

CITY OF SUNNYVALE

Single Audit Reports

For the Year Ended June 30, 2014

CITY OF SUNNYVALE

For the Year Ended June 30, 2014

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**Independent Auditor’s 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***

Honorable Mayor and Members
of the City Council
City of Sunnyvale, 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 Sunnyvale, California (City), as of and for the year ended June 30, 2014, 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 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City’s internal control. Accordingly, we do not express an opinion on the effectiveness of City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Macias Gini & O'Connell LLP

Walnut Creek, California

December 3, 2014

**Independent Auditor’s Report on Compliance For Each Major Program;
on Internal Control Over Compliance; and on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

Honorable Mayor and Members
of the City Council
City of Sunnyvale, California

Report on Compliance for Each Major Federal Program

We have audited the City of Sunnyvale, California’s (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2014. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal 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, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of

requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on 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 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 3, 2014, 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.


Walnut Creek, California
March 10, 2015

CITY OF SUNNYVALE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Grant Identifying Number or Pass-Through Entity Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants:			
Program expenditures	14.218	N/A	\$ 936,247
Subrecipients:			
Bill Wilson Center	14.218	N/A	17,500
Family & Children Services	14.218	N/A	19,000
First United Methodist Church	14.218	N/A	14,000
The Health Trust	14.218	N/A	6,000
May View Community Health Center	14.218	N/A	15,500
Outreach & Escort Inc	14.218	N/A	26,500
Sunnyvale Community Services Inc	14.218	N/A	338,284
YWCA of Silicon Valley	14.218	N/A	15,500
Subtotal CDBG - Entitlement Grants Cluster			<u>1,388,531</u>
Home Investment Partnerships Program:			
Program expenditures	14.239	N/A	1,019,967
Subrecipients:			
Housing Authority of the County of Santa Clara	14.239	N/A	121,383
Santa Clara Valley Health & Hospital System	14.239	N/A	116,505
Subtotal Home Investment Partnerships Program			<u>1,257,855</u>
Pass-Through Metropolitan Transportation Commission:			
FY2011 Sustainable Communities Regional Planning Grant Program			
Working Partnerships - Bay Area Tech Career Advancement			
Program Expenditures	14.703	CARIP0048-11	27,650
Subrecipients:			
Stride Center	14.703	CARIP0048-11	18,529
Subtotal Sustainable Communities Regional Planning Grant Program			<u>46,179</u>
Total U.S. Department of Housing and Urban Development			<u>2,692,565</u>
U.S. Department of Justice			
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	10,922
Asset Forfeiture	16.922	N/A	25,291
Total U.S. Department of Justice			<u>36,213</u>
U.S. Department of Labor			
Pass-Through State of California Employment Development Department:			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program	17.258	K491033	733,615
WIA Adult Program	17.258	K386312	125,097
Subtotal WIA Adult Program			<u>858,712</u>
WIA Youth Activities	17.259	K386312	154,553
WIA Youth Activities			
Program Expenditures	17.259	K491033	329,245
Subrecipients:			
Bill Wilson Center	17.259	K491033	222,031
Subtotal WIA Youth Activities			<u>705,829</u>
WIA Dislocated Workers Formula Grants	17.278	K386312	206,399
WIA Dislocated Workers Formula Grants	17.278	K491033	922,883
WIA Dislocated Workers Formula Grants - Rapid Response	17.278	K386312	120,060
WIA Dislocated Workers Formula Grants - Rapid Response	17.278	K491033	607,850
WIA Dislocated Workers Formula Grants - Rapid Response AAG	17.278	K282490	1,377,428
WIA Dislocated Workers Formula Grants - Rapid Response AAG II	17.278	K386312	2,028,372
Pass-Through County of San Mateo:			
WIA Cluster:			
WIA Dislocated Workers Formula Grants - 25% AA	17.278	K386331	99,941
Subtotal WIA Dislocated Workers Formula Grants			<u>5,362,933</u>
Subtotal Workforce Investment Act (WIA) Cluster			<u>6,927,474</u>
Pass-Through County of San Mateo:			
Workforce Innovation Fund - ETA Allies	17.283	IF-23411-12-60-A-6	37,577
Total U.S. Department of Labor			<u>6,965,051</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF SUNNYVALE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Grant Identifying Number or Pass-Through Entity Number	Federal Expenditures
U.S. Department of Transportation			
Highway Planning and Construction Cluster:			
Pass-Through State of California Department of Transportation:			
Fair Oaks Avenue Over Caltrain	20.205	BHLS-5213(039)	\$ 749,315
Mtn View-Alviso Road Over Calabazas Creek	20.205	BRLS-5213 (040)	81,382
Mathilda Avenue Railroad Overpass Improvement	20.205	BRLS-5213 (018)	369,636
Hendy Ave Complete Street Project	20.205	STPL-5213(036)	265,505
Sunnyvale Ave / Old San Francisco Intersection Reconstruction	20.205	STPL-5213(043)	380,397
Duane Ave Pavement Rehabilitation	20.205	STPL-5213(050)	599
Bernardo Ave / Remington Drive Intersection	20.205	HSIPL-5213(045)	472,324
Downtown Streetscape Improvements	20.205	CML-5213(037)	591,170
Mathilda Ave - Maude Ave Safety Improvements	20.205	HSIPL-5213(049)	14,357
Sunnyvale - Saratoga Rd - Fremont Ave Safety Improvements	20.205	HSIPL-5213(048)	7,637
Federal Safe Routes to School	20.205	SRTSL-5213 (044)	96,229
Pass-Through Metropolitan Transportation Commission:			
Lawrence Station Area Plan	20.205	STPL-6084(146)	197,597
Subtotal Highway Planning and Construction Cluster			<u>3,226,148</u>
Highway Safety Cluster:			
State and Community Highway Safety Program:			
Pass-Through State of California Office of Traffic Safety and County of Santa Clara:			
Avoid the 13	20.600	AL1352	841
Avoid the 13	20.600	AL1419	2,410
Pass-Through State of California Office of Traffic Safety and UC Berkeley Safe Transportation and Education Center:			
BE AWARE - Ped & Bicyclist Roadway Safety	20.600	PS1407	23,070
Sobriety Checkpoint Minigrant	20.600	SC13422	7,500
Sobriety Checkpoint Minigrant	20.600	SC14422	9,521
Subtotal Highway Safety Cluster			<u>43,342</u>
Pass-Through State of California Office of Traffic Safety and County of Santa Clara:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - Bike Party Enforcement	20.608	AL1320	1,488
Total U.S. Department of Transportation			<u>3,270,978</u>
U.S. Department of Treasury			
Direct Program:			
Treasury Forfeiture Fund Program	21.000	N/A	108,155
Total U.S. Department of Treasury			<u>108,155</u>
Institute of Museum and Library Services			
Pass-Through California State Library:			
Grants to States:			
Learning Together: An Interactive Program	45.310	40-8146	2,935
Printing Old and New	45.310	40-8186	3,293
Subtotal Grants to States			<u>6,228</u>
Total Institute of Museum and Library Services			<u>6,228</u>
U.S. Department of Health and Human Services			
Pass-Through Council of Aging Silicon Valley:			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	A3-1314-10, A9-1314-10	18,000
Pass-Through State of California and California School Health Centers Association			
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges - Outreach and Education Grant Program	93.525	12-E9104	11,509
Total U.S. Department of Health and Human Services			<u>29,509</u>
U.S. Department of Homeland Security			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	714,275
Pass-Through State of California Emergency Management Agency and Santa Clara County Office of Emergency Services:			
Emergency Management Performance Grants	97.042	2012-0027	35,126
Homeland Security Grant Program:			
Pass-Through State of California Emergency Management Agency and Santa Clara County Office of Emergency Services			
Pass-Through State of California Emergency Management Agency and Alameda County	97.067	2013-00110	54,301
Pass-Through State of California Emergency Management Agency and Alameda County	97.067	2013-00110	12,450
Subtotal Homeland Security Grant Program			<u>66,751</u>
Total U.S. Department of Homeland Security			<u>816,152</u>
Total Expenditures of Federal Awards			<u>\$ 13,924,851</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF SUNNYVALE

