

**CITY OF PALMDALE,
CALIFORNIA**

**SINGLE AUDIT REPORT
(OMB Circular A-133)**

**FOR THE YEAR ENDED
JUNE 30, 2015**

CITY OF PALMDALE, CALIFORNIA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015
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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**

The Honorable City Council of
The City of Palmdale
City of Palmdale, 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, each major fund, and the aggregate remaining fund information of the City of Palmdale, California (City), as of and for the year ended June 30, 2015, 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 24, 2015. Our report included an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 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 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 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 of 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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 24, 2015



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 OMB CIRCULAR A-133

The Honorable City Council of
The City of Palmdale
City of Palmdale, California

Report on Compliance for Each Major Federal Program

We have audited the City of Palmdale, 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, 2015. The City's major federal programs are identified in the summary of auditors' 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 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, we identified a certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be a significant deficiencies.

The City's response to the internal control over compliance 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 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 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, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 24, 2015, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph regarding the City's adoption of Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*, as of July 1, 2014. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the 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 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 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 basic financial statements as a whole.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
March 22, 2016

CITY OF PALMDALE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/ProgramTitle/Cluster	Grant Identification Number	Federal CFDA Number	Federal Program Expenditures
<u>U.S. Department of Housing and Urban Development:</u>			
Direct Programs:			
Community Development Block Grant - Entitlement Grants [1]:			
Administration	B14MC060581	14.218	\$ 120,338
Fair Housing Council	B14MC060581	14.218	27,444
Greater LA Council on Deafness	B14MC060581	14.218	7,362
Section 108 Loan Principal Payment	B14MC060581	14.218	233,000
Section 108 Loan Interest Payment	B14MC060581	14.218	181,689
SAVES Administration	B14MC060581	14.218	196,680
ADA Compliance	B08/13MC060581	14.218	96,007
Boulders at Lake Electrical	B11-13MC060581	14.218	97,900
Courson Connection Infrastructure	B12-14MC060581	14.218	9,282
Neighborhood Stabilization Program:			
Neighborhood Stabilization Prog - Administration	B08MN060515	14.218	34,140
Neighborhood Stabilization Prog - Capital	B08MN060515	14.218	350,383
Neighborhood Stabilization Prog - Forgive / Loss	B08MN060515	14.218	54,036
Total Community Development Block Grant - Entitlement Grants			1,408,261
HOME Investment Partnerships Program [1]:			
HOME Administration - Loans	M-09/14-MC-06-0562	14.239	49,927
Courson - AMCAL 78 Unit - Loans	M-05/08-MC-06-0562	14.239	1,000,000
Transit Village Infrastructure - Loans	M-05/09-MC-06-0562	14.239	1,275,000
Sr Housing SCHDC - PSHP 80 Unit - Loans	M-05/08-MC-06-0562	14.239	750,000
Transitional Housing Paving the Way - Loans	M-10/11-MC-06-0562	14.239	157,616
Transitional Housing Paving the Way (CY)	M-10/11-MC-06-0562	14.239	300
MF Rental - New Construction (Duplex)	M-12/13-MC-06-0562	14.239	9,553
MF Residential Acq & Rehab (10th Place)	M-12/13-MC-06-0562	14.239	350,288
HOME Down Payment/Assistance Prog - Loans	M-08/10-MC-06-0562	14.239	82,165
Passed-through the California Department of Housing and Community Development:			
CSP-Courson (HCD HOME)-Loan Receivable Balance	04-HOME-0662	14.239	2,850,000
Total HOME Investment Partnerships Program			6,524,849
Total U.S. Department of Housing and Urban Development			7,933,110
<u>U.S. Department of Justice:</u>			
Passed-through the City of Los Angeles:			
Edward Byrne 2014 Memorial JAG Grant	2014-DJ-BX-0724	16.738	66,367
Total U.S. Department of Justice			66,367
<u>U.S. Department of Labor:</u>			
Passed-through the County of Los Angeles:			
Workforce Investment Act Cluster (WIA):			
Workforce Investment Act - Adult	A091003	17.258	404,290
Workforce Investment Act - Adult Veterans Program	A091003	17.258	482,988
Workforce Investment Act - Dislocated Worker	DW091003	17.278	252,946
Workforce Investment Act - Dislocated Worker Veteran Program	DW091003	17.278	427,236
Total WIA Cluster			1,567,460
Total U.S. Department of Labor			1,567,460

[1] Denotes Major Program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PALMDALE, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015 (Continued)

