CITY OF GLENDORA, CALIFORNIA SINGLE AUDIT REPORT JUNE 30, 2012

CITY OF GLENDORA, CALIFORNIA SINGLE AUDIT REPORT JUNE 30, 2012

JUNE 30, 2012

TABLE OF CONTENTS

	Page <u>Number</u>
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>	1
Independent Auditors' 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	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2012	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2012	7
Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2011	9



- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 21, 2013. 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

Management of the City is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below or in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2012-1, 2012-2 to be material weaknesses in internal control.

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.



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

Lance, Soll & Lunghard, LLP

This report is intended solely for the information and use of management, the audit committee, 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 March 21, 2013



- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

INDEPENDENT AUDITORS' 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 (the City)'s compliance with the types of compliance requirements described in *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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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'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's compliance with those requirements.

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. 2012.

Internal Control Over Compliance

Management of the City 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'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'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



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

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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, 2012, and have issued our report thereon dated March 21, 2013, 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.

This report is intended solely for the information and use of management, the audit committee, 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 March 21, 2013

Tance, Soll & Tunghard, LLP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	\$ 273,951
Passed through the State of California Department of Housing and Community Development: Home Investment Partnerships Program	14.239	06-HOME-2454	365_
Total U.S. Department of Housing and Urban Development			274,316
U.S. Department of Justice			
Direct Program: Bulletproof Vest Partnerships Program	16.607	N/A	5,084
Federal Asset Seizure	16.922	N/A	126,741
Total U.S. Department of Justice			131,825
U.S. Department of Transportation			
Passed through the State of California	20.205	LICIDI 5004/042)	0.040
Highway Planning and Construction Occupant Protection Incentive Grants *	20.205	HSIPL-5204(013)	8,949
Safety Belt Safe Grant	20.602	OP1112	32,164
Avoid 100B	20.602	AL0987	248,126
Avoid 100	20.602	20540	344,656
Total U.S. Department of Transportation			633,895
U.S. Department of Energy			
Direct Programs: Energy Efficiency and Conservation Block Grant	81.128	DE-EE0002419	39,375
Total U.S. Department of Energy			39,375
U.S. Department of Homeland Security Passed through County of Los Angeles Office of Emergency Management Homeland Security Grant Homeland Security Grant #7	97.067	N/A	67,486
·	31.001	14/74	
Total U.S. Department of Homeland Security			67,486
Total Federal Expenditures			\$ 1,146,897

^{*} 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 fiscal year was 864,393.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements Type of auditors' report issued: Unqualified Opinion Internal control over financial reporting: Significant deficiencies identified? X_no __yes Material weaknesses identified? X yes none reported Noncompliance material to financial statements noted? X no yes Federal Awards Internal control over major programs: Significant deficiencies identified? X no yes Material weaknesses identified? X none reported yes Type of auditors' report issued on compliance for major programs: Unqualified Opinion Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X_no yes Identification of major programs: CFDA Number(s) Name of Federal Program or Cluster 20.602 Occupant Protection Incentive Grants Dollar threshold used to distinguish between type A and type B program \$300,000 Auditee qualified as low-risk auditee? X no yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2012-1:

The City uses capital assets software to maintain its capital assets record and calculate depreciation expense for the year. During the audit, it was determined that the software recorded twenty months of depreciation during the fiscal year in error. A journal entry was required to adjust the depreciation expense to the appropriate amount.

An audit journal entry was also provided to capitalize machinery and equipment and construction in progress not detected by City personnel. These capital assets additions have been presented on the capital asset footnote in the Notes to the Financial Statements.

Although journal entries are no uncommon during the audit process, the respective dollar amounts of the above transactions make them reportable reclassifications.

Finding 2012-2

Beginning fund balance in the Community Redevelopment Agency Capital Projects Fund has been restated by \$(263,139) to correct land held for resale at July 1, 2011 for a property that was sold in prior year.

Beginning net asset in the governmental activities has been restated by \$(4,219,538) to correct land held for resale at July 1, 2011 for a property that was sold in prior year (\$263,139) and to expense the net pension asset for the prior year payment of the PERS side fund (\$3,956,399).

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2011-1:

During our compliance audit of the Glendora Community Redevelopment Agency, we determined through inquiry and inspection that the Agency did not submit its June 30, 2010 Financial Statements to its Governing Board 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: Department of Housing and Community Development - HOME Investment Partnerships Program – 14.239

Condition: Reimbursements were requested prior to actual expenditure occurring.

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

Cause: There was no procedure in place to require an invoice or similar support to be provided with all reimbursement requests to insure expense had occurred.

Effect: During our audit, we noted that reimbursement of funds in the amount 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 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 be submitted only 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.

Questioned Costs: None. The expenditure did occur within the same fiscal.

Status: Reimbursements are now made after the expenditure has been incurred.

Finding Number: 2011-3

Federal Program: Department of Transportation – Passed through State of California - Occupant Protection Program – 20.602

Condition: An Excluded Parties List System (EPLS) check was not performed prior to awarding sub-recipient.

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.

Cause: The City personnel overseeing the Occupant Protection Program were unaware of the EPLS requirement.

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding Number: 2011-3 (Continued)

Effect: Because 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, Federal expenditures could have been awarded to a sub-recipient who has been excluded from receiving Federal funds.

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

Questioned Costs: None. It was verified during our audit testwork that the recipient was not on the EPLS.

Status: An EPLS check is now performed for all recipient and sub-recipients with awarded contract over \$25,000.