



CITY OF SIMI VALLEY, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2010

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CITY OF SIMI VALLEY, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2010

CITY OF SIMI VALLEY

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CERTIFIED PUBLIC ACCOUNTANTS

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- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
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- Bryan S. Gruber, CPA

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 Simi Valley, 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 Simi Valley, California, (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 2, 2010. 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.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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.



To the Honorable Mayor and Members of the City Council
City of Simi Valley, California

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*.

In addition, we noted certain matters that we reported to management of the City in a separate letter dated December 2, 2010.

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.

Lance, Soll & Lughard, LLP

February 4, 2011



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON 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 Members of the City Council
City of Simi Valley, California

Compliance

We have audited the compliance of the City of Simi Valley (the "City") with the types of compliance requirements described in (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 10-1 and 10-2.



To the Honorable Mayor and Members of the City Council
City of Simi Valley, California

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control 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 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 deficiencies in the internal control over compliance that we consider material weaknesses as defined above.

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, express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2010, and have issued our report thereon dated February 4, 2011, which contained an unqualified opinion on those financial statements. 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 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 basic 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 information is fairly stated in all material respects in relation to the 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.

Lance, Soll & Luyhard, LLP

February 4, 2011

CITY OF SIMI VALLEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grantor's Number | Expenditures |
|--|---------------------------|---------------------|-----------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Direct Programs: | | | |
| Community Development Block Cluster | | | |
| Community Development Block Grant* | 14.218 | B-08-MC-06-0535 | \$ 437,890 |
| | | B-09-MC-06-0535 | 130,614 |
| | | | <u>568,504</u> |
| ARRA - Community Development Block Grant ARRA | | | |
| Entitlement Grant (CDBG-R) (Recovery Act Funded)* | 14.253 | B-09-MY-06-0535 | <u>145,479</u> |
| Total Community Development Block Cluster | | | 713,983 |
| Passed through the State of California | | | |
| Department of Housing and Community Development: | | | |
| Home Investment Partnership Program | 14.239 | 03-HOME-0681 | <u>62,535</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>776,518</u> |
| <u>U.S. Department of Justice</u> | | | |
| Direct Program: | | | |
| Federal Asset Forfeiture | 16.UNKNOWN | UNKNOWN | 31,640 |
| Bulletproof Vest Partnership Program | 16.607 | UNKNOWN | 1,096 |
| Passed through the City of Oxnard: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2009-G9634-CA-DJ | 6,490 |
| ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government | 16.804 | 2009-F1629-CA-SU | <u>80,361</u> |
| Total U.S. Department of Justice | | | <u>119,587</u> |
| <u>U.S. Department of Transportation</u> | | | |
| Passed through the State of California, | | | |
| Department of Transportation: | | | |
| Highway Planning & Construction* | 20.205 | STPL-5405 (041) | 3,006 |
| | | HPLUL-5405 (048) | 1,351,815 |
| | | | <u>1,354,821</u> |
| ARRA - Highway Planning & Construction* | 20.205 | ESPL-5405 (050) | 1,080,532 |
| | | ESPL-5405 (056) | 979,779 |
| | | | <u>2,060,311</u> |
| Direct Program: | | | |
| Federal Transit_Formula Grants | 20.507 | CA-90-Y839 | 1,964,840 |
| | | CA-95-X121 | 202,000 |
| | | CA-95-X033 | 62,439 |
| | | CA-95-X079 | 181,835 |
| | | | 78,395 |
| | | | <u>2,489,509</u> |
| ARRA - Federal Transit_Formula Grant* | 20.507 | CA-96-X005 | 671,810 |
| Passed through the State of California: | | | |
| Job Access_Reverse Commute | 20.516 | 648677 | 162,038 |

CITY OF SIMI VALLEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grantor's Number | Expenditures |
|---|---------------------------|----------------------------------|--|
| Passed through the State of California Office of Traffic Safety: State and Community Highway Safety | 20.600 | CTO9 407 SCO9 407 SC10 407 | 30,409 13,983 7,814 <u>52,206</u> |
| Total U.S. Department of Transportation | | | <u>6,790,695</u> |
| <u>U.S. Department of Treasury</u> | | | |
| Direct Program: Federal Asset Forfeiture | 21.UNKNOWN | UNKNOWN | <u>4,517</u> |
| Total U.S. Department of Treasury | | | <u>4,517</u> |
| <u>U.S. Department of Energy</u> | | | |
| Direct Program: ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) | 81.128 | DE-SC0001754 | <u>78,750</u> |
| Total U.S. Department of Energy | | | <u>78,750</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed through the County of Ventura: Aging Cluster Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers | 93.044 | 3C-009-070912-R2 | 57,647 |
| Special Programs for the Aging_Title III, Part C_Nutrition Services | 93.045 | 3C-009-070912-R2 | 23,802 |
| ARRA - Aging Home-Delivered Nutrition Services for States | 93.705 | 3C-009-070912-R2 | <u>15,000</u> |
| Total Aging Cluster | | | <u>96,449</u> |
| Total U.S. Department of Health and Human Services | | | <u>96,449</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| Passed through the County of Ventura: Urban Area Security | 97.067 | 111-95015 | 14,427 |
| Emergency Management Performance Grants | 97.042 | 111-00000 | 18,943 |
| State Homeland Security Program (SHSP) | 97.073 | 111-00000 | <u>97,404</u> |
| Total U.S. Department of Homeland Security | | | <u>130,774</u> |
| Total Federal Expenditures | | | <u>\$ 7,997,290</u> |

* 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 were for CFDA #14.218 - Community Development Block Grant was \$269,261.

