

CITY OF NAPA, CALIFORNIA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014

Prepared by:

*Finance Department, City of Napa
March, 2015*

CITY OF NAPA

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For The Year Ended June 30, 2014****TABLE OF CONTENTS**

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**VAVRINEK, TRINE, DAY
& COMPANY, LLP**
Certified Public Accountants

VALUE THE DIFFERENCE

**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 Napa, 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 Napa, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2015. Our report included an emphasis of a matter paragraph disclosing beginning net position restatements.

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.

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 were not 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 City'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 2014-1 and 2014-2, that we consider 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 deficiency described in the accompany schedule of findings and questioned costs, as item 2014-3, to be a significant deficiency.

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*.

Management's Response to Findings

The City's response to the findings 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 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 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.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
March 25, 2015



**VAVRINEK, TRINE, DAY
& COMPANY, LLP**
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB
CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Napa, 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.

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 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 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 January 31, 2014, which contained an unmodified opinion on those financial statements. Our opinion contained an emphasis of matter disclosing beginning net position restatements. 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 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.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
March 25, 2015

CITY OF NAPA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Identification Number | Federal Expenditures |
|---|---------------------------|--|-------------------------|
| U.S. Department of Transportation State of California | | | |
| <u>Pass-Through Programs:</u> | | | |
| Highway Planning and Construction | | | |
| First Street Bridge over Napa River | 20.205 | BRLS-5042 (038) | \$ 2,488 |
| Trancas Bridge Scour | 20.205 | BHLS-5042(042) | 7,400 |
| California Blvd Wide Pueblo/Perm | 20.205 | CML-5042 (054) | 1,308 |
| Linda Vista Fed Overlay | 20.205 | STPL-5042-055 | 767 |
| National Highway Traffic Safety Administration | | | |
| Selective Traffic Enforcement Program (STEP) | 20.600 | PT1450 | 19,113 |
| Selective Traffic Enforcement Program (STEP) | 20.608 | PT1450 | 39,902 |
| Selective Traffic Enforcement Program (STEP) | 20.600 | PT13110 | 17,432 |
| Selective Traffic Enforcement Program (STEP) | 20.608 | PT13110 | 14,350 |
| Minimum Penalties for repeat offenders (Avoid DUI Campaign) | 20.608 | AL1305 | 40,576 |
| Minimum Penalties for repeat offenders (Avoid DUI Campaign) | 20.608 | AL1454 | 45,006 |
| Subtotal U.S. Department of Transportation Pass-Through Programs | | | <u>188,342</u> |
| Total U.S. Department of Transportation State of California | | | <u>188,342</u> |
| U.S. Department of Housing and Urban Development | | | |
| <u>Direct Programs:</u> | | | |
| Community Development Block Grants Entitlement Cluster: ⁽¹⁾ | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | | 1,166,127 |
| Housing Voucher Cluster: ⁽¹⁾ | | | |
| Mainstream Vouchers (MS5) | 14.879 | | 279,109 |
| Section 8 Housing Choice Vouchers | 14.871 | | 9,496,978 |
| Family Unification Program (FUP) | 14.880 | | 1,581,020 |
| Housing Development Programs: | | | |
| Continuum of Care | 14.267 | | 68,947 |
| Supportive Housing Program | 14.235 | | 1,828 |
| Shelter Plus Care Program | 14.238 | | <u>14,772</u> |
| Subtotal U.S. Department of Housing and Urban Development Direct Programs | | | <u>12,608,781</u> |
| <u>Pass-Through Programs:</u> | | | |
| Department of Housing and Community Development | | | |
| HOME Investment Partnership Program | 14.239 | B-09-MC-06-0028 | <u>335,279</u> |
| Subtotal U.S. Department of Housing and Urban Development Pass-Through Programs | | | <u>335,279</u> |
| Total U.S. Department of Housing and Urban Development Programs | | | <u>12,944,060</u> |
| U.S. Department of Justice | | | |
| <u>Direct Programs:</u> | | | |
| Bureau of Justice Assistance | | | |
| Edward Byrne Memorial Justice Assistance Grant (JAG) | 16.738 | | 12,125 |
| Edward Byrne Memorial Justice Assistance Grant (JAG) | 16.738 | | 18,803 |
| Bulletproof Vest Partnership Program | 16.607 | | <u>6,977</u> |
| Total U.S. Department of Justice Programs | | | <u>37,905</u> |

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

CITY OF NAPA**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014****U.S. Department of Homeland Security**Pass-Through Programs:

| | | | | |
|---|--------|-------------------|--|---------------|
| Federal Emergency Management Agency | | | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | EMW-2013-FH-00717 | | <u>11,195</u> |
| Total U.S. Department of Homeland Security | | | | <u>11,195</u> |

U.S. Department of Health and Human ServicesPass-Through Programs:

| | | | | |
|--|--------|--------------|--|-----------------------------|
| Children's Justice Grants to States | | | | |
| Children Exposed to Domestic Violence Response | 93.643 | EV12 01 7400 | | 116,578 |
| Children Exposed to Domestic Violence Response | 93.643 | EV13 02 7400 | | <u>48,843</u> |
| Total U.S. Department of Health and Human Services | | | | <u>165,421</u> |
| Total Expenditures of Federal Awards | | | | <u><u>\$ 13,346,923</u></u> |

⁽¹⁾ Tested as a major program

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

CITY OF NAPA**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014*****NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****A. General**

The accompanying schedule of expenditures of federal awards presents the activity of all Federal awards programs of the City of Napa (City). The City's reporting entity is defined in Note #1 of the City's basic financial statements. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other governmental agencies to the City are included in the accompanying schedule.

B. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note #1 of the City's basic financial statements.

C. Relationship to Basic Financial Statements

The amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, to amounts reported within the City's financial statements.

D. 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.

E. Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

F. Pass-Through Entities' Identifying Number

When Federal awards were received from a pass-through entity, the schedule of expenditures of federal awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

| CFDA Number | Program Name | Amount Provided to Subrecipients |
|-------------|---|-------------------------------------|
| 14.218 | Community Development Block Grants/Entitlement Grants | \$ 107,110 |

CITY OF NAPA**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014****I. SUMMARY OF AUDITORS' RESULTS****FINANCIAL STATEMENTS**

| | |
|---|-------------------|
| Type of auditors' report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | <u>Yes</u> |
| Significant deficiency(ies) identified? | <u>Yes</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|---|----------------------|
| Internal control over major programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified? | <u>None reported</u> |
| Type of auditors' report issued on compliance for major programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? | <u>No</u> |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------------|--|
| <u>14.871, 14.879, and 14.880</u> | <u>Housing Voucher Cluster</u> |
| <u>14.218</u> | <u>Community Development Block Grants/Entitlement Grants</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 400,408</u> |
| Auditee qualified as low-risk auditee? | <u>No</u> |

CITY OF NAPA**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014****II. FINANCIAL STATEMENT FINDINGS**

Finding Number 2014-1**IMPROPER APPLICATION OF ACCOUNTING STANDARDS AND IMPROPER FINANCIAL REPORTING****Criteria:**

Governmental Accounting Standards should be applied with due diligence and consistency to ensure proper accounting and financial reporting.

Condition:

At the beginning of the audit City finance personnel brought to our attention concerns they had regarding the proper accounting and financial reporting in previous years and our audit concluded the following:

- During our audit of the North Bay Aqueduct (NBA) contract, we noted that the City had incorrectly recognized the contract as a capital lease liability and a related asset.
- During our audit, we noted that the City implemented GASB Statement No. 65 (Items Previously Reported as Assets and Liabilities) during fiscal year 2012-13, however not all aspects of the statement had been implemented properly. The City failed to expense the bond issuance cost as required and failed to properly reflect the change in presentation of a Service Concession Arrangement Deferred Inflow from the Golf Fund balance sheet to the Government-Wide Statement of Net Position.

Cause:

Improper interpretation and application of the financial accounting and reporting standards due to time constraints and pressure to issue the prior year financial statements timely.

Effect:

- The improper treatment of the financial reporting for the NBA contract resulted in an understatement of the beginning balance of current year Proprietary Funds and Government-Wide Business-Type Activities net positions totaling \$5,781,151, which was corrected by management restating the beginning net position in the current year financial statements.
- The partial implementation of GASB 65 resulted in an overstatement of the beginning balance of the current year Government-Wide Governmental Activities and Private Purpose Trust fund net positions by \$673,196 and \$363,200, respectively, which were corrected by management with a restatement in the current year financial statements.

Recommendation:

We recommend the City rely on authoritative guidance for all accounting and financial reporting matters. (i.e. GASB Statements, interpretations, technical guides, and implementation guides, and the American Institute of Public Accountants (AICPA) Audit and Accounting Guide and other related technical pronouncements). Another useful non authoritative source is the Government Finance Officers Association's (GFOA) Governmental Accounting, Auditing and Financial Reporting guide. For accounting and financial reporting matters that do not appear to have clear guidance the GASB, GFOA, and AICPA have technical hotlines that may be utilized.

CITY OF NAPA**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014****II. FINANCIAL STATEMENT FINDINGS**

Views of responsible Officials and Planned Corrective Actions:

In 1991, the City of Napa reevaluated the accounting treatment given to its water supply contract with Napa County Flood Control and Water Conservation District (NCFCWCD) resulting in an adjustment to the Water Enterprise (Business-type activities) balance sheet to include both the asset and the liability for the capital lease obligation for the North Bay Aqueduct (NBA) and peripheral infrastructure. Based on additional research completed by the City, and discussions regarding GASB concept statement No. 4 and the classification of the North Bay Aqueduct contract with the City's financial auditors, the City adjusted the balance sheet of the Water Enterprise (Business-type activity) to correct the obligation to NCFCWCD from capital to operating. Additionally, although it was the City's intent to fully implement GASB Statement 65 during fiscal year 2012-13, errors of misunderstanding were evident upon further review and corrected in fiscal year 2013-14. Adjustments for all noted above were included in the June 30, 2014 financial statements and will not require additional adjustments. The City acknowledges the resources available for consultation and guidance on pronouncements, and will utilize those resources (e.g. AICPA, GFOA) in the future.

