

# City of Pittsburg

Pittsburg, California

*Single Audit Reports*

*For the year ended June 30, 2010*

**C&L**  
Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants

**City of Pittsburg  
Single Audit Reports**

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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 City Council  
of the City of Pittsburg  
Pittsburg, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pittsburg, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's financial statements and have issued our report thereon dated June 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion 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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency, described in the accompanying schedule of findings and responses to be a material weakness as item FS 2010-01.

To the Honorable Mayor and Members of City Council  
of the City of Pittsburg  
Pittsburg, California  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, 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.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FS2010-02 to be a material weakness.

The City's written response to the deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the City, 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. However, this report is a matter of public record and its distribution is not limited.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Francisco, California  
June 9, 2011





Caporicci & Larson, Inc.  
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**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  
of the City of Pittsburg  
Pittsburg, California

**Compliance**

We have audited the City of Pittsburg, California (City) 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, 2010. 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, 2010. The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA2010-01 through SA2010-05.

To the Honorable Mayor and Members of the City Council  
of the City of Pittsburg  
Pittsburg, California  
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### **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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item SA2010-01 to be a material weakness.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items SA2010-02 through SA2010-05 to be significant deficiencies.



To the Honorable Mayor and Members of the City Council  
of the City of Pittsburg  
Pittsburg, California  
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**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 as of and for the year ended June 30, 2010, and have issued our report thereon dated June 9, 2011. Our audit was performed for the purpose of forming 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 whole.

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

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

*Caporicci & Larson, Inc.*

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San Francisco, California  
June 9, 2011

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**City of Pittsburg**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2010**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grantor/ Pass-Through Entity Grant Number	Program Expenditures
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
Direct Programs:			
Community Development Block Grants- Entitlement Grants Cluster			
Community Development Block Grants Entitlement Grants	14.218	B-08-MC-06-054	\$ 590,549
Community Development Block Grants Cluster Total			<u>590,549</u>
Housing Choice Voucher Cluster			
Housing Choice Voucher- Section 8 Voucher Program	14.871	CA060VO	11,599,647
Housing Choice Voucher- Veterans Affairs Supportive Housing	14.871	CA060VA	247,623
Housing Choice Voucher Cluster Total			<u>11,847,270</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u><u>12,437,819</u></u>
<b><u>U.S. Department of Justice:</u></b>			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	8041331	1,801
Pass-through Contra Costa County Office of Sheriff			
ARRA - Edward Byrne Memorial Grant Program	16.579	2009SBB92404	71,802
Edward Byrne Memorial Formula Grant Program	16.579	2009DJBX0348	21,238
Edward Byrne Memorial Justice Assistance Total			<u>93,040</u>
Pass-through Office of Community Oriented Policing Services			
Public Safety Partnership and Community Policing Grants- ARRA	16.710	2009RWX0093	82,166
<b>Total U.S. Department of Justice</b>			<u><u>177,007</u></u>
<b><u>U.S. Department of Transportation:</u></b>			
Pass-through State of California Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	HSIP-5127(022)	115,636
Highway Planning and Construction- ARRA	20.205	ESPL-5127(023)	1,015,914
Highway Planning and Construction	20.205	HSIP-5127(019)	1,117
Highway Planning and Construction Cluster Total			<u>1,132,667</u>
<b>Total U.S. Department of Transportation</b>			<u><u>1,132,667</u></u>
<b><u>U.S. Department of Energy</u></b>			
Pass-through National Energy Technology Laboratory			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DEFOA0000013	20,734
<b>Total U.S. Department of Energy</b>			<u>20,734</u>
<b>Total Expenditures of Federal Award</b>			<u><u>\$ 13,768,227</u></u>

**City of Pittsburg**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2010**

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**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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

Funds received under the various grant programs have been recorded within the general, special revenue, capital projects, and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the general, special revenue, and capital project funds. The accrual basis of accounting is used for the enterprise fund. The accompanying schedule of expenditures of federal awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the City's basic financial statements.

