

**CITY OF PITTSBURG**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**CITY OF PITTSBURG**  
**SINGLE AUDIT REPORT**  
**For The Year Ended June 30, 2011**

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**CITY OF PITTSBURG**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2011**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unqualified

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: Unqualified

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?        Yes   X   No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.871</u>	<u>HUD - Housing Choice Voucher</u>
<u>14.128</u>	<u>HUD - Community Development Block Grants Entitlement Grants</u>
<u>81.128</u>	<u>ARRA - DOE - Energy Efficiency and Conservation Block Grant Program</u>

Dollar threshold used to distinguish between type A and type B programs: \$420,103

Auditee qualified as low-risk auditee?        Yes   X   No

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Our audit did not disclose any material weaknesses or instances of noncompliance material to the basic financial statements. However, we have identified a significant deficiency which is listed as item number 2011-01 in our separately issued Memorandum on Internal Control dated December 5, 2011. The Memorandum on Internal Control 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 did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

**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 prior significant deficiencies in our Memorandum on Internal Control dated December 5, 2011, 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**

**Finding # SA2010-01- Late Submission of the 2010 Single Audit Report, (Material Weakness)**

**CFDA number:** 20.205

**CFDA title:** ARRA - Highway Planning and Construction Cluster

**Criteria:** Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320, requires the City to submit its Single Audit Report to the federal clearinghouse no later than 9 months after fiscal year-end, unless the City's federal oversight agency approves an extension of this deadline.

**Condition:** The federal reporting deadline for the City's Single Audit Report was March 31, 2011; however, the City did not issue its Single Audit Report until June 9, 2011.

**Cause:** The City experienced significant difficulties during the conversion to a new reporting system. Though City staff addressed and resolved the issues, the delay in issuing the City's Comprehensive Annual Financial Report (CAFR) created the delay in the issuance of the Single Audit Report.

**Context and Effect:** The late submission affects all federal programs the City administered. This finding is a material weakness in internal control over compliance and noncompliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320. However, this finding does not result in a control deficiency in internal control over compliance or noncompliance for the individual federal programs, as this was not caused by the programs' administration.

**Questioned Costs:** No questioned costs were identified.

**Recommendation:** The City should continue its efforts to improve its financial reporting process so that the Single Audit Report is submitted within the timeframes required.

**Current Status:** The City established a team of staff designated to various roles and responsibilities to review, audit and prepare year-end reports and documents in preparation of the City's Comprehensive Annual Financial Report (CAFR). Ongoing status meetings were held to ensure we are on-schedule making it possible to finalize the 2011 CAFR in December and presented to Council in January 2012.

*Federal Award Prior Year Findings and Questioned Costs (Continued)*

**Finding #SA2010-02 - Reporting (Significant Deficiency)**

**CFDA number:** 20.205

**CFDA title:** ARRA - Highway Planning and Construction Cluster

**Criteria:** According to the Program Supplement, the City, as a grant sub-recipient, should invoice Caltrans, the Office of Local Assistance, on a semi-annual basis.

**Condition:** Auditors tested all five reimbursement requests for reporting compliance requirements, and noted that two reimbursement requests tested did not fulfill the requirement of reporting to the State of California Department of Transportation (Caltrans) every six months. The Program reported costs for a period greater than six months. Submitting reports in a timely manner is a requirement established by Caltrans.

**Cause:** The City was not aware of the six months requirement specified in the Program Supplement Agreement.

**Context and Effect:** Because of this deficiency, the City is not in compliance with reporting compliance requirements.

**Questioned Costs:** No questioned costs were noted for noncompliance of the reporting compliance requirement.

**Recommendation:** We recommend the City develop procedures to ensure all reports are submitted in a timely manner.

**Current Status:** Administrative Order 047 (Grant Management Process) was issued on July 21, 2010 to establish internal policy and procedures for our grants. This was amended on January 3, 2012 to further address specific requirements by granting agencies so we are in full compliance. This Administrative Order was presented and discussed to City staff specifically stressing the importance of timely submission of reports and invoices to granting agencies.

**Federal Award Prior Year Findings and Questioned Costs (Continued)**

**Finding # SA2010-03 - Reporting (Significant Deficiency)**

**CFDA number:** 20.205

**CFDA title:** ARRA - Highway Planning and Construction Cluster

**Criteria:** A review by management of the invoices is an effective internal control that the City does not perform. If management reviews the invoice, this reduces the risk of misstating financial information and also will ensure the invoices are accurate and complete.

**Condition:** The City currently has not implemented a review process of invoices submitted to Caltrans. Currently, the Engineers overseeing the projects are the ones who are preparing and submitting the invoices. Based on the five invoices tested, all five invoices had no formal review performed by management.

**Cause:** The Department has not developed standard procedures for reporting to Caltrans.

**Context and Effect:** Because of this deficiency, the City does not have controls over reporting, resulting in a high risk of error.

**Questioned Costs:** No questioned costs were noted for noncompliance of the reporting compliance requirement.

**Recommendation:** We recommend the City develop procedures to ensure all invoices being submitted are reviewed by Management.

**Current Status:** Administrative Order 047 (Grant Management Process) was issued on July 21, 2010 to establish internal policy and procedures for our grants. This was amended on January 3, 2012 to further address specific requirements by granting agencies so we are in full compliance. This Administrative Order was presented and discussed to City staff specifically stressing the importance of timely submission of reports and invoices to granting agencies.

