

City of Pittsburg

Pittsburg, California

Single Audit Reports

For the year ended June 30, 2008

C&L
Caporicci & Larson
Certified Public Accountants

City of Pittsburgh
Single Audit Reports
For the year ended June 30, 2008

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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, 2008 and have issued our report thereon dated December 15, 2008. 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.

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.

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. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Honorable Mayor and Members of City Council
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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 15, 2008.

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 15, 2008



**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, 2008. 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, 2008.

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.

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To the Honorable Mayor and Members of City Council
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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, 2008, and have issued our report thereon dated December 15, 2008. 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 15, 2008

City of Pittsburgh
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2008

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 \$ 10,719,393
- Community Development Block Grant	*	14.218	B-07-MC-06-054 671,113
Total U.S. Department of Housing & Urban Development			<u>11,390,506</u>
U.S. Department of Justice:			
<i>Direct Programs:</i>			
- Edward J Byrne Memorial Justice Assistance Grant		16.738	2006-DJ-BX-0834 <u>30,976</u>
Total U.S. Department of Justice			<u>30,976</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) 446,333
<i>Passed through the California Office of Traffic Safety</i>			
- DUI Enforcement & Awareness Program		20.600	AL0707 <u>30,600</u>
Total U.S. Department of Transportation			<u>476,933</u>
U.S. Department of Homeland Security			
<i>Passed through Contra Costa County Sheriffs Office</i>			
- Buffer Zone Protection Plan Program		97.078	BZPP05 <u>183,098</u>
Total U.S. Department of Homeland Security			<u>183,098</u>
U.S. Department of Agriculture:			
<i>Passed through California Department of Education & Nutrition</i>			
- Summer Food Service Program		10.559	7-8070-0V <u>32,194</u>
Total U.S. Department of Agriculture			<u>32,194</u>
Total Expenditures of Federal Awards			<u>\$ 12,113,707</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, 2008

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 and the County of Contra Costa is 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, 2008

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 is reported.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City was reported.
7. The programs tested as major programs include:

Major Programs	Expenditures
Low Income Housing Assistance	\$ 10,719,393
Community Development Block Grant	671,113
Total Major Program Expenditures	\$ 11,390,506
Total Federal Expenditures	\$ 12,113,707
Percent of Total Federal Award Expenditures	94%

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 \$363,411.
9. The City was determined to be a low risk auditee.

City of Pittsburg
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Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2008

CURRENT YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

2008-1 PRIOR PERIOD ADJUSTMENTS (Significant Deficiency)

Criteria

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

Condition

During fiscal year 2008, the City recorded prior period adjustments due to correction of errors in the recording of capital assets and sales tax revenue. 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 was \$2,930,914 and \$857,320 in the governmental activities and business-type activities, respectively. The amount of the adjustment resulting from the sales taxes revenue error was \$832,166 in the governmental activities

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

City of Pittsburg management staff acknowledges and accepts this audit comment. The Finance staff responsible for the year end closing of citywide financial records has committed to a thorough review of all accounting entries related to capital asset transactions. This enhanced review has been added to the Financial Year-end Closing Check List to include all observations noted above.

The one-time adjustment to accrue sales tax in accordance with the State of California collection time frame has been made by staff as recommended by the auditors. The purpose of this adjustment is to change the accounting of sales tax revenue from a cash basis as received to an accrual basis as earned.

The Finance staff responsible for preparing the respective revenue entries will continue the same methodology of posting sales tax revenue in the appropriate fiscal year as recommended by the auditors.

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

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

City of Pittsburgh
Single Audit Reports
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2008

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

Finding 07-1 Department of Justice (CFDA Number 16.710) - Under-reporting of Federal expenditures.

Criteria: In accordance with the Basic Guidelines section of OMB's, all Federal grants must be reported on the City's Single Audit Report in the year the expenditure was incurred.

Condition: During the performance of the audit, it was noted that expenditures in the amount of \$23,000 incurred in fiscal years 2005-2006, were not reported on the Schedule of Federal Awards for that year.

Cause: Over the last two years, the Finance Department has experienced a high staff turnover and a financial software conversion that subsequently led to overlook the reporting requirement of COPS MORE grant on the Single Audit Report. This staff constraint was eliminated by hiring a grant manager during Fiscal Year 2006-07.

Questioned Costs: If the amount was reported in fiscal year 2005-2006, it would not have been selected as a major program. The grant would not be tested in fiscal year 2005-2006. Therefore, the questioned cost is unknown.

Context and Effect: Keeping a good tracking mechanism will ensure that the Schedule of Federal Awards is complete and accurate.

Recommendation: We recommend that the City establish a procedure to ensure that all grant expenditures are properly accounted for as part of the Single Audit requirement.

Management Response: The City will develop a grant policy and procedure manual in Fiscal Year 2007-2008 to implement the auditor's recommendation.

Status: In progress. The City has drafted the grant policy and procedure manual, which will be implemented in Fiscal Year 2008-2009.