

CITY OF GLENDORA, CALIFORNIA SINGLE AUDIT REPORT JUNE 30, 2011

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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 Glendora, California

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 of Glendora, California, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2011. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above

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. Such provisions included those provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller and as interpreted in the Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.



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

Lance, Soll & Lunghard, LLP

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2011-1 to be a material weakness in internal control.

In addition, we noted other matters that we reported to management of the City in a separate letter dated November 29, 2011.

This report is intended solely for the information and use of management, the City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Brea, California November 29, 2011



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Glendora, California's 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 of Glendora, California's major federal programs for the year ended June 30, 2011. The City of Glendora, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Glendora, California's management. Our responsibility is to express an opinion on the City of Glendora, California's compliance based on our audit.

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 of Glendora, California'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. Our audit does not provide a legal determination of the City of Glendora, California's compliance with those requirements.

In our opinion, the City of Glendora, California, 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 2011-2 and 2011-3.

Internal Control over Compliance

Management of the City of Glendora, California, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Glendora, California's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 of Glendora, California's internal control over compliance.



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

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.

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 deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2011-2 to be a material weakness in internal control.

Schedule of Expenditures of Federal Awards

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 of Glendora, California, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The City of Glendora, California's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Glendora, California's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the governing board, the State Controller, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brea, California

Lance, Soll & Lunghard, LLP

March 8, 2012 (Except for the Schedule of Expenditures of Federal Awards, which is as of November 29, 2011)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|---|---------------------------|-------------------------------------|--------------|
| U.S. Department of Housing and Urban Development | | | |
| Direct Programs: | | | |
| Community Development Block Grant* | 14.218 | B-08-MC-06-0589 | \$ 722,890 |
| ARRA - Community Development Block Grant* | 14.218 | B-09-MY-06-0589 | 76,893 |
| Passed through the State of California Department of Housing and Community Development: HOME Investment Partnerships Program* | 14.239 | 06-HOME-2454 | 1,900,000 |
| | | 07-HOME-3099 | 22,970 |
| Total U.S. Department of Housing | | | |
| and Urban Development | | | 2,722,753 |
| I.C. Donartment of luctice | | | |
| U.S. Department of Justice Direct Program: | | | |
| Federal Asset Seizure | 16.000 | N/A | 118,088 |
| Bulletproof Vest Partnerships Program | 16.607 | N/A | 5,084 |
| Total U.S. Department of Justice | | | 123,172 |
| 110 B | | | |
| U.S. Department of Transportation | | | |
| Passed through the State of California Highway Planning and Construction | 20.205 | HSIPL-5204(013) | 81,210 |
| Occupant Protection Program | 20.203 | 11317 L-3204(013) | 01,210 |
| Safety Belt Safe Grant* | 20.602 | OP1112 | 80,254 |
| Kids/Teen Buckle Up Grant* | 20.602 | OP1004 | 24,653 |
| Avoid 100* | 20.602 | AL0984 | 483,771 |
| Click it or Ticket* | 20.600 | CT10158 | 4,421 |
| Total U.S. Department of Transportation | | | 674,309 |
| Institute of Museum and Library Services Passed through the State of California | | | |
| Office of Library Services | | | |
| Public Library Staff Education Program | 45.310 | 40-7019 | 5,000 |
| Total Institute of Museum and Library Services | | | 5,000 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|---|---------------------------|-------------------------------------|------------------|
| U.S. Department of Energy Direct Programs: Energy Efficiency and Conservation Block Grant | 81.128 | DE-EE0002419 | 153,837 |
| Total U.S. Department of Energy | | | 153,837 |
| U.S. Department of Homeland Security Passed through County of Los Angeles Office of Emergency Management Homeland Security Grant Homeland Security Grant #7 Homeland Security Grant #9 | 97.067 97.067 | N/A N/A | 64,933 22,550 |
| Total U.S. Department of Homeland Security | | | 87,483 |
| Total Federal Expenditures | | | \$ 3,766,554 |

^{*} Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$510,764

CITY OF SINGLE AUDIT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Glendora, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

| <u>Financial Statements</u> | | | |
|--|------------------------------------|--|-----------------|
| Type of auditors' report issued: Unqualified Op | inion | | |
| Internal control over financial reporting: | | | |
| Significant deficiencies identified? | | yes | _X_no |
| Material weaknesses identified? | | yes | X_none reported |
| Noncompliance material to financial statements noted? | | _X_yes | no |
| Federal Awards | | | |
| Internal control over major programs: | | | |
| Significant deficiencies identified? | | yes | _X_no |
| Material weaknesses identified? | | Xyes | none reported |
| Type of auditors' report issued on compliance for major programs: Unqualified Opinion | | | |
| Any audit findings disclosed that are required to reported in accordance with Section 510(a) Circular A-133? | | _X_yes | no |
| Identification of major programs: | | | |
| CFDA Number(s) | Name of Federal Program or Cluster | | |
| 14.218 14.239 45.310 | HOME Investr | evelopment Bloc ment Partnership tection Program | |
| Dollar threshold used to distinguish between type A and type B program | \$300,000 | | |
| Auditee qualified as low-risk auditee? | | yes | Xno |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding Number: 2011-1

During our compliance audit of the Glendora Community Redevelopment Agency, we determined through inquiry and inspection that the City did not submit their June 30, 2010 Financial Statements to their governing authority by December 30, 2011 in accordance with Section 3308.1 of the Health and Safety Code. All other items that are part of the Annual Report were submitted to Council on December 14, 2010.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number: 2011-2

Federal Program: HOME Investment Partnerships Program – 14.239

Criteria: Reimbursement is not to be requested until funds are expended.

Questioned Costs: None

Effect: During our audit we noted that reimbursement of funds of \$1,900,000 was requested on May 20, 2010 and received on August 4, 2010. We also noted that these funds were not fully expended until June 15, 2011. Through further investigation, we noted that the City was unable to release funds to the developer of the project, Glendora Housing Investors, until they (the City) received the First Amendment to the Regulatory Agreement for HOME. This First Amendment was received by the City on June 15, 2011.

Recommendation: We recommend that reimbursement requests only be submitted after federal funds have been expended. We also recommend that the City implement a monitoring procedure related to grants' period of availability as well as a monitoring procedure related to requesting extensions for grant programs as needed.

Finding Number: 2011-3

Federal Program: Occupant Protection Program – 20.602

Criteria: Federal regulations prohibit recipients from federal awards from granting sub-awards to sub-recipients of more than \$25,000 to parties who are suspended or debarred from doing business with the federal government. Prime-recipients are to consult the federal Excluded Parties List System (EPLS) before awarding sub-recipients.

Questioned Costs: None

Effect: City personnel overseeing the Occupant Protection Program were unaware of this requirement and therefore did not perform an EPLS check for sub-recipient Safety Belt Safe, USA prior to awarding.

Recommendation: We recommend that an EPLS check be performed for any sub-recipients with sub-awards of more than \$25,000.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding Number: 2010-1

During our audit we proposed audit adjustments which we consider to be significant to the financial reporting process. Adjustments were required to adjust the long term workers compensation balance to reflect the short term balance in the proper funds. An adjustment was also required to eliminate the receivable and revenue the City recorded for the home loan which was also recorded as a loans receivable. The City has internal controls in place to properly ensure the amounts are properly stated and the errors appear to be an oversight. We recommend the City continue their accounting process to make sure the audit areas are properly stated.

Status: The City has corrected the finding and there were no instances noted in the current period.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.