**Federal Award Prior Year Findings and Questioned Costs (Continued)**

**Finding#SA2010-04 - Federal Expenditures are not recorded accurately, Control Activities and Compliance (Significant Deficiency)**

**CFDA number:** 20.205  
**CFDA title:** ARRA - Highway Planning and Construction Cluster

**Criteria:** Based on OMB A-133, all transactions should be properly documented and accounted for.

**Condition:** Payroll expenditures were not allocated directly to the projects in the general ledger. The City kept track of the payroll expenditure chargeable to the grants manually on a separate tracking mechanism.

**Cause:** When the City was preparing the Schedule of Expenditures of Federal Awards, the Finance Department experienced difficulty in accurately determining the federal expenditure amounts for two grants. Since the payroll expenditures are not recorded by project, the City's Finance Department was not aware that payroll costs were charged to these grants. The City tracks payroll expenditures in a separate ledger for projects.

**Context and Effect:** Because of the deficiency in the finance reporting system of the City, there exists a high risk of an error on the Schedule of Expenditure of Federal Awards.

**Questioned Costs:** No questioned costs were identified.

**Recommendation:** We recommend the City implement effective internal controls over recording federal expenditures in the General Ledger. The Financial Reporting system should be utilized to capture all costs.

**Current Status:** The findings were specific to internal payroll expenses not accurately allocated to grants since they were manually tracked. The City has now updated our EDEN payroll system to capture project related payroll expenditures. Project related staff time is now entered in our payroll system to their assigned project codes. Actual costs are calculated and allocated to individual grants automatically eliminating risks of errors if this was processed manually.

**Federal Award Prior Year Findings and Questioned Costs (Continued)**

**FindingSA2010-05 -American Reinvestment and Recovery Act Report, Control Activities and Compliance (Significant Deficiency)**

**CFDA number:** 20.205

**CFDA title:** ARRA - Highway Planning and Construction Cluster

**Criteria:** The California Department of Transportation's (CalTrans) Division of Local Assistance requires that the City submit monthly employment status reports relating to the American Reinvestment and Recovery Act.

**Condition:** During the performance of the audit, we noted that one out of nine reports tested were not submitted to the pass-through agency.

**Cause:** The City failed to submit one report within the time frame required.

**Context and Effect:** The deficiency caused the City not to accurately report the employment status to the CalTrans in a timely manner.

**Questioned Costs:** No questioned costs were identified.

**Recommendation:** We recommend the City implement effective internal controls over reporting for American Reinvestment and Recovery reporting requirements.

**Current Status:** Administrative Order 047 (Grant Management Process) was issued on July 21, 2010 to establish internal policy and procedures for our grants. This was amended on January 3, 2012 to further address specific requirements by granting agencies so we are in full compliance. This Administrative Order was presented and discussed to City staff specifically stressing the importance of timely submission of reports and invoices to granting agencies.

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CITY OF PITTSBURG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2011

Federal Grantor and Award Title	Federal CFDA Number	Grantor/ Pass-Through Identifying Number	Federal Expenditures
<b>Department of Housing &amp; Urban Development</b>			
Direct Programs			
Community Development Block Grants/ Entitlement Grants	14.128	B-08-MC-06-054	\$729,951
ARRA - Community Development Block Grants/ Entitlement Grants	14.128	B-08-MC-06-055	\$69,132
Housing Choice Vouchers - Section 8 Voucher Program	14.871	CA060VO	11,864,476
Housing Choice Vouchers - Veteran Affairs Supportive Housing	14.871	CA060VO	334,360
Department Subtotal			<u>12,997,919</u>
<b>Department of Justice</b>			
Pass-Through Office of Contra Costa County Office of the Sheriff			
Edward Byrne Memorial Formula Grant Program	16.579	2009SBB92404	(5,495)
Edward Byrne Memorial Formula Grant Program	16.579	2009DJBX0348	615
Pass-Through Programs Subtotal			<u>(4,880)</u>
Pass-Through Office of Community Oriented Policing Services			
Public Safety Partnership and Community Policing Grants			
ARRA - COPS Hiring Recovery Program (CHRP)	16.710	2009RKWX0093	284,026
Pass-Through Programs Subtotal			<u>279,146</u>
<b>Department of Transportation</b>			
Pass-Through CalTrans			
ARRA - Highway Planning and Construction	20.205	ESPL-5127(023)	87,086
Highway Planning and Construction	20.205	HSIP-5127(022)	71,299
Highway Planning and Construction	20.205	HSIP-5127(019)	107,763
Pass-Through Programs Subtotal			<u>266,148</u>
<b>Department of Energy</b>			
Pass-Through National Energy Technology Laboratory			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DEFOA0000013	459,806
Total Expenditures of Federal Awards			<u>\$14,003,019</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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## CITY OF PITTSBURG

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2011

#### NOTE 1-REPORTING ENTITY

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:

- Redevelopment Agency of the City of Pittsburg
- Community Access
- 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.

#### 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**

Honorable Mayor and City Council  
of the City of Pittsburg, California

We have audited the financial statements of the City of Pittsburg as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. The report included a special emphasis paragraph concerning proposed redevelopment dissolution and the implementation of Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with generally accepted auditing standards 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 of Pittsburg 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.

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.

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. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency. This is listed as item number 2011-01 in our separately issued Memorandum on Internal Control, dated December 5, 2011. 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.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about the whether City 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated December 5, 2011, which is an integral part of our audits and should be read in conjunction with this report.

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

This report is intended solely for the information and use of City Council, management, and 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.

*Mazze & Associates*

December 5, 2011

**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**

Honorable Mayor and City Council  
of the City of Pittsburg, California

***Compliance***

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, 2011. 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 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. 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 of Pittsburg's compliance with those requirements.

In our opinion, the City of Pittsburg 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.

***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 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 City as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Maze & Associates*

February 21, 2012