

**CITY OF PITTSBURG, CALIFORNIA**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**This Page Left Intentionally Blank**

**CITY OF PITTSBURG**  
**SINGLE AUDIT REPORT**  
**For The Year Ended June 30, 2018**

**TABLE OF CONTENTS**

	<u>Page</u>
Schedule of Findings and Questioned Costs .....	1
Section I - Summary of Auditor's Results .....	1
Section II – Financial Statement Findings .....	2
Section III – Federal Award Findings and Questioned Costs .....	2
Schedule of Expenditures of Federal Awards .....	3
Notes to Schedule of Expenditures of Federal Awards.....	5
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 <i>Government Auditing Standards</i> .....	7
Independent Auditor's 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 .....	9

**This Page Left Intentionally Blank**

**CITY OF PITTSBURG**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2018**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   Yes    \_\_\_\_\_ No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.871</u>	<u>Housing Choice Vouchers – Section 8 Voucher Program/VASH</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 30, 2018 which is an integral part of our audits and should be read in conjunction with this report.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following finding or questioned costs required to be reported in accordance with Uniform Guidance.

### **Finding SA 2018-001: *Verification of Corrective Action for Non-Life Threatening Deficiencies***

**CFDA number:** 14.871

**CFDA Title:** Department of Housing and Urban Development Section 8 Housing Choice Vouchers

**Name of Federal Agency:** Department of Housing Urban Development.

**Criteria:** 24 CFR sections 982.158(d) and 982.404, and the City of Pittsburg Housing Authority's inspection policies, require that for any units under the Housing Assistance Payments (HAP) contract that fail to meet Housing Quality Standards (HQS), the Housing Authority must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspection, and all other HQS deficiencies within 30 calendar days or within the time specified in a Housing Authority-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the Authority must stop (abate) the HAPs beginning no later than the first of the month following the specified correction period or terminate the HAP contract.

**Condition:** We tested eleven failed inspections that resulted in an HQS deficiency, and noted that for one of the selections, re-inspection was not completed until eight months after the initial failed inspection.

**Effect:** The Housing Authority is not in compliance with 24 CFR sections 982.158(d) and 982.404 or the Authority's inspection policy.

**Cause:** This was due to a City staff's oversight for the failed inspection.

**Questioned Costs:** There are no known questioned costs for this finding and any potential questioned costs would be de minimus, based on the number of tenants who participate in the program and the dollar amount of Housing Choice Vouchers for Section 8 during fiscal year 2017-18.

**Recommendation:** The Housing Authority staff should review tenant files, including the quality inspections status, on a regular basis to ensure that all re-inspections have been performed within the time required, and abate the HAPs for any owners that remain out of compliance.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the City.

**CITY OF PITTSBURG**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2018**

<b>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Pass-Through To Subrecipients</b>	<b>Federal Expenditures</b>
<b>US Dept of Housing &amp; Urban Development Direct Programs:</b>				
Community Development Block Grants Entitlement Program Subgrants	14.218		<u>\$129,750</u>	<u>\$536,150 129,750</u>
Subtotal Community Development Block Grants/Entitlement Grants				<u>665,900</u>
Housing Choice Vouchers - Section 8 Voucher Program/VASH	14.871			<u>16,887,948</u>
Total Department of Housing and Urban Development			<u>129,750</u>	<u>17,553,848</u>
<b>Department of Justice Pass-Through Program From:</b>				
Office of Contra Costa County Office of the Sheriff COPS Hiring Recovery Program (CHRP)	16.710	2015UMWX0009		<u>120,374</u>
<b>Department of Transportation Pass-Through Programs From:</b>				
California Department of Transportation				
Highway Planning and Construction (Federal-Aid Highway Program)				
Willow Pass Bridge Seismic Retrofit	20.205	STPLZ-5127(024)		18,039
Multimodal Transit Station Access 2013-19	20.205	CML-5127(030)		1,005,618
ST - 42 West Leland High Friction Surface	20.205	HSIPL-04-020		5,096
ST - 38 West Leland Pavements Marker/Speed Sign	20.205	HSIPL-04-018		11,732
ST - 43 West Leland Delineation/Hi Vis Crosswalk	20.205	HSIPL-04-019		14,452
Stonesman Avenue Intersection Improvements	20.205	HSIPL-5127(034)		<u>10,089</u>
Subtotal California Department of Transportation Pass-Through Programs				<u>1,065,026</u>
State of California-Office of Traffic Safety				
Selective Traffic Enforcement Program	20.600	PT1676		5,984
Selective Traffic Enforcement Program	20.600	PT18114		22,518
Selective Traffic Enforcement Program	20.608	PT1676		10,956
Selective Traffic Enforcement Program	20.608	PT18114		<u>32,297</u>
Subtotal State of California- Office of Traffic Safety Pass-Through Programs				<u>71,755</u>
Total Department of Transportation				<u>1,136,781</u>
<b>Department of Labor Employment and Training Administration Pass-Through Program From:</b>				
Contra Costa County Employment and Human Services				
Workforce Investment Act of 1998 (WIA) Adult Program	17.258	18-380-3; 18-380-4	<u>198,000</u>	<u>198,000</u>
<b>US Environmental Protection Agency Direct Programs:</b>				
Environmental Workforce Development and Job Training	66.815			91,903
Brownfields Assessment and Cleanup Cooperative Agreements	66.818			<u>12,562</u>
Subtotal Environmental Workforce Development and Job Training Program				<u>104,465</u>
<b>US Department of Homeland Security - Federal Emergency Management Agency Pass-Through Program From:</b>				
California Governor's Office of Emergency Services				
Public Assistance Grants	97.036	013-57456		<u>58,676</u>
Total Expenditures of Federal Awards			<u>\$327,750</u>	<u>\$19,172,144</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**This Page Left Intentionally Blank**



**CITY OF PITTSBURG**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2018**

**NOTE 1 – REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Pittsburg, California (City) and its component units as disclosed in the notes to the Basic Financial Statements.

The City was incorporated under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such “General Law” cities. The City uses the Council/Manager form of government. The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government’s exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The following component units are included in the basic financial statements of the City:

- Housing Authority
- Public Infrastructure Financing Authority
- Pittsburg Power Company
- Pittsburg Arts & Community Foundation

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

**NOTE 3 – INDIRECT COST ELECTION**

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

**CITY OF PITTSBURG**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2018**

**NOTE 4 – LOAN AND/OR LOAN GUARANTEE PROGRAM**

The following loan programs balances and transactions relating to these programs 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. The balance of loans outstanding at June 30, 2018 consists of the following:

CFDA Number	Program Name	Outstanding Balance at June 30, 2018
14.218	Community Development Block Grants/Entitlement Grants	\$263,844

**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**

To the Honorable Members of the City Council  
City of Pittsburg, 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 Pittsburg, California (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 November 30, 2018. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

***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 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 have also issued a separate Memorandum on Internal Control dated November 30, 2018 which is an integral part of our audit and should be read in conjunction with this report.

### ***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 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.

*Maze & Associates*

Pleasant Hill, California  
November 30, 2018

**INDEPENDENT AUDITOR'S 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 Members of the City Council  
City of Pittsburg, California

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

We have audited the City of Pittsburg's (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 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.

***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 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 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 instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. 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. 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 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 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 November 30, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 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.

*Maze & Associates*

Pleasant Hill, California  
December 20, 2018

This Page Left Intentionally Blank