

**CITY OF BRAWLEY, CALIFORNIA**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**CITY OF BRAWLEY, CALIFORNIA**  
**SINGLE AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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  
of the City of Brawley  
Brawley, 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 Brawley, California (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 October 11, 2018.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-005, 2017-006 and 2017-007 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003 and 2017-004 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

## **Management's Response to Findings**

The City's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and the City's separate corrective action plan. The City's responses were 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 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.



Riverside, California

October 11, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and Members of the City Council  
of the City of Brawley  
Brawley, California

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

We have audited the City of Brawley, California's (City), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have 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 auditor's 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 an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-008. Our opinion on each major federal program is not modified with respect to this matter.

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 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 a 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-008 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.

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 City as of and for the year ended June 30, 2017, and have issued our report thereon dated October 11, 2017, 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 the Uniform Guidance 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.



Riverside, California  
October 11, 2018

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Federal grantor / pass-through grantor / program or cluster title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through/ Identification Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<b>U.S. Department of Housing and Urban Development</b>				
Direct Assistance:				
HOME Investment Partnerships Program	14.239	Loan	\$ 3,400,000	-
Subtotal HOME Investment Partnerships Program			<u>3,400,000</u>	<u>-</u>
Passed through the State of California, Housing and Community Development Department				
Community Development Block Grant/Entitlement Grants	14.218	Program Income	3,499	-
Community Development Block Grant/Entitlement Grants	14.218	13-CDBG-8954	18,700	-
Subtotal CDBG Entitlement Grants Cluster			<u>22,199</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>3,422,199</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
Direct Assistance:				
Equitable Sharing Program	16.922	N/A	46,754	-
Subtotal Equitable Sharing Program			<u>46,754</u>	<u>-</u>
Drug Enforcement Administration	16.unknown	N/A	17,702	-
Subtotal Drug Enforcement Administration			<u>17,702</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<u>64,456</u>	<u>-</u>
<b>Executive Office of the President</b>				
Direct Assistance:				
High Intensity Drug Trafficking Areas Program	95.001	N/A	63,500	-
Subtotal High Intensity Drug Trafficking Areas Program			<u>63,500</u>	<u>-</u>
<b>Total Executive Office of the President</b>			<u>63,500</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
Direct Assistance:				
Airport Improvement Program	20.106	3-06-0028-018-2016	140,709	-
Subtotal Improvement Program			<u>140,709</u>	<u>-</u>
Passed through the State of California, Transportation Department				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	STPL-5167 (035)	265,590	-
Highway Planning and Construction	20.205	CML-5167 (036)	49,463	-
Highway Planning and Construction	20.205	STPL-5167 (037)	498,334	-
Subtotal Highway Planning and Construction Cluster			<u>813,387</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>954,096</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Direct Assistance:				
Homeland Security Grant Program	97.067	OPSG	175,747	-
<b>Total U.S. Department of Homeland Security</b>			<u>175,747</u>	<u>-</u>
Total Federal Awards			<u>\$ 4,679,998</u>	<u>\$ -</u>

See accompanying notes to Schedule of Expenditures of Federal Awards



**CITY OF BRAWLEY, CALIFORNIA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs of the City of Brawley, California (City). The City’s reporting entity is defined in Note 1 of the City’s financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the Schedule of Expenditures of Federal Awards.

**B. Basis of Accounting**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City under programs of the federal government 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) wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented where available.

