

City of Pittsburg

Pittsburg, California

Single Audit Reports

For the year ended June 30, 2009

C&L
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Certified Public Accountants

City of Pittsburgh
Single Audit Reports
For the year ended June 30, 2009

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**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 City of Pittsburg (the City) as of and for the year ended June 30, 2009 and have issued our report thereon dated December 18, 2009. 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 audit procedures for the purpose of expressing our 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 *control deficiency* 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 misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider all deficiencies described in Part B of the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These deficiencies are also reported to management of the City in a separate letter dated December 18, 2009.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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To the Honorable Mayor and Members of City Council
of the City of Pittsburg
Pittsburg, California
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be 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.

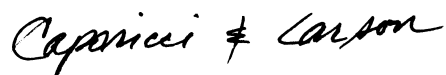
The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated December 18, 2009.

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



Oakland, California
December 18, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Pittsburg (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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; the standards applicable to financial audits contained in *Government Audit 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

To the Honorable Mayor and Members of City Council
of the City of Pittsburg
Pittsburg, California
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A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 basic financial statements of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. 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 financial statements taken as whole.

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

Capricci & Carlson

Oakland, California
December 18, 2009

City of Pittsburgh
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
<i>Direct Programs:</i>			
- Low Income Housing Assistance			
Program- Section 8 Voucher Program	*	14.871	CA-060V0
			\$ 10,674,039
- Community Development Block Grant		14.218	B-07-MC-06-054
			495,256
- Veterans Affairs Supportive Housing		14.VSH	CA060VA
			87,849
Total U.S. Department of Housing & Urban Development			<u>11,257,144</u>
U.S. Department of Justice:			
<i>Passed through the California Department of Justice</i>			
- Bulletproof Vest Partnership		16.607	8040331
			1,096
Total U.S. Department of Justice			<u>1,096</u>
U.S. Department of Transportation:			
<i>Passed through the California Department of Transportation</i>			
- Surface Transportation Program Congestion Management		20.205	STPL-5127-(016)
			379,224
<i>Passed through the California Office of Traffic Safety</i>			
- DUI Enforcement & Awareness Program		20.600	AL0707
			14,593
Total U.S. Department of Transportation			<u>393,817</u>
U.S. Department of Agriculture:			
<i>Passed through California Department of Education & Nutrition</i>			
- Summer Food Service Program		10.559	7-8070-0V
			32,178
Total U.S. Department of Agriculture			<u>32,178</u>
Total Expenditures of Federal Awards			<u>\$ 11,684,235</u>

* Denotes Major Programs

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Pittsburg
Single Audit Reports
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009

1. REPORTING ENTITY

A. 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 City 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Funds received under the various grant programs have been recorded within general, special revenue, and capital projects funds of the City. The City utilizes the modified accrual basis of accounting for these funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

B. Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of the City. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California is also included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

City of Pittsburgh
Single Audit Reports
Schedule of Findings and Questioned Costs
For the year ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Pittsburgh (City).
2. One significant deficiency relating to the audit of the financial statements is reported in part B of this Schedule below.
3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City is reported in part C of the Schedule below.
7. The programs tested as major programs include:

Major Programs	Expenditures
Low Income Housing Assistance	\$ 10,674,039
Total Major Program Expenditures	\$ 10,674,039
Total Federal Expenditures	\$ 11,684,235
Percent of Total Federal Award Expenditures	91%

The auditee meets the criteria for a low-risk auditee. Consequently, the major programs tested were required to be in the aggregate at least 25% of the total federal awards expended.

8. The threshold for distinguishing Types A and B programs was \$350,527.
9. The City was determined to be a low risk auditee.

City of Pittsburgh
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Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2009

B. CURRENT YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2009-1 PRIOR PERIOD ADJUSTMENTS (Significant Deficiency)

Criteria

All transactions should be recorded correctly in the City's general ledger.

Condition

During fiscal year 2009, the City recorded prior period adjustments because of correction of errors in the recording of capital assets. The adjustments restated the net assets of governmental activities and business-type activities in the government-wide financial statements. The amounts of adjustments resulting from the capital assets correction of errors were \$2,144,962 and \$7,733,108 in the governmental activities and business-type activities, respectively.

Questioned Costs

None.

Context and Effect

The City should strengthen controls to ensure that all financial transactions are recorded correctly.

Recommendation

We recommend that the City review all current year transactions more carefully to avoid future adjustments to prior periods.

Management Response

The Finance Department of the City is actively working on the implementation of the EDEN Financial System Capital Assets module. Capital Asset Accounting training has been completed and staff is currently uploading historical spreadsheet data of City capital assets to the EDEN Financial System.

There are also plans to have more staff involved in the processing of the capital assets data so that there is a continual check and balance of capital assets transactions.

City of Pittsburgh
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2009

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

Finding 09-1 Section 8 Housing Choice Vouchers Grant (CFDA Number 14.871) - Tenants documentation completeness.

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

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.

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

Questioned Costs: There is no cost in question.

Context and Effect: Complete documentation will ensure that the applicants are eligible to receive benefits under the program.

Recommendation: We recommend the City procedures provide greater oversight and review.

Management Response: File has been corrected with a signed tenancy approval packet by both landlord and tenant.

The City of Pittsburgh Housing Authority implemented a higher level of multiple checks in various phases of the leasing process. Additionally, in place is a quality control system checking performance indicators sampling all aspects of the program - SEMAP. Section 8 Management Assessment Program (SEMAP) is a HUD-required internal audit.

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

No findings or questioned costs were noted on the City's major programs in prior year.