	20.507	CA-90-Y991	4,763
DAR Lease	20.507	CA-90-Y991	103,322
DAR Maintenance	20.507	CA-90-Y991	64,407
Transit Planning - DAR	20.507	CA-90-Y991	8,636
Transit Maintenance - BUS	20.507	CA-90-Y991	14,290
Transit Planning - BUS	20.507	CA-90-Y991	11,364
Bus Maintenance	20.507	CA-90-Y991	130,900
Phone system	20.507	CA-90-Y991	10,927
Evening DAR Rides	20.507	CA-57-X028	21,413
Free DAR and ADA Rides	20.507	CA-57-Y902	9,998
Morning DAR Rides	20.507	CA-95-X158	19,022
Total U.S. Department of Transportation			<u>9,298,675</u>
U.S. Department of Homeland Security			
Passed through the County of Ventura			
Office of Emergency Services:			
2012 Emergency Management Performance Grant	97.042	2012-0027	18,724
2010 UASI Grant*	97.067	2010-0085	199,290
Total U.S. Department of Homeland Security			<u>218,014</u>
Total Federal Expenditures			<u>\$ 11,044,573</u>

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$189,371.10.

CITY OF THOUSAND OAKS

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Thousand Oaks, California, that are reimbursable under federal programs of federal financial assistance. 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 non-federal 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 were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. 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 program.

CITY OF THOUSAND OAKS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? ___yes Xno
- Material weaknesses identified? ___yes Xnone reported

Noncompliance material to financial statements noted? ___yes Xno

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? Xyes ___no
- Material weaknesses identified? ___yes Xnone reported

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Xyes ___no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
97.067	Homeland Security Grant Program
16.803	ARRA – Edward Byrne Memorial Justice Assistance Grant

Dollar threshold used to distinguish between type A and type B program \$331,337

Auditee qualified as low-risk auditee? ___yes Xno

CITY OF THOUSAND OAKS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number 13-1

- Federal Programs:

CFDA Number: 20.205
Title: Highway Planning and Construction
Federal Agency: U.S. Department of Transportation
Pass-Through Grantor: California Department of Transportation

- Criteria or specific requirement:

OMB guidance 2 CFR § 180.300 requires a participant who enters into a covered transaction with another person to verify that the person with whom it intends to do business is not excluded or disqualified by (a) checking the EPLS; or (b) collecting a certification from that person if allowed by the Federal agency responsible for the transaction; or (c) adding a clause or condition to the covered transaction with that person.

- Condition:

The City did not check the EPLS, collect a certification from the entity, or add a clause or condition to the covered transaction with the contractor for the projects.

- Cause:

Program employees were unaware of the compliance requirement at the time the contract was approved. After the Single Audit relating to fiscal year 2010-11 was performed, they began requiring that the project manager check the EPLS website before awarding the contract.

- Effect:

The City was unable to substantiate its compliance with this requirement.

- Questioned cost:

None. For the items tested, we verified the vendors' names in the EPLS database and no exceptions were noted.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED))
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

- Recommendation:

We recommend that the City include the clause in their standard contracts and implement procedures to ensure the EPLS website is checked prior to awarding the contracts.

- Views of responsible officials and planned corrective actions:

Regarding the Single Audit Report Finding on compliance with ARRA requirements for Excluded Parties List System (EPLS) certification, even though there were no noted awards to vendors on the EPLS, the City was not consistent in its procedures and documentation to verify on the EPLS web-site prior to awarding ARRA funded projects.

Corrective Action:

The City's Department Managers shall implement procedures for contracts utilizing ARRA funding to insure this deficiency is corrected as follows:

- Check the EPLS website prior to awarding contracts at: www.epls.gov;
- Print the page from the website and maintain the document in the procurement file;
- Collect a certification from the contractor and maintain the document in the procurement file, and
- Add a clause to the contract that they cannot be a debarred party.

CITY OF THOUSAND OAKS

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding Number 12-1

During our audit we noted that a settlement payment in a material amount which pertained to fiscal year 2011-12 was not accrued, therefore an audit adjusting journal entry was required.

City's Response:

The City concurs with the finding. Pre-issue checks like this one will be more carefully scrutinized in the future to ensure that all accruals are properly made.

Status: Corrected.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number 12-2

- Federal Programs:

CFDA Number: 20.205
Title: Highway Planning and Construction
Federal Agency: U.S. Department of Transportation
Pass-Through Grantor: California Department of Transportation

- Criteria or specific requirement:

OMB guidance 2 CFR § 180.300 requires a participant who enters into a covered transaction with another person to verify that the person with whom it intends to do business is not excluded or disqualified by (a) checking the EPLS; or (b) collecting a certification from that person if allowed by the Federal agency responsible for the transaction; or (c) adding a clause or condition to the covered transaction with that person.

- Condition:

The City did not check the EPLS, collect a certification from the entity, or add a clause or condition to the covered transaction with the contractor for the projects.

- Cause:

Program employees were unaware of the compliance requirement at the time the contract was approved. After last year's Single Audit was conducted, they began requiring that the project manager check the EPLS website before awarding the contract.

- Effect:

The City was unable to substantiate its compliance with this requirement.

- Questioned cost:

None. For the items tested, we verified the vendors' names in the EPLS database and no exceptions were noted.

CITY OF THOUSAND OAKS

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

- Recommendation:

We recommend that the City include the clause in their standard contracts and implement procedures to ensure the EPLS website is checked prior to awarding the contracts.

- Views of responsible officials and planned corrective actions:

Regarding the Single Audit Report Finding on compliance with ARRA requirements for Excluded Parties List System (EPLS) certification, even though there were no noted awards to vendors on the EPLS, the City was not consistent in its procedures and documentation to verify on the EPLS web-site prior to awarding ARRA funded projects.

Corrective Action:

The City's Department Managers shall implement procedures for contracts utilizing ARRA funding to insure this deficiency is corrected as follows:

- Check the EPLS website prior to awarding contracts at: www.epls.gov;
- Print the page from the website and maintain the document in the procurement file;
- Collect a certification from the contractor and maintain the document in the procurement file, and
- Add a clause to the contract that they cannot be a debarred party.

Status: Noted as a current year finding.