

CITY OF GLENDORA, CALIFORNIA SINGLE AUDIT REPORT JUNE 30, 2008

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- Donald L. Parker, C.P.A
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- Susan F. Matz, C.P.A.

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 the City Council City of Glendora, 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 the City of Glendora, California, as of and for the year ended June 30, 2008, which collectively comprise the City of Glendora, California's basic financial statements and have issued our report thereon dated December 8, 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 of Glendora, California'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 of Glendora, California's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Glendora, California'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 City of Glendora, California'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 of Glendora, California's financial statements that is more than inconsequential will not be prevented or detected by the City of Glendora, California'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 of Glendora, California's internal control.

Our consideration of internal control over financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Glendora, California'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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

March 5, 2009

Lance, Soll & Lunghard, LLP



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Glendora, California, (the "City") with the types of compliance requirements described in the United States 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. 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 on 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. 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 08-1.

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 audit 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 the Members of the City Council City of Glendora, California

A control deficiency in a City'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 City'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 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 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 preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiency in the internal control over compliance that we consider material weakness 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, 2008, and have issued our report thereon dated December 8, 2008. Our audit was performed for the purpose of forming an opinion of the basic financial statements taken 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 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the City Council, management, 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.

March 5, 2009

Lance, Soll & Lunghard, LLP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development Direct Programs:			
Community Development Block Grant*	14.218	B-07MC-06-0589	\$ 476,647
Passed through the State of California Department of Housing and Community Development: HOME Investment Partnerhips Program*	14.239	04-HOME-0724 06-HOME-2368 06-HOME-2454 07-HOME-3099	21,977 418,969 53,991 10,636 505,573
Total U.S. Department of Housing and Urban Development			982,220
U.S. Department of Justice Direct Program:			
Bulletproof Vest Partnerhips Program Federal Asset Seizure	16.607 16.000		1,850 125,603
Total U.S. Department of Justice			127,453
U.S. Department of Transportation Passed through the State of California Office of Traffic Safety:			
State and Community Highway Safety	20.600	SCO8158 OP0804 AL0610 AL0690 CT08158	6,867 84,721 8,281 268,401 5,425 373,695
Highway Planning and Construction	20.205		19,777
Total U.S. Department of Transportation			393,472
Total Federal Expenditures			\$ 1,503,145

^{*} Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Glendora, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements				
Type of auditors' report issued: Unqualified Op	pinion			
Internal control over financial reporting:				
Significant deficiencies identified?		yes	Xno	
 Significant deficiencies identified that are considered to be material weaknesses? 		yes	X none reported	
Noncompliance material to financial statements noted?		yes	Xno	
Federal Awards				
Internal control over major programs:				
Significant deficiencies identified?		yes	Xno	
 Significant deficiencies identified that are considered to be material weaknesses? 		yes	X none reported	
Type of auditors' report issued on compliance for major programs: Unqualified Opinion				
Any audit findings disclosed that are required to reported in accordance with Section 510(a) Circular A-133?		Xyes	no	
Identification of major programs:				
CFDA Number(s)	Name of Federal Program or Cluster			
14.218 14.239	Community Development Block Grant HOME Investment Partnerships Program			
Dollar threshold used to distinguish between type A and type B program	\$300,000			
Auditee qualified as low-risk auditee?		yes	Xno	

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number: 08-1

According to the A-133 Compliance Supplement, "The amount of CDBG funds obligated during the program year for public services must not exceed 15 percent of the grant amount received for that year..." For fiscal year 2007-2008, the City of Glendora exceeded the 15 percent compliance amount by \$33,241. This finding was informed by the U.S. Department of Housing and Urban Development (HUD), during their review. The final report has not been issued at this time.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

SECTION I - FINANCIAL STATEMENT FINDINGS

Finding Number: 07-1

During our test work of accounts payable, we noted one instance where a retention payable was not set up as a liability at the time the invoice was paid. Although, retentions are not payable until the project is complete, they represent liabilities to the City when the work is performed and should be recorded as such. Since recent auditing standards have made it clear that the independent auditor is not and cannot be part of their client's financial reporting process or its internal control, the City needs to review its procedures to ensure that all retentions payable are appropriately recorded.

