

CITY OF PITTSBURG
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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CITY OF PITTSBURG
SINGLE AUDIT REPORT
For The Year Ended June 30, 2012

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CITY OF PITTSBURG

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2012**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes X No
- Significant deficiencies identified? Yes X 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? X Yes No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Department of Housing and Urban Development – Section 8 Housing Choice Vouchers
14.218	Department of Housing and Urban Development – Community Development Block Grants / Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs: \$430,707

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, material weaknesses or instances of noncompliance material to the basic financial statements. We have issued a separate Memorandum on Internal Control dated October 23, 2012, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Finding #SA2012-01 – Annual Inspection Requirement

Name of Federal Agency: Department of Housing and Urban Development

CFDA Number: 14.871

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

Criteria: The Housing Quality Standards Inspection section of the Agency Requirements state that Public Housing Agencies (PHA) must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)). In addition, the Administrative Policy indicates that an inspection must be conducted within twelve months of the last annual inspection.

Condition: Per our testing of twenty-five Section 8 tenant files for new and existing tenants, it was noted that an annual inspection checklist was not filed for one the samples selected. It appeared that the tenant had intended on porting out to another Housing Authority in August 2011 but later decided to stay with the Pittsburg Housing Authority, therefore, the 2011 annual inspection was overlooked and not completed.

Effect: The Housing Authority is not in compliance with the Housing Quality Standards Inspection section of the Agency Requirements and the Housing Quality Inspections & Standards section of their Administrative Policy.

Cause: It was noted that the 2011 annual inspection for the tenant was not conducted due to the confusion with his porting out and the intent of the receiving Housing Authority to absorb him. There was a miscommunication among staff when this occurred which led to the annual inspection being overlooked and not completed.

Recommendation: It is recommended that the Housing Authority review tenant files completely during the tenants' annual examination to verify that all required inspections are completed.

View of Responsible Officials and Planned Corrective Actions

- **Name of contact person:** Sharon Jackson, Housing Manager
- **Response for the corrective plan:** City of Pittsburg Housing Authority (COPHA) was aware that the annual inspection had not been completed for 1 household due to the planned move out by the family to another jurisdiction. Staff received notification from the receiving housing authority, that they would absorb the family, giving assumption that the family would be relocated from the unit before the inspection was due. However, even after the family made arrangements for moving into the new housing authority jurisdiction, the family later changed their mind, causing the annual inspection for that year to be overlooked.

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

In the future, to avoid this lapse, COPHA will ensure that the inspection processes continue, regardless of whether the family has given notice to vacate or whether the family indicates a desire to port out to another housing authority jurisdiction.

The current system for oversight and review is adequate, and, as is our current policy, we will not make assumptions to our normal processes and continue our monitoring of annual inspections through our Housing Pro system and HUD's PIC system. This will ensure all program requirements are met for all households.

Finding #SA2012-02 – Communicating the Catalog of Federal Domestic Assistance (CFDA) Number to Subrecipients

Name of Federal Agency: Department of Housing and Urban Development

CFDA Number: 14.218

CFDA Title: Department of Housing and Urban Development - Community Development Block Grants / Entitlement Grants

Criteria: OMB Circular A-133, § __.400(d)(1) requires pass-through entities to identify Federal awards made by informing each subrecipient of the CFDA title and number.

Condition: We selected nine subrecipient agreements under the CDBG program for testing of compliance with the OMB Circular A-133 requirements and noted that none of the subrecipient agreements included the CFDA title and number as required by the OMB Circular A-133. Even though the agreements clearly specify the responsibility of using the CDBG grant fund in accordance to CDBG national objective and comply to Title 24 of the Code of Federal Regulations, Part 570 of the HUD Regulations concerning CDBG and all Federal regulation and policies pursuant to these regulations, however, the CFDA numbers had not been communicated to the subrecipients in any other manner.

Effect: The City is not in compliance with the requirements of the OMB Circular A-133 § __.400(d)(1).

Cause: Per conversation with the Administrative Analyst I/Program Manager, the City was not aware that the CFDA title and number should to be addressed in the subrecipient agreements.

Recommendation: It is recommended that the City should include the CFDA title and number in future subrecipient agreements, or communicate this information to the subrecipients in some other formal manner.

View of Responsible Officials and Planned Corrective Actions

- **Name of contact person:** Lynette Darensburg, Administrative Analyst
- **Response for the corrective plan:** City of Pittsburg was not aware of this requirement. We had issued the FY 2012/13 action plan by the time we were informed of this requirement. The City has rectified the situation by informing each subrecipient of the CFDA title and number via an e-mail. Starting in FY 2013/14, the CFDA title and number will be included in the subrecipient agreements.

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 our prior year significant deficiency in our Memorandum on Internal Control dated October 23, 2012, which is an integral part of our audit and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

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

CITY OF PITTSBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor and Award Title</u>	<u>Federal CFDA Number</u>	<u>Grantor/ Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
Department of Housing & Urban Development			
Direct Programs			
Community Development Block Grants/ Entitlement Grants	14.218	B11-MC-06-054	\$421,908
Community Development Block Grants/ Entitlement Grants	14.218	B10-MC-06-054	137,516
Community Development Block Grants/ Entitlement Grants Subtotal			<u>559,424</u>
Housing Choice Vouchers - Section 8 Voucher Program	14.871	CA060VO	12,325,411
Housing Choice Vouchers - Veteran Affairs Supportive Housing	14.871	CA060VA	824,867
Housing Choice Vouchers Subtotal			<u>13,150,278</u>
Total Department of Housing and Urban Development			<u>13,709,702</u>
Department of Justice			
Direct Program			
Bulletproof Vest Partnership	16.607	8041331	15,812
Direct Program Subtotal			<u>15,812</u>
Pass-Through Office of Contra Costa County Office of the Sheriff			
Edward Byrne Memorial Formula Grant Program	16.579	2009DJBX0348	3,012
Pass-Through Program Subtotal			<u>3,012</u>
Pass-Through California Office of Community Oriented Policing Services			
Public Safety Partnership and Community Policing Grants			
ARRA - COPS Hiring Recovery Program (CHRP)	16.710	2009RKWX0093	279,735
Pass-Through Programs Subtotal			<u>279,735</u>
Department Subtotal			<u>282,747</u>
Total Department of Justice			<u>298,559</u>
Department of Transportation			
Pass-Through the California Department of Transportation			
Highway Planning and Construction - Willow Pass Bridge Seismic Retrofit	20.205	STPLZ-5127 (024)	26,819
Highway Planning and Construction - Railroad Avenue Pavement Rehabilitation	20.205	STPL-5127 (026)	240,626
Pass-Through Programs Subtotal/Total Department of Transportation			<u>267,445</u>
Department of Energy			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DEFOA0000013	81,191
Total Expenditures of Federal Awards			<u>\$14,356,897</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, 2012

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 (The Redevelopment Agency dissolved as of January 31, 2012)
- 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.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

NOTE 4 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grant/Entitlement Grants	\$143,433

**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, 2012, and have issued our report thereon dated October 23, 2012. The report included a special emphasis paragraph concerning dissolution of Redevelopment Agency. 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.

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 October 23, 2012 which is an integral part of our audits and should be read in conjunction with this report.

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.

Maze & Associates

October 23, 2012

**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, 2012. 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'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, 2012. However, 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 SA2012-01 and SA2012-02.

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 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, 2012, and have issued our report thereon dated October 23, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a 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, City Council, 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.



February 27, 2013