**C. Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

**NOTE #2 – FEDERAL FUNDED LOANS**

The City administers loans that are made from funds provided by the Home Investment Partnerships Program (CFDA No. 14.239), and balances and transactions relating to the program are included in the City’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. As of June 30, 2017, the outstanding loan receivables balance is as follows:

Federal Program	CFDA No.	Outstanding As of June 30, 2017
HOME Investment Partnership Program	14.239	\$ 3,400,000

**NOTE #3 – INDIRECT COST RATE**

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

**CITY OF BRAWLEY, CALIFORNIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material Weaknesses identified?	<u>Yes</u>
Significant Deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major federal programs:	
Material Weaknesses identified?	<u>No</u>
Significant Deficiencies identified?	<u>Yes</u>
Type of auditors' report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section 200.516(a)?	<u>Yes</u>
Identification of major federal programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**II. FINANCIAL STATEMENT FINDINGS**

**Finding 2017-001**

**CASH AND INVESTMENT RECONCILIATIONS**

**Criteria:**

Management is responsible for the fair presentation of cash and investments which is accomplished through the preparation and review of the bank statement reconciliation to the general ledger. The bank reconciliation should reconcile the balance in the bank with the City's general ledger. Reconciling items should clear out over a reasonable amount of time. Internal controls should be in place to ensure that proper segregation of duties exists between the preparer of the reconciliation and the reviewer of the reconciliation. Bank reconciliations should be performed and reviewed timely.

**Condition:**

During our testing, we noted the following:

- Segregation of duties between the preparer and reviewer of the bank reconciliations were not in place. Additionally, no review was documented for bank reconciliations.
- The reconciliations were not completed timely. Certain monthly reconciliations had not been performed for more than a year.
- Bank reconciliations contained differences that were being carried forward each month and those differences were unidentified transactions.
- Reconciling items included stale-dated checks that have been outstanding since 2010.
- Bank reconciliations listed bank balances that did not agree to bank statements.
- Bank reconciliations listed general ledger balances that did not agree to the City's general ledger.

**Context:**

The condition noted above was identified during testing of cash and investment balances.

**Effect:**

The City's internal controls are weakened by the condition noted above. Adjustments to cash were necessary to fairly state the year end balances in the financial statements.

**Cause:**

The City did not maintain procedures to ensure that cash and investment balances were accurately and appropriately reconciled to the general ledger. Additionally, the City's procedures did not include a process to insure that the reconciliations were prepared and reviewed on a timely basis.

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Recommendation:**

We recommend that the City separate the performance of bank reconciliation from the review of the bank reconciliation. We recommend that processes are strengthened to perform and review the reconciliations within 30 days of the previous month's end. Further, we recommend that the City implement a policy on staled dated checks.

**View of Responsible Officials and Planned Corrective Action:**

*See separate Corrective Action Plan.*

**Finding 2017-002**

**VENDOR MASTER FILE MAINTENANCE**

**Criteria:**

The City should maintain a policy for vendor master file maintenance to control active and inactive vendor files. Necessary changes to the vendor master file should be restricted to authorized personnel and the review and authorization of changes made should be evidenced.

**Condition:**

During our testing over the cash disbursements transaction cycle, it was noted that various employees had access to make changes to the vendor master file. The review of changes made to the vendor master file was not evident. Additionally, it was noted that the City did not have a policy for reviewing the vendor master file to inactivate or purge unused vendors.

**Context:**

The condition above was identified during our consideration of the City's design and implementation of internal controls over the City's cash disbursements process.

**Effect:**

Due to the above condition, the internal controls over the disbursement of City funds are weakened.

**Cause:**

The City does not have a formalized policy to restrict access to changes to the vendor master file, to review changes made to the vendor master file, and to inactivate or purge unused vendors from the vendor master file.

**Recommendation:**

We recommend that the City implement a policy to restrict access to make changes to the vendor master file, to conduct reviews of the changes made to the vendor master file, and to purge inactive vendors from the file.

**View of Responsible Officials and Planned Corrective Action:**

*See separate Corrective Action Plan.*

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Finding 2017-003**

**CAPITAL ASSET INVENTORY**

**Criteria:**

Management is responsible for the fair presentation of capital asset balances. Management should ensure that items are capitalized if the transaction meets the requirements for capitalization pursuant to the City's policy. The ongoing existence of capital assets should be considered and should be included in the City's policy.