Finding Number: 07-2

From our analysis of the tax increment revenue for the Redevelopment Agency, we proposed a journal entry to correct the 20% set-aside of tax increment revenue to the low and moderate income housing fund. Again, since recent auditing standards have made it clear that the independent auditor is not and cannot be part of their client's financial reporting process or its internal control, we suggest that the City prepare a tax increment analysis at year end to ensure that 20% of the tax increment revenue for the Redevelopment Agency is properly allocated to the low and moderate income fund.

Finding Number: 07-3

From our cash and investment procedures, we proposed a journal entry to adjust cash and investments to fair value at June 30, 2007, on the City's general ledger in accordance with GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for External Investment Pools. We recommend that, as part of the year end closing procedures, the City adjust its cash and investments on the general ledger to fair value at fiscal year-end.

During our test of the bank reconciliations, we noted multiple reconciling items that had to be investigated and corrected in order to reconcile cash and investments. We suggest that all reconciling items on the bank reconciliation be investigated promptly, so that errors and adjustments can be quickly identified and corrected with adequate explanation. Reconciliations should be performed on a timely basis and differences adjusted so that the internal balances of cash and investments are properly reflected on the records of the City.

Finding Number: 07-4

During the current fiscal year, the City received many Federal and State grants. We noted one instance where the client failed to set up deferred revenue for reimbursement requested and not available within the revenue recognition period, and another instance where grant revenue received should have been deferred since it did not meet the revenue recognition criteria. We suggest that procedures be put into place in the grant reconciliation process to insure that revenue is properly recognized.

Finding Number: 07-5

Subsequent to the issuance of the prior year financial statements, correcting journal entries were made to reclassify revenue and expenditure incorrectly recorded in the prior period which resulted in a restatement of the beginning fund balances on the current year financial report.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number: 07-6

Federal Program:

CFDA number: 14.239

Title: HOME Investment Partnerships Program

Federal agency: Department of Housing and Urban Development

· Criteria:

According to subsection 221(d)(3) of the National Housing Act, the HOME subsidy amounts must be properly supported by the participating jurisdictions records.

Condition:

The tenant file was missing the "Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970" disclosure form.

Questioned Costs:

Undeterminable

Effect:

The tenant file was missing the required disclosure forms to properly support the subsidy amount.

Recommendation:

The City should implement procedures to monitor the tenants' files and ensure that files are complete before providing the subsidy.

Response:

Management concurs and will implement file review procedures to ensure that all required forms have been obtained before the subsidy is disbursed.

Current Status:

The tenant file that was missing the required "Uniform Relocation and Real Property Acquisition Policies Act of 1970" disclosure form is now properly disclosed in the tenant file.

Finding Number: 07-7

· Federal Program:

CFDA number: 14.239

Title: HOME Investment Partnerships Program

Federal agency: Department of Housing and Urban Development

Criteria:

For HOME assisted rental housing, the City must perform on-site inspections every year to determine compliance with property standards and to verify the information submitted by the owners.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

· Condition:

The City normally performs inspections when the tenants re-qualify. One tenant re-qualified early and the City was unable to perform the inspection at that time. The City does not have back up procedures to ensure that inspections are performed on an annual basis if someone re-qualifies before one year is up.

· Questioned Costs:

None

• Effect:

The tenant's last inspection was performed over one year ago.

Recommendation:

The City should set up procedures to ensure that inspections are done on an annual basis.

Response:

Management concurs and will implement file review procedures to ensure that inspections are performed on a yearly basis.

Current Status:

The City properly performed the inspections when the tenants re-qualified for the program. The City had the proper procedures which ensured inspections were done on an annual basis by completing a checklist for documents which is located in the tenant file.

March 30, 2009

State of California Dept. of Housing & Community Development P.O. Box 952054 Sacramento, CA 94252-2054

Re: Single Audit 2007-08

Enclosed is the reporting package required for submission of 2007-08 fiscal year single audit reports.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Finding Number:08-01

According to the A-133 Compliance Supplement, "The amount of CDBG funds obligated during the program year for public services must not exceed 15 percent of the grant amount received for that year..." For fiscal year 2007-2008, the City of Glendora exceeded the 15 percent compliance amount of \$33,241. This funding was informed by the U.S. Department of Housing and Urban Development (HUD), during their review. The final report has not been issued at this time.

Response: The City of Glendora will exert greater effort to insure compliance of the 15 percent maximum expenditure for public services.

