

CITY OF GLENDORA, CALIFORNIA SINGLE AUDIT REPORT JUNE 30, 2009

Lance Soll & Lunghard, LLP

203 North Brea Blvd Suite 203 Brea, CA 92821

41185 Golden Gate Circle Suite 103 Murrieta, CA 92562

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- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- · Michael K. Chu, CPA
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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 the City Council City of Glendora, California

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 of Glendora, California, (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 09-1, 09-2, and 09-3 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a 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.



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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 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 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.

January 6, 2010

Lance, Soll & Lunghard, LLP



- Brandon W. Burrows, CPA
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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, 2009. City of Glendora'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 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, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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, 2009, and have issued our report thereon dated November 2, 2009. 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.

January 6, 2010

Lance, Soll & Lunghard, LLP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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-08-MC-06-0589	\$ 336,999
Passed through the State of California Department of Housing and Community Development: HOME Investment Partnerhips Program	14.239	06-HOME-2368 06-HOME-2454 07-HOME-3099	282,629 11,617 352,464
			646,710
Total U.S. Department of Housing and Urban Development			983,709
U.S. Department of Justice Direct Program:			
Bulletproof Vest Partnerhips Program Federal Asset Seizure*	16.607 16.000		5,954 44,259
Total U.S. Department of Justice			50,213
U.S. Department of Transportation Passed through the State of California Office of Traffic Safety:	00.000	2000450	- 440
State and Community Highway Safety*	20.600	SCO8158 OP0804 AL0610 AL0690 AL0984 CT09158	7,412 95,906 3,228 51,944 259,339 18,390 436,219
Highway Planning and Construction*	20.205	STPL-5204(010)	564,852
Total U.S. Department of Transportation			1,001,071
U.S. Department of Treasury Direct Program:			
Federal Asset Seizure	21.000		7,180
Total U.S. Department of Treasury			7,180
Institute of Museum and Library Services Passed through the State of California Office of Library Services:			
Public Library Staff Education Program Early Learning with Families	45.310	40-7019 40-6970	2,634 8,717
Total Institute of Museum and Library Services			11,351

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security Passed through the County of Los Angeles Office of Emergency Management: Homeland Security Grant Program	97.067	2008-0006	36,190
Total U.S. Department of Homeland Security			36,190
Total Federal Expenditures			\$ 2,089,714

^{*} 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, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements Type of auditors' report issued: Unqualified Opinion Internal control over financial reporting: Significant deficiencies identified? X yes _no Significant deficiencies identified that are considered to be material weaknesses? X none reported yes Noncompliance material to financial statements noted? X_no yes Federal Awards Internal control over major programs: Significant deficiencies identified? X no yes Significant deficiencies identified that are considered to be material weaknesses? X none reported yes Type of auditors' report issued on compliance for major programs: Unqualified Opinion Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X_no yes Identification of major programs: Name of Federal Program or Cluster CFDA Number(s) 16.000 Federal Asset Seizure Highway Planning and Construction 20.205 20.600 State and Community Highway Safety Dollar threshold used to distinguish between type A and type B program \$300,000 Auditee qualified as low-risk auditee? X no yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding Number: 09-1

During our test work of accounts payable, we noted one invoice which related to both fiscal years 2008-09 and 2009-10 that was paid in fiscal year 2009-10 but not properly recognized as a liability in the prior fiscal year. The City needs to review its procedures to ensure that all items which relate to the prior fiscal year are appropriately recorded. Toward that end, we recommend that in addition to the performance of the City's general cutoff procedures for payable, the City also review subsequent disbursements for potential accrual.

Finding Number: 09-2

During our test work of advances to the Redevelopment Agency we noted that the City did not accrue interest due from the Agency during the year. In addition, the Agency did not record the interest expense due to the City. We recommend that the City properly record all activity related to Advances which occur during the fiscal year.

Finding Number: 09-3

During our interim review of understanding the City's internal controls, it was noted that the payroll clerk had the ability to enter new employees, change pay rates, and delete terminated employees off the system. This was discussed with management and it was recommended that these functions be removed from the payroll. This lack of segregation is considered a significant deficiency with a high fraud risk. There was no change to the duties during our year-end follow up and it is still highly recommended that these duties be segregated.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SCHEDULE OF PRIOR YEAR 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.

Reviewed City of Glendora's CDBG funds obligated during the program year for public services not to exceed 15 percent of the grant amount received for that year. For fiscal year 2008-2009, the City of Glendora's redevelopment department is still working on this finding with the U.S. Department of Housing and Urban Development. No resolution to note at this time.