Finding Number 2014-2**COMPLETENESS AND ACCURACY OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****Criteria:**

In accordance with U.S. Office of Management and Budget Circular A-133, §____.310(a) *Schedule of expenditures of federal Awards*, the auditee shall Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. Further, under §____.205 *Basis for determining Federal awards expended*, the determination of when an award is expended should be based on when the activity related to the award occurs.

Condition:

During our audit over the completeness and accuracy of the Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2014, we noted the following exceptions which were subsequently corrected by the management on the current year SEFA:

- The City improperly excluded current year rehabilitation loan expenditures related to a major program (Community Development Block Grant),
- The City has improperly reported multiple pass-through grants from National Highway Traffic Safety Administration (NHTSA) as direct programs,
- The City has improperly reported in the SEFA the Section 8 Housing Choice Voucher program revenues instead of the program expenses.
- The City failed to identify, in its accounts, the administrative expenses for the Family Unification Program (FUP), and also the FUP program expenses were improperly combined and presented under Section 8 Housing Choice Vouchers CFDA number in the initial SEFA.

Cause:

Lack of proper controls over financial reporting of the SEFA.

Effect:

Failure to accurately report federal awards on the SEFA could result in programs not being audited in accordance with OMB Circular A-133 and also result in not submitting the Single Audit to the Federal Audit Clearinghouse timely in accordance with OMB Circular A-133. Federal agencies could withhold grant funding to the City as a result.

CITY OF NAPA**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014****II. FINANCIAL STATEMENT FINDINGS**

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that federal expenditures reported on the SEFA are accurate and in accordance with the requirements of OMB Circular A-133 by applying multiple levels of review procedures over the SEFA by staff that have experience with federal grant requirements to ensure completeness, accuracy and proper presentation.

Views of responsible Officials and Planned Corrective Actions:

The City acknowledges the mistakes in the presentation of CFDA numbers, the omission of rehabilitation loan expenditures, and the reporting of program revenues instead of expenditures, and will be making the following modifications to ensure completeness in the reporting on the schedule of expenditures of Federal Awards. These modifications are as follows: The Accounting Staff will be provided training through GFOA (or similar professional agencies) to ensure complete and current knowledge on all Federal Grants to ensure compliance with grant reporting requirements. Additionally, the Finance Manager will also attend training to ensure strong oversight in the preparation and review of the Single Audit.

Finding Number 2014-3**INADEQUATE CONTROLS OVER MAJOR FUND DETERMINATION****Criteria:**

The City should maintain adequate controls over the financial statements preparation including the major fund determination, and a proper review process should be in place

Condition:

During the review of the major fund determination work sheet prepared by the City, we noted an error in determining a major fund due to a spreadsheet formula error. The error was corrected before the financial statements were issued.

Cause:

Lack of proper controls over the major fund determination.

Effect:

Failure to accurately report the major funds on the financial statements could result in the financial statements are not being presented in accordance with the *Governmental Accounting Standards*.

Recommendation:

We recommend that management strengthen their policies and procedures by applying multiple levels of reviews procedures over the financial statements preparation process to ensure accuracy.

CITY OF NAPA**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014****II. FINANCIAL STATEMENT FINDINGS**

Views of responsible Officials and Planned Corrective Actions:

On August 24, 2014 the City of Napa experienced a 6.0 earthquake, which was declared an emergency at the Local, State and Federal levels. During the preparation of the June 30, 2014 financial statements, the Accounting staff was stretched beyond limits with the normal year-end close and preparation of the financial statements at the same time over \$25 million in emergency and permanent repairs were being conducted throughout the City. The City understands and acknowledges the review required to ensure accurate and complete statements are available for the auditors prior to fieldwork, and agrees the review time by the Finance Manager for the June 30, 2014 CAFR was compromised by the amount of additional work related to the earthquake response. In the future, the City will ensure the internal schedule for preparation of the financial statements is followed, or if impacted by an external situation, will adjust the schedule to ensure review of the document is not compromised, even if that results in a delay of the completion of the audit.

CITY OF NAPA

**SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF NAPA

SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

| <i>Finding No.</i> | <i>Area</i> | <i>Status of Corrective Action</i> |
|---------------------------|---|---|
| 2013-01 | Segregation of Duties for Journal Entry Process | During the June 30, 2014 audit, we performed testing over the journal entry process and we noted that the City has separated the journal entry preparation function from the approval function, accordingly the finding deemed properly corrected. |
| 2013-02 | Update of Signature Cards | During the June 30, 2014 audit, we inspected the signature cards and noted that the City has updated all the signature cards to reflect the personnel changes in the past 2 years. This finding deemed properly corrected. |
| SA 2013-01 | Award Package Submittal | During the June 30, 2014 audit, we requested the Highway Planning and Construction program award package submission letter (federal project No. CML-5042(054), and noted that the package had been submitted to the District Local Assistance Engineer on May 13, 2014, which was less than 60 days after the contract was awarded on May 6, 2014. The finding deemed properly corrected. |