Finding Number: 07-1

During our test work of accounts payable, we noted one instance where retention payable was not set up as a liability at the time the invoice was paid. Although, retentions are not payable until the project is complete, they represent liabilities to the City when the work is performed and should be recorded as such. Since recent auditing standards have made it clear that the independent auditor is not and cannot be part of their client's financial reporting process or its internal control, the City needs to review its procedures to ensure that all retentions payable are appropriately recorded.

Response: The City has implemented stricter monitoring procedures to insure all retention payables are properly accounted for.

Finding Number: 07-2

From our analysis of the tax increment revenue for the Redevelopment Agency, we proposed a journal entry to correct the 20% set-aside of tax increment revenue to the low and moderate income housing fund. Again, since recent auditing standards have made it clear that the independent auditor is not and cannot be part of their client's financial reporting process or its internal control, we suggest that the City prepare a tax increment analysis at year end to ensure that 20% of the tax increment revenue for the Redevelopment Agency is properly allocated to the low and moderate income fund.

Schedule of Findings FYE 07-08 March 30, 2009 Page 2

Response: The City has prepared a work paper schedule which will reconcile all low moderate housing transfers to the tax increment received from the County.

Finding Number: 07-3

From our cash and investment procedures, we proposed a journal entry to adjust cash and investments to fair value at June 30, 2007, on the City's general ledger in accordance with GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for External Investment Pools. We recommend that, as part of the year end closing procedures, the City adjust its cash and investments on the general ledger to fair value at fiscal year-end.

During our test of the bank reconciliations, we noted multiple reconciling items that had to be investigated and corrected in order to reconcile cash and investments. We suggest that all reconciling items on the bank reconciliation be investigated promptly, so that errors and adjustments can be quickly identified and corrected with adequate explanation. Reconciliations should be performed on a timely basis and differences adjusted so that the internal balances of cash and investments are properly reflected on the records of the City.

Response: The City will insure cash and investments are reconciled on a monthly basis.

Finding Number: 07-4

During the current fiscal year, the City received many Federal and State grants. We noted one instance where the client failed to set up deferred revenue for reimbursement requested and not available within the revenue recognition period, and another instance where grant revenue received should have been deferred since it did not meet the revenue recognition criteria. We suggest that procedures be put into place in the grant reconciliation process to insure that revenue is properly recognized.

Response: The City will review revenues to insure they are properly classified.

Finding Number: 07-5

Subsequent to the issuance of the prior year financial statements, correcting journal entries were made to reclassify revenue and expenditure incorrectly recorded in the prior period which resulted in a restatement of the beginning fund balances on the current year financial report.

Response: This is not the usual practice at the city; however, we went through a particularly difficult computer software conversion that caused these errors. This will not recur.

Finding Number: 07-6

Federal Program: CFDA number: 14.239 **Title:** HOME Investment Partnerships Program

Federal agency: Department of Housing and Urban Development

Criteria: According to subsection 221(d) (3) of the National Housing Act, the HOME subsidy amounts must be properly supported by the participating jurisdictions records.

Schedule of Findings FYE 07-08 March 30, 2009 Page 3

Condition: The tenant file was missing the "Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970" disclosure form.

Questioned Costs: Undeterminable

Effect: The tenant file was missing the required disclosure forms to properly support the subsidy amount.

Recommendation: The City should implement procedures to monitor the tenants' files and ensure that files are complete before providing the subsidy.

Response: Management concurs and will implement file review procedures to ensure that all required forms have been obtained before the subsidy is disbursed.

Finding Number: 07-7

Federal Program: CFDA number: 14.239 **Title**: HOME Investment Partnerships Program

Federal agency: Department of Housing and Urban Development

Criteria: For HOME assisted rental housing, the City must perform on-site inspections every year to determine compliance with property standards and to verify the information submitted by the owners.

Single Audit 2007-08

March 30, 2009

Condition: The City normally performs inspections when the tenants re-qualify. One tenant re-qualified early and the City was unable to perform the inspection at that time. The City does not have back up procedures to ensure that inspections are performed on an annual basis if someone re-qualifies before one year is up.

Ouestioned Costs: None

Effect: The tenant's last inspection was performed over one year ago.

Recommendation: The City should set up procedures to ensure that inspections are done on an annual basis.

Response: Management concurs and will implement file review procedures to ensure that inspections are performed on a yearly basis.

Should you have any questions, or need additional information, please contact me at (626)914-8238.

Very truly yours,

Elizabeth Stoddard Accounting Manager Enclosures: Data Collection Form
Financial Statements
Summary Schedule of Prior Audit Findings
Corrective Action Plan