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

(1) GENERAL

The accompanying schedule of expenditures of federal awards (SEFA) presents the activity of the federal award programs of the City of Sunnyvale, California (the City). The City's reporting entity is defined in Note 1 to its basic financial statements. The SEFA includes all federal awards received directly from federal agencies and federal awards passed-through other governmental agencies.

(2) BASIS OF PRESENTATION

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the City's basic financial statements.

(3) RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds or as expenses/capital assets in the proprietary funds. Federal award expenditures/expenses/capital assets agree or can be reconciled with the amounts reported in the City's basic financial statements.

(4) RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the SEFA agree to or can be reconciled with the amounts reported in the related federal financial reports.

CITY OF SUNNYVALE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Section I Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on the basic financial statements of the City: Unmodified

Internal control over financial reporting:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiency(ies) identified? No

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiency(ies) identified? No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? No

Identification of major programs:

Federal Domestic Catalog Number(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnerships Program
17.258, 17.259, 17.278	Workforce Investment Act (WIA) Cluster

Dollar threshold used to distinguish between type A and type B programs: \$417,746

Auditee qualified as a low-risk auditee? Yes

Section II Financial Statement Finding

None reported.

Section III Federal Award Finding and Questioned Costs

None reported.

CITY OF SUNNYVALE

Schedule of Prior Year Findings and Questioned Costs

For the Year Ended June 30, 2014

Reference Number:	<i>Financial Statement 2013-001 – Significant Deficiency Improve Internal Control Over Financial Reporting</i>
Audit Finding:	During the fiscal year 2013 audit, the City identified a billing error in which a vendor has under-billed the City for water purchases for the year ended June 30, 2012. The City entered into a settlement with the vendor in which the City agreed to pay \$1,110,506 for the under-billed amount. The City recorded a prior period adjustment and adjusted the June 30, 2012 net position and liabilities balances for the Water Supply and Distribution major enterprise fund.
Recommendation:	We recommended the City continue to re-evaluate its internal control over financial reporting and monitor the effect of these changes to ensure that the procedures are designed appropriately and are operating effectively.
Status:	Corrective action has been implemented.
Reference Number:	<i>Federal Award Finding 2013-002 Reporting Requirements – Federal Funding Accountability and Transparency Act</i>
Program Identification	Direct Award from U.S Department of Housing and Urban Development CFDA No. 14.239 Home Investment Partnerships Program
Audit Finding:	The City is a prime grantee of federal awards under the Home Investment Partnerships Program. The City did not submit subaward data in the FSRS for a contract awarded in fiscal year ended June 30, 2013 and was unable to provide proper documentation to demonstrate that a good faith effort was made.
Recommendation:	We recommended the City report all subawards made to date in the FSRS. If technical or other difficulties prevent compliance with the reporting requirements by the specified due dates, the departments should retain proper documentation to demonstrate good faith effort.
Status:	Corrective action has been implemented.

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