

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

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CITY OF PITTSBURG
SINGLE AUDIT REPORT
For The Year Ended June 30, 2014

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CITY OF PITTSBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes No

Identification of major programs:

Table with 2 columns: CFDA#(s) and Name of Federal Program or Cluster. Row 1: 14.871, Department of Housing and Urban Development – Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$419,195

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did disclose significant deficiencies but no material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control December 1, 2014, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

Finding SA 2014-001: Verification of Corrective Action for Life-Threatening Deficiencies

CFDA number: 14.871

CFDA Title: Department of Housing and Urban Development Section 8 Housing Choice Vouchers

Name of Federal Agency: Department of Housing and Urban Development

Criteria: The Housing Quality Standards (HQS) Enforcement section of the Agency Program Requirements states that for units under Housing Assistance Payment contracts which fail to meet HQS during inspections, the PHA must require the owner to correct any life-threatening HQS deficiencies within twenty-four hours after the inspection.

Condition: During our testing of inspections failed during fiscal year 2013-2014, we noted that four out of the fourteen selected samples had failed because they needed to repair or replace existing smoke detectors, which are considered life-threatening deficiencies. Although it appears that the Housing Authority has established procedures to follow up with tenants within the required twenty-four hours via telephone to verify corrective actions, the Housing Authority did not retain documentation of follow up. Subsequent physical inspections in which the Housing Authority verified that all deficiencies were corrected were performed; however, it was done after required twenty-four hour period.

Effect: The Housing Authority does not appear to be in compliance with the HQS Enforcement section of the Agency Program Requirements.

Cause: Because of staff limitations within the Housing Authority, the Housing Inspector is not always available to physically verify correction of life-threatening deficiencies within the required twenty-four hours. Although follow up phone calls are made to tenants to verify corrective actions, documentation of the follow up was not retained by the Housing Authority.

Recommendation: It is recommended that the Housing Authority retain documentation of verification of corrective actions for life-threatening deficiencies within twenty-four hours. In addition, for those life-threatening deficiencies in the past that have already been corrected but were not documented, we recommend that the City update the corrective actions documentation.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

View of Responsible Officials and Planned Corrective Actions:

- **Name of contact person:** Sharon Jackson, Housing Manager
- **Corrective action plan:**
 - Upon identification, all Life-Threatening Deficiencies are to be entered into the designated Life-Threatening Deficiencies log book maintained at the Housing Authority front desk;
 - All Life-Threatening Deficiencies are then immediately scheduled for re-inspection by the Housing Inspector;
 - The Housing Manager and the respective Housing Specialist are notified of the deficiencies;
 - Comments detailing the deficiencies will be entered into the Notes Section of the Housing Pro software and printed for inclusion in the client file;
 - The Housing Manager will conduct final follow-up to ensure deficiencies were corrected within the twenty-four hour period;
 - Comments detailing the corrective measures will be entered into the Notes Section of the Housing Pro software and printed for inclusion in the client file.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –

Prepared by Management

Financial Statement Prior Year Findings

We have included the current status of the prior year findings in our Memorandum of Internal Control dated December 1, 2014 which is an integral part of our audit and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

There were no prior year Federal Award Findings and Questioned Costs reported.

CITY OF PITTSBURG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2014

<u>Federal Grantor and Award Title</u>	<u>Federal CFDA Number</u>	<u>Grantor/ Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development Direct Programs			
Community Development Block Grants/ Entitlement Grants	14.218	B13MC060054	<u>\$593,390</u>
Housing Choice Vouchers - Section 8 Voucher Program/VASH	14.871	CA060VO	<u>12,666,236</u>
Total Department of Housing and Urban Development			<u>13,259,626</u>
Department of Justice Pass-Through Programs From:			
Office of Contra Costa County Office of the Sheriff			
Edward Byrne Memorial Formula Grant Program	16.738	2012DJBX0927	5,124
Edward Byrne Memorial Formula Grant Program	16.738	2013DKBX0865	11,419
Edward Byrne Memorial Formula Grant Program (Note 2)	16.579	2010DJBX0341	<u>(717)</u>
Total Department of Justice			<u>15,826</u>
Department of Transportation Pass-Through Programs From:			
California Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)			
Willow Pass Bridge Seismic Retrofit	20.205	STPLZ-5127 (024)	26,014
North Parkside Dr. Bicycle and Pedestrian Improvement Project	20.205	CM-5127(027)	655,266
Railroad Avenue Pavement Rehabilitation (Note 2)	20.205	CM-5127(026)	<u>(22,672)</u>
Program Subtotal			<u>658,608</u>
State of California Office of Traffic Safety-Selective Traffic Enforcement Program			
State and Community Highway Safety	20.600	PT1319	9,881
State and Community Highway Safety	20.600	P14110	<u>25,025</u>
Program Subtotal			<u>34,906</u>
University of California, Berkeley-Sobriety Checkpoint Grant Program			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC13318	<u>4,215</u>
Program Subtotal			<u>4,215</u>
Total Department of Transportation			<u>697,729</u>
Total Expenditures of Federal Awards			<u><u>\$13,973,181</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF PITTSBURG

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2014

NOTE 1 - REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Pittsburg, California and its component units as disclosed in the notes to the Basic Financial Statements.

The City of Pittsburg (City) was incorporated under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City uses the Council/Manager form of government. The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following component units are included in the basic financial statements of the City:

- Housing Authority
- Public Infrastructure Financing Authority
- Pittsburg Power Company
- Pittsburg Arts & Community Foundation

NOTE 2-BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year

NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs when they occur.

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**INDEPENDENT AUDITOR'S 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 Members of the City Council
City of Pittsburg, 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 basic financial statements of the City of Pittsburg as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2014. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. 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. We identified certain deficiencies in internal control, we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated December 1, 2014 which is an integral part of our audits and should be read in conjunction with this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated December 1, 2014 which is an integral part of our audits and should be read in conjunction with this report. City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
December 1, 2014

INDEPENDENT AUDITOR'S 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

To the Honorable Members of the City Council
City of Pittsburg, California

Report on Compliance for Each Major Federal Program

We have audited City of Pittsburg'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's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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 SA 2014-01. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit are 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.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the City as of and for the year ended June 30, 2014, and have issued our report thereon dated December 1, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Marc & Associates

Pleasant Hill, California
February 23, 2015

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