Note d: CDBG program income for fiscal year 2010-2011 was \$354,725.

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 Simi Valley, 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.

Note 2: Loans Receivable

Loans from CDBG funds in the amount of \$628,061, which includes interest of \$66,333 and HOME funds in the amount of \$2,861,791, which includes interest of \$210,703 are outstanding as of June 30, 2010. During fiscal year 2009-10, there were no loans made with CDBG funds or HOME funds.

CITY OF SIMI VALLEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? yes no
 - Significant deficiencies identified that are considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? yes no
- Significant deficiencies identified that are considered to be material weaknesses? yes none reported

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? yes no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.218 & 14.253 | Community Development Block Grant Cluster |
| 20.205 | Highway Planning & Construction |
| 20.507 | ARRA – Federal Transit_Formula Grant |

Dollar threshold used to distinguish between type A and type B program \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF SIMI VALLEY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number 10-1

Program

CFDA number: 14.253
Title: ARRA- Community Development Block Grant ARRA Entitlement Grant (CDBG-R) (Recovery Act Funded)
Federal Grantor: U. S. Department of Housing and Urban Development
Grant Number: B-09-MY-06-0535

Criteria

The City is required to submit quarterly performance reports to the Federal grantor by the 10th after the end of the quarter. These reports give the project information as well as the amount of money the granting agency has expended during that time.

Condition

Management stated that they submitted the 3rd quarter 2009 performance report on time but they had incorrectly completed the form. The City had to resubmit the corrected quarterly performance and they did so on October 19, 2009.

Questioned Costs

None

Effect

The City was not in compliance with the quarterly reporting requirement.

Recommendation

The City should develop and document procedures to ensure that the reporting requirements of the grant are completed by the date they are due.

Management's Response

Since the proper filing of the quarterly report ending October 31, 2009, the City has consistently utilized the correct form for reporting and has submitted the reports in a timely manner. The City utilizes the copy forward procedure through the FederalReporting.gov website to ensure reports are entered in the correct format.

CITY OF SIMI VALLEY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding Number 10-2

Program

CFDA number: 20.205
Title: ARRA- Highway Planning & Construction
Federal Grantor: U. S. Department of Transportation
Grant Number: ESPL-5405(050)

Criteria

The City is a subrecipient of the grant funds from the State of California. They are required to submit monthly performance reports to the State of California by the 10th after the end of the month. These reports give the total number of employees, the total hours work, and the total payroll of the prime contractors and any sub contractors.

Condition

Management stated that they failed to report the project status and job information for the months of August, September, and October 2009. The City subsequently reported the monthly information to the State of California on October 18, 2010 for August, September, and October 2009.

Questioned Costs

None

Effect

The City was not in compliance with the monthly reporting requirement.

Recommendation

The City should develop and document procedures to ensure that the reporting requirements of the grant are completed by the date they are due.

Management's Response

During the implementation of the Caltrans Recovery Input System (CRIS), the online grant reporting for ARRA funds, there were continual changes to the system configuration, and the initial reporting time required a learning process. Staff input the monthly reporting on CRIS for August, September, and October 2009 as required, but inadvertently failed to complete the transaction. This was corrected and staff amended reporting procedures to include contacting Caltrans after each monthly reporting on CRIS to confirm that data was properly transmitted. With the changed procedures in place, monthly report submittals have not been late since the initial error in 2009.

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

SECTION I - FINANCIAL STATEMENT FINDINGS

Finding Number 09-1

Sanitation Inventory

We performed an inventory observation on June 30, 2009, and identified certain deficiencies in the controls over inventory in the Sanitation Department. The internal controls over the inventory observation have significantly improved from the prior year; however there are still 17 separate locations where Sanitation inventory is stored and almost all employees have access to the locations. This reduces the level of control that management has over inventory. We recommend having fewer locations with one storekeeper who is responsible for the inventory.

Also, the Sanitation department is still performing a full inventory observation to include any missing items that were not previously recorded in the inventory system and expect to have adjustments to correct this in the next fiscal year.

Status

Per review of the testwork that was completed, the sanitation inventory was completed and no discrepancies were discovered and the balance is properly stated at June 30, 2010.

Finding Number 09-2

Audit Adjustments

During our audit the City proposed an adjustment which we consider to be significant to the financial reporting process. A significant adjustment was required to properly state loans receivables that were previously omitted in the prior fiscal years at June 30, 2009. The City is still currently working on properly recording all loans receivables which include interest accruals. The finance department needs to be properly informed of all loans issued through all departments and a proper and accurate tracking of all loans (including accrued interest which is stated as required or omitted in all contracts) must be adjusted to the general ledger annually.

Status

A journal entry was done to properly state the loan receivables.

SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.