Federal Grantor/Pass-Through Grantor/ProgramTitle/Cluster	Grant Identification Number	Federal CFDA Number	Federal Program Expenditures
<u>U.S. Department of Transportation</u>			
Passed-through the State of California Department of Transportation:			
Highway Planning and Construction Cluster [1]:			
HSIP Ave R 10th Street East	HSIPL-5378(024)	20.205	254,165
RVB Grade Separation Phase I - 10th Signal	STPL-5378(028)	20.205	45,569
Traffic Sig Ave R-8/40th St E	SRTSL-5378(030)	20.205	500,514
Cycle 5 HSIP Program Ave R & 55th Street	HISPL-5378(033)	20.205	393,180
15th/SR138 Intersection Improvements	DEM95L-5378(035)	20.205	39,724
Total Highway Planning and Construction Cluster			1,233,152
Total U.S. Department of Transportation			1,233,152
<u>U.S. Department of Homeland Security:</u>			
Passed-Through United Way-EFSP:			
Emergency Food and Shelter National Board Program:			
SAVES - Food	26-0695-00	97.024	14,678
SAVES - Shelter	26-0695-00	97.024	9,096
Total Emergency Food and Shelter National Board Program			23,774
Total U.S. Department of Homeland Security			23,774
Total Expenditures of Federal Awards			\$ 10,823,863

[1] Denotes Major Program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PALMDALE, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Palmdale, California (the 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 and other nongovernmental 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 financial statements.

C. Relationship to Basic Financial Statements

Federal awards revenues are generally reported within the City's financial statements under the financial statement caption "Intergovernmental Revenue" for the General and Special Revenue Funds.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree in all material respects 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 – AMOUNTS PROVIDED TO SUBRECIPIENTS

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Subrecipient</u>	<u>Amount Provided</u>
Community Development Block Grant	14.218	South Antelope Valley Emergency Services	\$ 196,680
Community Development Block Grant	14.218	Greater Los Angeles Agency on Deafness	7,362
Community Development Block Grant	14.218	Fair Housing Council	27,444
HOME Investment Partnerships Program	14.239	Paving the Way Foundation - Advancing Communities Together DBA AV Youthbuild	300
HOME Investment Partnerships Program	14.239	Antelope Valley Youthbuild	9,553
Workforce Investment Act	17.258 / 17.278	Goodwill Southern California	1,322,491
Total Amount Provided to Subrecipients			\$ 1,563,830

CITY OF PALMDALE, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE #3 – OUTSTANDING LOANS OF FEDERAL FUNDS

The following schedules present the amount of outstanding loans receivable or payable by CFDA number. All loans with continuing compliance requirements are included on the accompanying Schedule of Expenditures of Federal Awards:

Loans Receivable:

CFDA No.	Federal Program	Outstanding Loans at June 30, 2015	Prior Year Loans with Continuing Compliance Requirements	New Loans in Fiscal Year Ended June 30, 2015
14.239	HOME Investment Partnerships Program	\$ 2,850,000	\$ 2,850,000	\$ -
14.239	HOME Investment Partnerships Program	1,000,000	1,000,000	-
14.239	HOME Investment Partnerships Program	750,000	750,000	-
14.239	HOME Investment Partnerships Program	1,275,000	1,275,000	-
14.239	HOME Investment Partnerships Program	82,165	82,165	-
14.239	HOME Investment Partnerships Program	157,916	157,616	300
		<u>\$ 6,115,081</u>	<u>\$ 6,114,781</u>	<u>\$ 300</u>

Loans Payable:

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. The amount of the outstanding balance is not included in the Schedule of Expenditures of Federal Awards if there are no continuing compliance requirements for the remaining loan balance. However, amounts expended for repayment of the loan are included in the schedule in the amount of \$233,000. The City had the following loan balances due to the U.S. Department of Housing and Urban Development and the State of California outstanding at June 30, 2015.

CFDA No.	Federal Program	Outstanding Loans at June 30, 2015	Prior Year Loans	Repayments	New Loans in Fiscal Year Ended June 30, 2015
14.218	Community Development Block Grant - Section 108 Loan Guarantees	\$ 3,511,000	\$ 3,744,000 ⁽¹⁾	\$ 233,000	\$ -
14.239	HOME Investment Partnerships Program	2,850,000	2,850,000 ⁽¹⁾	-	-

(1) These loans do not have continuing compliance requirements.

CITY OF PALMDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) 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 Section .510(a) of OMB Circular A-133?	<u>Yes</u>

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
<u>14.218</u>	<u>Community Development Block Grant</u>
<u>14.239</u>	<u>HOME Investment Partnerships Program</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 324,716</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

CITY OF PALMDALE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015
II. FINANCIAL STATEMENT FINDINGS

None noted.

