

CITY OF GLENDORA, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2013

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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*

To the Honorable Mayor and Members of the City Council
City of Glendora, 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 Glendora, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. As described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 to be significant deficiencies.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

City's Response to Findings

The City's response to the finding 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Lance, Soll & Lughard, LLP

Brea, California
December 23, 2013

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

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of law, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express opinions on compliance for each of the City of Glendora, California'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 the *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB 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 on compliance for each major federal program. However, our audit does not provide legal determination of the City of Glendora, California's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Glendora, California 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, 2013.



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

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 item 2013-003. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Glendora, California is responsible for establishing and maintain effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Glendora, California'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 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 significant deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-003.

The City's response to the internal control over compliance finding in our audit are described in the accompanying schedule of finding and questioned costs and/or corrective action plan.

The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



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

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 communication is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB 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 of Glendora, California as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Glendora, California's basic financial statements. We have issued our report thereon dated December 23, 2013, which contained unmodified opinions on those financial statements. 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 basic 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 basic financial statements or to the basic 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lance, Soll & Luyhard, LLP

Brea, California
December 23, 2013

CITY OF GLENDORA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-06-0589	\$ 55,893
Passed through the State of California			
Department of Housing and Community Development: Home Investment Partnerships Program*	14.239	11-HOME-7652	<u>562,490</u>
Total U.S. Department of Housing and Urban Development			<u>618,383</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	2,785
Equitable Sharing Program*	16.922	N/A	<u>949,759</u>
Total U.S. Department of Justice			<u>952,544</u>
<u>U.S. Department of Transportation</u>			
Passed through the State of California			
Highway Planning and Construction*	20.205	HSIPL-5204(015)	140,499
Passed through the State of California - Cal Trans			
Highway Planning and Construction*	20.205	HSIPL-5204(016)	32,462
Highway Planning and Construction*	20.205	STPL-5204(017)	203,548
Direct Program:			
State and Community Highway Safety	20.600	DD1302	35,317
Passed through the State of California			
Occupant Protection Incentive Grants			
Avoid 100B*	20.608	AL0987	325,032
Avoid 100C*	20.608	AL1343	<u>228,368</u>
Total U.S. Department of Transportation			<u>965,226</u>
<u>U.S. Department of Energy</u>			
Direct Programs:			
Energy Efficiency and Conservation Block Grant	81.128	DE-EE0002419	<u>14,156</u>
Total U.S. Department of Energy			<u>14,156</u>
<u>U.S. Department of Homeland Security</u>			
Passed through County of Los Angeles Office of Emergency Management			
Homeland Security Grant*	97.067	N/A	<u>647,444</u>
Total U.S. Department of Homeland Security			<u>647,444</u>
Total Federal Expenditures			<u>\$ 3,197,753</u>

* 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 \$796,182.

CITY OF GLENDORA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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.

CITY OF GLENDORA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? yes no
 - Material weaknesses identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? yes no
- Material weaknesses identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnership Program
16.922	Equitable Sharing Program
20.205	Highway Planning and Construction
20.608	Occupant Protection Incentive Grants
	Avoid 100B and Avoid 100C
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between type A and type B program \$300,000

Auditee qualified as low-risk auditee? yes no

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2013-001:

During our audit procedures of the federal grants, we noted that STPL grant for fiscal year 2012/2013 had not been reconciled to the general ledger resulting in audit adjusting entry to accrue grants receivables in an amount of \$194,215 for expenditure incurred in the current year.

We recommend that grant activities be reconciled shortly after fiscal year end to record grants receivable and a thorough review of all grants to ensure they are properly captured on the reconciliation.

Current Status: The City is implementing new policies and procedures to mitigate this risk in the future.

Finding 2013-002:

During our review of the audit, LSL made a journal entry as the result of the account analyses we performed over accounts receivable for the Successor Agency. The journal entry recorded was to correct the recording of a purchase of a parcel of land that did not settle until July 2013. The purchase of land should not be accounted for until the settlement date and no associated accounts receivable was to be recorded for the fiscal year ended June 30, 2013.

Current Status: This entry was adjusted by the City and is currently corrected.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2013-003:

Significant Deficiency

Procurement, Suspension and Debarment

- Federal Programs:
Federal Agency: U.S. Department of Transportation
CFDA Number: 20.205
Title: Highway Planning and Construction
Grantor Number: 07-LA-0-GDR-STPL-5204 (017)
- Criteria or specific requirement:
OMB guidance 2 CFR § 180.300 requires a participant who enters into a covered transaction with another person to verify that the person with whom it intends to do business is not excluded or disqualified by (a) checking the EPLS; or (b) collecting a certification from that person if allowed by the Federal agency responsible for the transaction; or (c) adding a clause or condition to the covered transaction with that person.
- Condition:
Subcontractors used by the City on covered transactions did not check the EPLS, collect a certification from their vendors, or add a clause or condition to the covered transactions.
- Cause:
Subcontractors were unaware of the compliance requirement at the time the contract was approved.

CITY OF GLENDORA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- Effect:
The City was unable to substantiate its compliance with this requirement.

- Questioned cost:
None. For the items tested, we verified the vendors' names in the EPLS database and no exceptions were noted.

- Recommendation:
We recommend that the City have subcontractors include the clause in their standard contracts or implement procedures to ensure the EPLS website is checked prior to awarding the contract.

- Management's Response:
The City's Purchasing Policy states that the City will check the Federal Excluded Parties List System website to ensure that parties receiving Federal funds are not debarred or suspended from receipt of such funds. In response to this finding, departments will be required to verify vendor status prior to contract award by the City Council and the Finance Department will require proof of such prior to issuing a purchase order.

CITY OF GLENDORA

**SCHEDULE OF PRIOR YEAR 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.

Current Status: This has been corrected.

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).

Current Status: This has been corrected.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.