*Schedule of Expenditures of Federal Awards*

The accompanying schedule presents the activity of all Federal financial assistance programs of the City, except the Pittsburg Housing Authority. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California and other agencies are included in the schedule. The schedule of Expenditures of Federal Awards was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**City of Pittsburg  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expressed an unqualified opinion on the basic financial statements of the City of Pittsburg (City).
2. Significant deficiencies or material weaknesses in internal control over financial reporting were identified and reported in part B of this schedule below.
3. One instance of noncompliance material to the basic financial statements of the City was disclosed during the audit identified and reported in part B of this schedule below.
4. Material weaknesses in internal control over compliance of the major federal award programs were identified and reported in part C of this schedule below.
5. Significant deficiencies in internal control over compliance of the major federal award programs are reported in Part C of this schedule.
6. The auditors' report on compliance for the major federal award programs for the City expressed an unqualified opinion.
7. Audit findings required to be reported in accordance with section 510(a) of OMB Circular A-133 are reported in Part C of this schedule below.
8. The programs tested as major programs include:

<u>Major Programs</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
Housing Choice Voucher	14.871	\$ 11,847,270
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	<u>1,132,667</u>
Total Highway Planning and Construction Cluster		<u>1,132,667</u>
<b>Total major program expenditures</b>		<b><u>\$ 12,979,937</u></b>
<b>Total federal award expenditures</b>		<b><u>\$ 13,768,227</u></b>
<b>Percent of total federal award expenditures</b>		<b><u>94.27%</u></b>

8. The threshold for distinguishing Types A and B programs was \$413,047.
9. The City was determined to be a high risk auditee.



**City of Pittsburgh**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2010**

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**B. CURRENT YEAR FINDINGS- FINANCIAL STATEMENT AUDIT**

**FS 2010-01 Internal Controls over Financial Reporting (Material Weakness)**

**Condition:**

We have determined that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2010 were not sufficient to identify errors timely resulting in the reissuance of the current year financial statements issuances.

**Criteria:**

An effective internal control system and timely financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information and compliance with laws and regulations.

**Cause:**

The City's policies and procedures for preparing financial transactions were disrupted due to the changes in the financial reporting system.

**Effect:**

During the performance of our audit for the year ended June 30, 2010, we noted that reviews of the account groupings and financial statement preparations of the Redevelopment Agency were not performed timely resulting in changes that were required to correct the financial statement presentation after the financial statements had been issued.

**Recommendation:**

We recommend that the City close its books in a timely manner and have all accounts reconciled and balanced to the general ledger, and a detailed reviewing of all financial statements be conducted prior to issuance of any reports. We also recommend that all reconciliations and detailed listings be reviewed to ensure accuracy.

**Management Corrective Action Plan:**

The Finance Department will apply a "team approach" to the year end closing of the ledgers. The Finance Department will also schedule year end closing functions earlier. There has also been additional system training of staff to utilize the new reporting system. Closing functions will be documented and by team approach summaries will be reviewed for thoroughness.

**City of Pittsburg**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2010**

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**B. CURRENT YEAR FINDINGS- FINANCIAL STATEMENT AUDIT**

**FS2010-02 Internal Control over Compliance (Material Weakness)**

**Criteria:**

The California State Controller's Office (SCO) performed reviews of 18 Redevelopment Agencies in California to ascertain the degree of the redevelopment agencies' compliance with administrative, financial, and reporting requirements. The SCO issued its report on the analysis of administrative, financial, and reporting practices of the selected redevelopment agencies for the period of July 1, 2009 through June 30, 2010 on March 7, 2011.

**Condition:**

The report issued by the SCO indentified eight findings and four observations. A finding is an assessment of the conditions found against certain standards or criteria such as statutory provisions, adopted policies, and established industry practices. An observation is a condition which they believe may be of interest or useful to potential users of the reports. The result of the review indentified various findings relating to questionable expenditures for the Redevelopment Agency of the City of Pittsburg (Lack of Documentation and Undocumented Loan) and a SERAF payment.

**Cause:**

In response to the SCO's findings about lack of documentation, the City asserted that the SCO made a factual error and suggested that the documents were available but weren't requested during the audit per City's response reported in the Review Report.

**Context and Effect:**

The City needs to ensure that the Redevelopment Agency is in compliance with all administrative, financial and reporting requirements.

**Questioned Costs:**

No questioned costs were identified.

**Recommendation:**

The City should continue its efforts to resolve the findings with SCO to ensure compliance with the Redevelopment Agency laws and regulations.

**Management Corrective Action Plan:**

The City has responded to SCO on a letter dated March 3, 2011 to clarify the findings on the factual errors and comments on the draft report prior to issuance.

**City of Pittsburgh**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2010**

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**C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

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

**Program:**

Not Applicable

**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.

**Management Corrective Action Plan:**

To ensure the timely issuance of all of the City's required financial reports, the City has established a team of staff that will be dedicated to the year end audit process. The City is also in the process of planning for an earlier audit process to meet audit report deadlines.



