



CITY OF SIMI VALLEY, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2011

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CITY OF SIMI VALLEY

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TABLE OF CONTENTS

	<u>Page Number</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2011	5
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2011	8
Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2010	10



CERTIFIED PUBLIC ACCOUNTANTS

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- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2011. 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 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. However, we identified the following deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 2011-1 to be a significant deficiency in internal control.



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*.

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, Solt & Lughard, LLP

Brea, California
November 30, 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 AND ON
INTERNAL CONTROL OVER COMPLIANCE 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 City of Simi Valley, California'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 of Simi Valley, California's major federal programs for the year ended June 30, 2011. The City of Simi Valley, California'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 of Simi Valley, California's management. Our responsibility is to express an opinion on the City of Simi Valley, California'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 of Simi Valley, California'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 of Simi Valley, California's compliance with those requirements.

In our opinion, the City of Simi Valley, California, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the City of Simi Valley, California, 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 of Simi Valley, California's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Simi Valley, California's internal control over compliance.



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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Simi Valley, California, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain 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 as a whole.

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 & Lingham, LLP

Brea, California

February 2, 2012 (except for the Schedule of Expenditures of Federal Awards which is as of
November 30, 2011)

CITY OF SIMI VALLEY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant	14.218	B-10-MC-06-0535 B-09-MC-06-0535	\$ 670,021 593,500 <u>1,263,521</u>
ARRA - Community Development Block Grant ARRA Entitlement Grant (CDBG-R) (Recovery Act Funded)	14.253	B-09-MY-06-0535	<u>32,365</u>
Total Community Development Block Cluster			1,295,886
Passed through the State of California			
Department of Housing and Community Development: Home Investment Partnership Program	14.239	03-HOME-0681	<u>10,435</u>
Total U.S. Department of Housing and Urban Development			<u>1,306,321</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Federal Asset Forfeiture	16.UNKNOWN	UNKNOWN	27,630
Bulletproof Vest Partnership Program	16.607	UNKNOWN	7,701
Passed through the City of Oxnard:			
Edward Byrne Memorial Formula Grant Program	16.579	2010-H6985-CA-DJ	14,448
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-G9634-CA-DJ	13,719
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (Recovery Act Funded)	16.804	2009-F1629-CA-SU	<u>2,819</u>
Total U.S. Department of Justice			<u>66,317</u>
<u>U.S. Department of Transportation</u>			
Passed through the State of California, Department of Transportation:			
Highway Planning & Construction	20.205	HPLUL-5405 (048)	463,096
Direct Program:			
Federal Transit Formula Grants *	20.507	CA-95-X033-01 UNKNOWN CA-90-Y929-00 CA-95-X121-00	22,021 196,172 2,108,898 <u>1,070,236</u> 3,397,327
ARRA - Federal Transit Formula Grant (Recovery Act Funded) *	20.507	CA-96-X005	<u>2,019,727</u>
Total Federal Transit Formula Grant Cluster			5,417,054
Passed through the State of California:			
Job Access Reverse Commute	20.516	648677	19,962

CITY OF SIMI VALLEY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Passed through the State of California Office of Traffic Safety: State and Community Highway Safety	20.600	CT11 407 SC10 407	1,227 18,796 <hr/> 20,023
Total U.S. Department of Transportation			<hr/> 5,920,135 <hr/>
<u>U.S. Department of Treasury</u> Direct Program: Federal Asset Forfeiture	21.UNKNOWN	UNKNOWN	<hr/> 3,520
Total U.S. Department of Treasury			<hr/> 3,520 <hr/>
<u>U.S. Department of Energy</u> Direct Program: ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) (Recovery Act Funded) *	81.128	DE-SC0001754	<hr/> 954,850
Total U.S. Department of Energy			<hr/> 954,850 <hr/>
<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 C Nutrition Services	93.045	3C-009-071012-R3	<hr/> 91,719
Total U.S. Department of Health and Human Services			<hr/> 91,719 <hr/>
<u>U.S. Department of Homeland Security</u> Passed through the County of Ventura: Non-Profit Security Program	97.008	111-00000	38,511
Emergency Management Performance Grants	97.042	2010-0044	29,260
State Homeland Security Program (SHSP)	97.073	111-00000	<hr/> 41,895
Total U.S. Department of Homeland Security			<hr/> 109,666 <hr/>
Total Federal Expenditures			<hr/> \$ 8,452,528 <hr/>

* 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 \$318,333.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$544,951, which includes interest of \$68,198 and HOME funds in the amount of \$2,758,058, which includes interest of \$220,953 are outstanding as of June 30, 2011. During fiscal year 2010-11, there were no new 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, 2011

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
- Material weaknesses identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? yes no
- Material weaknesses identified? 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:

CFDA Number(s)
20.507
81.128

Name of Federal Program or Cluster
Federal Transit Formula Grant
Energy Efficiency and Conservation Block 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, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2011-1

Council on Aging and Cultural Arts Center

We have identified the Council on Aging and Cultural Arts Center on the Audit Difference Evaluation Form because there is financial activity not being accounted for through the City's financial software. Although not material to the City's overall financial reporting we recommend the financing of both of these activities to run completely through the City's financial software or that they file for a separate federal identification number, legally separating them from the financial responsibility of the City.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF SIMI VALLEY

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

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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

Current Status

The City has corrected the filing and submitted timely reports for thereon.

CITY OF SIMI VALLEY

**SCHEDULE OF PRIOR YEAR 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.

Current Status

The City has corrected the filing and submitted timely reports for thereon.