

CITY OF PITTSBURG

**SINGLE AUDIT REPORT (REISSUED)
FOR THE YEAR ENDED JUNE 30, 2013**

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CITY OF PITTSBURG
SINGLE AUDIT REPORT (REISSUED)
For The Year Ended June 30, 2013

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (REISSUED)
For The Year Ended June 30, 2013**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Department of Housing and Urban Development – Section 8 Housing Choice Vouchers
16.710	Department of Justice - ARRA-Public Safety Partnership and Community Policing Grants
20.205	Department of Transportation – Highway Planning and Construction (Federal-Aid Highway Program)

Dollar threshold used to distinguish between type A and type B programs: \$436,268

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did disclose significant deficiencies but no material weaknesses or instances of noncompliance material to the basic financial statements. We have communicated significant deficiencies, along with other matters, in a separate Memorandum on Internal Control dated November 18, 2013 which is an integral part of our work and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –

Prepared by Management

Financial Statement Prior Year Findings

We have included the current status of the prior year findings in our Memorandum of Internal Control dated November 18, 2013 which is an integral part of our audit and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

- **Finding #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.

Federal Award Prior Year Findings and Questioned Costs (continued)

- **Current status prepared by management:** The City of Pittsburg Housing Authority has reviewed all units for inspection compliance and all units meet the annual inspection requirements. Upon discovery in 2012 audit, the unit in question was immediately scheduled and inspected for compliance. The current system for oversight and review is adequate, 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.
- **Current status prepared by management:** The last CDBG program cycle was approved for a period of two years. This cycle included FY 2012/13 and FY 2013/14. Therefore, the subrecipients remained the same for both fiscal years. Each sub-recipient was notified of the CFDA title and number via e-mail for both FY 2012/13 and FY 2013/14. A new CDBG program cycle will begin in FY 2014/15. New sub-recipients will be selected to receive awards. The CFDA title and number will be included in the FY 2014/15 program agreements.

CITY OF PITTSBURG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (REISSUED)
For the Fiscal Year Ended June 30, 2013

Federal Grantor and Award Title	Federal CFDA Number	Grantor/ Pass-Through Identifying Number	Federal Expenditures
Department of Housing and Urban Development Direct Programs			
Community Development Block Grants/ Entitlement Grants	14.218	B10MC060054	\$6,044
Community Development Block Grants/ Entitlement Grants	14.218	B11MC060054	79,352
Community Development Block Grants/ Entitlement Grants	14.218	B12MC060054	<u>469,899</u>
Program Subtotal			<u>555,295</u>
Housing Choice Vouchers - Section 8 Voucher Program/VASH	14.871	CA060VO	<u>13,012,018</u>
Total Department of Housing and Urban Development			<u>13,567,313</u>
Department of Energy Direct Programs			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DEFOA0000013	<u>1,979</u>
Total Department of Energy			<u>1,979</u>
Department of Justice Direct Programs			
Public Safety Partnership and Community Policing Grants ARRA - COPS Hiring Recovery Program (CHRP)	16.710	2009RKWX0093	<u>112,169</u>
Subtotal Department of Justice Direct Programs			<u>112,169</u>
Department of Justice Pass-Through Programs From:			
Office of Contra Costa County Office of the Sheriff Edward Byrne Memorial Formula Grant Program	16.579	2009SBB92404	41,493
Edward Byrne Memorial Formula Grant Program	16.579	2010DJBX0341	22,466
Edward Byrne Memorial Formula Grant Program	16.738	2011DJBX3287	18,298
Edward Byrne Memorial Formula Grant Program	16.738	201DJBX0927	<u>3,603</u>
Subtotal Department of Justice Pass-Through Programs			<u>85,860</u>
Total Department of Justice			<u>198,029</u>
Department of Transportation Pass-Through Programs From:			
California Department of Transportation Highway Planning and Construction (Federal-Aid Highway Program)			
Willow Pass Bridge Seismic Retrofit	20.205	STPLZ-5127 (024)	57,251
Railroad Avenue Pavement Rehabilitation	20.205	STPL-5127 (026)	400,797
North Parkside Dr. Bicycle and Pedestrian Improvement Project	20.205	CM-5127(027)	<u>244,734</u>
Program Subtotal			<u>702,782</u>
State of California Office of Traffic Safety-Selective Traffic Enforcement Program State and Community Highway Safety	20.600	PT1319	<u>30,400</u>
State of California Office of Traffic Safety-Selective Traffic Enforcement Program Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1319	20,466
University of California, Berkeley-Sobriety Checkpoint Grant Program Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC13318	<u>21,298</u>
Program Subtotal			<u>41,764</u>
Total Department of Transportation			<u>774,946</u>
Total Expenditures of Federal Awards			<u>\$14,542,267</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF PITTSBURG

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (REISSUED) For The Year Ended June 30, 2013

NOTE 1 - REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Pittsburg, California and its component units as disclosed in the notes to the Basic Financial Statements. Federal awards expended by this entity, if any, are excluded from the Schedule and are subject to a separate Single Audit performed by other auditors.

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:

- Housing Authority
- Public Infrastructure Financing Authority
- Pittsburg Power Company
- Pittsburg Arts & Community Foundation

NOTE 2 - BASIS OF ACCOUNTING

Basic 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.

CITY OF PITTSBURG

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (REISSUED)
For The Year Ended June 30, 2013**

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	\$164,484

**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, in accordance with the 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, the basic financial statements of the City of Pittsburg as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2013. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated November 18, 2013 which is an integral part of our audits and should be read in conjunction with this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated November 18, 2013 which is an integral part of our audits and should be read in conjunction with this report. City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
November 18, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133 (REISSUED)

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the City as of and for the year ended June 30, 2013, and have issued our report thereon dated November 18, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 additional 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This reissued report is replacing the original Single Audit Report for the fiscal year ended June 30, 2013, issued on January 21, 2014. The Schedule of Expenditures of Federal Awards (SEFA) in this Single Audit Report was reduced from the original by \$345,195 as follows:

- Department of Justice – Edward Byrne Memorial Formula Grant Program was increased by \$29,221
- Department of Transportation – Highway Planning and Construction (Federal-Aid Highway Program) was reduced by \$374,416

Mare & Associates

Pleasant Hill, California
March 25, 2014

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