CITY OF PALMDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-001

Program: Highway Planning & Construction Cluster

CFDA No.: 20.205

Federal Grantor: U.S. Department of Transportation

Passed-through: California Department of Transportation

Award No.: Various

Award Year: Various

Compliance Requirement: Procurement and Suspension and Debarment

Criteria:

The *June 2015 OMB Circular A-133 Compliance Supplement* states that when a Non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)*, collecting a certification from the entity or adding a clause or condition to the covered transaction with that entity.

Condition:

Significant Deficiency, Instance of Non-Compliance – As a result of testwork, we noted 3 out of 3 contracts selected showed evidence of verification of suspension or debarment was made after the contract award dates.

Questioned Costs:

We identified no questioned costs in our tests of compliance with this requirement.

Context:

The condition noted above was identified during our testing of the procurement and suspension and debarment requirements of the program.

Effect:

As a result of the condition noted, there were instances of non-compliance with procurement, suspension and debarment requirements.

Cause:

The City did not follow written procedures requiring verification of the suspended and debarred status of vendors by checking the EPLS, collecting a certification from the vendor or adding a clause or condition to the contract with the entity.

CITY OF PALMDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

We recommend the City implement policies and procedures to ensure that procurements and subawards of federally funded projects are verified against the EPLS for suspension or debarment, a certification is obtained, or adding a clause to contracts relating to federal award contracts.

Views of Responsible Officials and Planned Corrective Actions:

As a result of this issue being disclosed in March 2015 during the prior year reporting period, the City implemented policies and procedures to ensure that all the procurements and sub-awards of federally funded projects were verified against the EPLS for suspension or debarment and documentation of verification is obtained. However, as of the June 30, 2015, reporting period the City did not award any new contracts between March and June 2015 and was unable to verify that the new procedures were fully implemented for procurement contracts made prior to the disclosure of the issue. Furthermore, testing was done after the implementation of the new procedures and the City was able to verify that evidence of compliance was documented. The City will continue to ensure that all procurements and sub-awards of federally funded projects are verified against the EPLS for suspension or debarment and documentation of verification obtained.

Finding 2015-002

Program: Community Development Block Grant

CFDA No.: 14.218

Federal Grantor: U.S. Department of Housing and Urban Development

Passed-through: N/A

Award No.: Various

Award Year: Various

Compliance Requirement: Procurement and Suspension and Debarment

Criteria:

The *June 2015 OMB Circular A-133 Compliance Supplement* states that when a Non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)*, collecting a certification from the entity or adding a clause or condition to the covered transaction with that entity.

Condition:

Significant Deficiency, Instance of Non-Compliance – As a result of testwork, we noted 1 out of 3 contracts selected did not have evidence of verification of suspension or debarment.

Questioned Costs:

We identified no questioned costs in our tests of compliance with this requirement.

CITY OF PALMDALE, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Context:

The condition noted above was identified during our testing of the procurement and suspension and debarment requirements of the program.

Effect:

As a result of the condition noted, there is an increased risk of non-compliance with procurement, suspension and debarment requirements.

Cause:

The City did not follow written procedures requiring verification of the suspended and debarred status of vendors by checking the EPLS, collecting a certification from the vendor or adding a clause or condition to the contract with the entity.

Recommendation:

We recommend the City implement policies and procedures to ensure that procurements and subawards of federally funded projects are verified against the EPLS for suspension or debarment, a certification is obtained, or adding a clause to contracts relating to federal award contracts.

Views of Responsible Officials and Planned Corrective Actions:

As a result of this issue being disclosed in March 2015 during the prior year reporting period, the City implemented policies and procedures to ensure that all the procurements and sub-awards of federally funded projects were verified against the EPLS for suspension or debarment and documentation of verification is obtained. However, as of the June 30, 2015 reporting period the City did not award any new contracts between March and June 2015 and was unable to verify that the new procedures were fully implemented for procurement contracts made prior to the disclosure of the issue. Furthermore, testing was done after the implementation of the new procedures and the City was able to verify that evidence of compliance was documented. The City will continue to ensure that all procurements and sub-awards of federally funded projects are verified against the EPLS for suspension or debarment and documentation of verification obtained.

CITY OF PALMDALE, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding No.	Program Name	CFDA No.	Compliance Requirement	Status of Corrective Action
2014-001	Highway Planning & Construction Cluster	20.205	Procurement and Suspension and Debarment	Not Implemented – See Finding 2015-001