**Condition:**

As a result of our audit procedures, we noted the following:

- The continued existence of capital assets has not been validated through an observation.
- The City does not have a capitalization policy that sets thresholds for capitalization.

**Context:**

The conditions noted above were identified as a result of our audit procedures over capital asset balances and activity.

**Effect:**

Due to the above condition, adjustments were recorded to fairly state capital asset balances.

**Cause:**

The City does not have procedures in place to perform capital asset inventory observations, nor is a policy in place to set capitalization thresholds.

**Recommendation:**

We recommend that the City adopt a capitalization policy that includes capitalization thresholds and procedures for periodic inventory observations.

**View of Responsible Officials and Planned Corrective Action:**

*See separate Corrective Action Plan.*

**Finding 2017-004**

**UTILITY BILLINGS**

**Criteria:**

Internal controls should ensure that an individual is not able to both initiate and approve the same transaction in the utility billing system.

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Condition:**

During the course of our audit, it was observed that individuals performing billing for utility operations were able to modify utility rates on the master rate schedule. Additionally, individuals were able to issue credits to customer accounts, assign additional charges, and make adjustments to customer bills without a secondary authorization. Additionally, no documentation of review is maintained.

**Context:**

The condition above was identified during our testing of the utility billing processes.

**Effect:**

Due to the above condition, the City's internal control associated with utility billings is heightened.

**Cause:**

Internal controls were not implemented to ensure that changes made to the master rate schedule or to customer utility bills are either authorized or reviewed by someone other than the individual who initiated the change.

**Recommendation:**

It is recommended that the City implement policies and procedures to ensure that proper segregation of duties exist over the utility billing process and that any changes made to the master rate schedule or to customer bills are properly authorized and reviewed.

**View of Responsible Officials and Planned Corrective Action:**

*See separate Corrective Action Plan.*

**Finding 2017-005**

**YEAR-END CLOSING**

**Criteria:**

In order to fairly present year-end financial statements, management must perform a year-end closing process to accumulate, reconcile, and summarize information for inclusion. The closing process should include the review of balances for proper cutoff.

**Condition:**

During our audit, we noted the following:

- Equity balances at the beginning of the period were not reconciled to previously issued financial statements and required adjustment.
- Bank balances had not been appropriately reconciled and required adjustment.
- Certain accounts payable balances had not been reconciled and required adjustment.

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

- Interest receivable on a loan had not been recorded and required adjustment.
- Revenue associated with certain late charges related to the water utility was being incorrectly recorded and required adjustment.
- Interfund balances had not been completely reconciled and required adjustment.
- Components of net position were not correctly calculated and required adjustment.

**Context:**

The condition noted above were identified during testing over various accounts and balances.

**Effect:**

Adjustments were necessary to fairly present the financial statements.

**Cause:**

The City's year-end closing process was not complete.

**Recommendation:**

We recommend that the City enhance its year-end closing process. This can be accomplished through a comprehensive closing checklist. The checklist should list each task, the person responsible for its completion, and the date the task should be completed.

**View of Responsible Officials and Planned Corrective Action:**

*See separate Corrective Action Plan.*

**Finding 2017-006**

**FINANCIAL REPORTING**

**Criteria:**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements should be presented in the correct format, include all required disclosures and reflect the implementation of current accounting pronouncements.

**Condition:**

As a result of our audit procedures, we noted the following:

- Certain financial statement line items were incorrectly listed as deferred inflows of resources and required reclassification to liabilities.
- Balances related to unavailable revenue required inclusion in the governmental funds balance sheet
- Certain financial statement accounts did not agree to the City's trial balance and required adjustment
- The accounts were grouped inconsistently in the financial statements and required an update

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

- Financial statement disclosures did not reflect all required information or did not reflect current accounting pronouncements as follows:
  - Information on significant accounting policies for fair value measurements, pensions, and deferred outflows/inflows of resources were not included.
  - The cash and investment disclosure required additional information related to fair value measurement levels. Additionally, the authorized investments disclosed did not agree to the City’s investment policy.
  - Descriptions for significant interfund transactions was not included.
  - The type of pension plan the City provides to its employees was incorrectly disclosed. The City’s proportionate share percentage of the cost-sharing pension plan was incorrectly calculated.
  - Budgetary information was incomplete.
  - Significant events that occurred subsequent to the balance sheet date such as a debt issuance were not disclosed as required.