**City of Pittsburg**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2010**

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**C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT, continued**

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

**Program:**

Highway Planning and Construction Cluster (CFDA Number 20.205, US Department of Transportation, State of California Department of Transportation, Project Numbers HSIP- 5127(022) and ESPL-5127(023).

**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.

**Management Corrective Action Plan:**

To ensure compliance and proper management of grant resources, the City issued Administrative Order 047 on July 21, 2010 to establish our internal policy and procedures. This lists roles and responsibilities specific to various departments involved in the grant management process. The Administrative Order also includes having quarterly grant oversight meetings in which the schedule of findings will be thoroughly discussed and specific attention to reporting requirements will be addressed.

**City of Pittsburgh**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2010**

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**C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT, continued**

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

**Program:**

Highway Planning and Construction (CFDA Number 20.205, US Department of Transportation, State of California Department of Transportation, Project Numbers HSIP- 5127(022) and ESPL-5127(023).

**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.

**Management Corrective Action Plan:**

To ensure compliance and proper management of grant resources, the City issued Administrative Order 047 on July 21, 2010 to establish our internal policy and procedures. This lists roles and responsibilities specific to various departments involved in the grant management process. The Administrative Order also includes having quarterly grant oversight meetings in which the schedule of findings will be thoroughly discussed and specific attention to reporting requirements will be addressed.



**City of Pittsburg**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2010**

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**C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT, continued**

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

**Program:**

Highway Planning and Construction (CFDA Number 20.205, US Department of Transportation, State of California Department of Transportation, Project Numbers ESPL- 5127(023) and HSIP-5127 (022))

**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.

**Management Corrective Action Plan:**

The City will comply with the "accrual basis" in recording and reporting federal award expenditures and revenues in preparing the City's Single Audit Report. The City was not made aware of the accrual basis reporting for multi-year projects in the past.

Internal salary allocation will be incorporated in our EDEN payroll system by the beginning of FY2011-12 so project related payroll expenditures will be included in our project accounting system. The manual tracking will be eliminated and our project reports will include all expenditures. This functionality was not available to us until recent software upgrades.



**City of Pittsburgh**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2010**

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**C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT, continued**

**SA2010-05 American Reinvestment and Recovery Act Report, Control Activities and Compliance (Significant Deficiency)**

**Program:**

Highway Planning and Construction (CFDA Number 20.205, US Department of Transportation, State of California Department of Transportation, Project Numbers ESPL- 5127(023))

**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.

**Management Corrective Action Plan:**

To ensure compliance and proper management of grant resources, the City issued Administrative Order 047 on July 21, 2010 to establish our internal policy and procedures. This lists roles and responsibilities specific to various departments involved in the grant management process. The Administrative Order also includes having quarterly grant oversight meetings in which the schedule of findings will be thoroughly discussed and specific attention to reporting requirements will be addressed.

**City of Pittsburg**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2010**

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**D. PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAM AUDIT**

**Program:**

Section 8 Housing Choice Vouchers Grant (CFDA Number 14.871, US Department of Housing and Urban Development, Award Number CA06VO)

**Condition:**

One of the tenant documents tested included a request for tenancy approval form that was not signed by either the tenant or the landlord.

**Criteria:**

The City should screen every applicant to ensure the eligibility of the applicants and verify all documents submitted to the City.

**Cause:**

The City's review process did not identify the error.

**Context and effect:**

Complete documentation will ensure that the applicants are eligible to receive benefits under the program.

**Questioned Costs:**

There is no cost in question.

**Recommendation:**

We recommend the City procedures provide greater oversight and review.

**Status:**

The Request for Tenancy Approval (RTA) is issued and submitted when the family elects to use the Section 8 benefits at the unit noted on the RTA form. COPHA issues the RTA form to the family and sometimes retains a blank or duplicate copy in the file. Further file investigation of this or any case would have noted there is a signed RTA form in the folder for the unit selected by the family along with all other required documents. i.e. HAP Contract and Lease. It should also be noted that the RTA form does not determine the eligibility of the family and is not part of the screening process.

The current system for oversight and review is adequate, however, in the future, COPHA will ensure that extraneous documents are not maintained in the tenant file to avoid the appearance of unsigned documents. In addition, the City will review the files at each annual recertification to ensure all appropriate documents are signed and that blank or duplicate copies are removed.