**Context:**

The condition noted above was identified as a result of our audit procedures.

**Effect:**

Due to the above condition, adjustments were necessary to the City’s financial statements to fairly present the financial statements.

**Cause:**

The City’s current processes did not identify and correct the information in the financial statements.

**Recommendation:**

We recommend that the City enhance its internal control processes for report writing by completing a disclosure checklist in conjunction with report writing.

**View of Responsible Officials and Planned Corrective Action:**

*See separate Corrective Action Plan.*

**Finding 2017-007**

**SINGLE AUDIT REPORTING**

**Criteria:**

In accordance with the requirements of the *Uniform Guidance*, the City should report all federal expenditures meeting the requirements for inclusion in the Schedule of Expenditures of Federal Awards (SEFA) each fiscal year.



**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Condition:**

A loan with continuing compliance requirements that met the requirements for inclusion on the SEFA was not included. The outstanding amount of the loan was significant and impacted the risk assessment for the determination of major programs.

**Questioned Costs:**

None noted.

**Context:**

The condition noted above was identified during our procedures related to the SEFA.

**Effect:**

Adjustments to the SEFA were necessary and the determination of major programs related to the single audit was adjusted.

**Cause:**

The City's procedures did not ensure the required grants were included in the SEFA in accordance with the *Uniform Guidance*.

**Recommendation:**

We recommend that the City update its procedures to ensure that all federal expenditures on the SEFA.

**Views of Responsible Officials and Planned Corrective Actions:**

*See separate Corrective Action Plan.*

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2017-008**

**Program:** HOME Investment Partnerships Program (HOME)

**CFDA No.:** 14.239

**Federal Grantor:** U.S. Department of Housing and Urban Development (HUD)

**Passed-through:** N/A

**Award No. and Year:** 03\_HOME-0701

**Compliance Requirements:** Allowable Costs, Cash Management

**Criteria:**

*Title 2 CFR Section 200.302(b)(6) and (7) of the Uniform Guidance* requires all non-Federal entities to establish written procedures to implement the requirements of 2 CFR section 200.305 (Cash Management) and for determining the allow ability of costs in accordance with *Subpart E – Cost Principles* and the conditions of the Federal award. Additionally *Title 2 CFR Section 200.318(c)(1) and (2) of the Uniform Guidance* requires the non-Federal entity to maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts, and covering organization conflicts of interest.

**Condition:**

*Significant Deficiency, Instance of Non-Compliance* – The City has not established written procedures to implement the cash management requirements of 2 *CFR Section 200.305*, including written procedures that minimize the time elapsing between the transfer of funds and disbursement by the City. Further, the City has not established written procedures for determining allowability of costs in accordance with *Subpart E – Cost Principles* or the conditions of the Federal award.

**Questioned Costs:**

None noted.

**Context:**

The condition noted above was identified during our procedures related to cash management and allowable costs for the HOME program, which is subject to the *Uniform Guidance*.

**Effect:**

The City has not complied with the specific requirements for written procedures over cash management and allowable costs as described in the *Uniform Guidance*.

**Cause:**

The City’s procedures did not ensure the required written procedures were developed and implemented in accordance with the *Uniform Guidance*.

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Recommendation:**

We recommend the City review its policies and internal control procedures, and formalize written procedures related to cash management requirements within *2 CFR Section 200.305* and allowable costs in accordance with *Subpart E – Cost Principles*.

**Views of Responsible Officials and Planned Corrective Actions:**

*See separate Corrective Action Plan.*

**CITY OF BRAWLEY, CALIFORNIA  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

None reported.