

City of Rosemead, California
Single Audit Report on Federal Awards
Year Ended June 30, 2012

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Year Ended June 30, 2012

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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

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Seong-Hyea Lee, CPA, MBA
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To the Honorable City Council
City of Rosemead, 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 Rosemead, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 16, 2013. 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

Management of the City is responsible for establishing and maintaining effective 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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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 previously.

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*.

We noted certain matters that we reported to management of the City, in a separate letter dated January 16, 2013.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Rogers Anderson Malody & Scott, LLP

January 16, 2013



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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

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To the Honorable City Council
City of Rosemead, California

Compliance

We have audited the City of Rosemead's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. 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 of Rosemead 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

Internal Control Over Compliance

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 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's internal control over compliance.

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

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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-1. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, 2012, and have issued our report dated January 16, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Rogers Anderson Maloney & Scott, LLP

March 26, 2013 (except for the Schedule of Expenditures of Federal Awards, as to which the date is January 16, 2013)

City of Rosemead
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Program Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Direct Assistance:				
Community Development Block Grant	14.218	B-11-MC-06-0580	\$ 1,163,200	\$ 176,029
HOME Investment Partnerships Program	14.239	M-11-MC-06-0553	464,216	-
Subtotal - U.S. Department of Housing and Urban Development			<u>1,627,416</u>	<u>176,029</u>
<u>U.S. Department of Justice</u>				
Passed through the City of Los Angeles:				
Edward Byrne Memorial Justice Assistance Grant	16.738	C-117929	21,052	-
Subtotal - U.S. Department of Justice			<u>21,052</u>	<u>-</u>
<u>U.S. Department of Energy</u>				
Direct Assistance:				
ARRA-Energy Efficiency and Conservation Block Grant	81.128-ARRA	DE-SC0002066	217,000	-
Subtotal - U.S. Department of Energy			<u>217,000</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,865,468</u>	<u>\$ 176,029</u>

See accompanying notes to schedule of expenditures of federal awards.

City of Rosemead
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

(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 Rosemead, California, that are reimbursable under federal programs of federal awards. For the purposes of this schedule, federal awards include both federal awards 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 are 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 recognized when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(2) Sub-recipients

Of the federal expenditures presented in the schedule, the City provided federal awards to sub-recipients for the Community Development Block Grant (CFDA No. 14.218) in the amount of \$176,029.

City of Rosemead
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ none reported

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

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

City of Rosemead
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS (continued)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant
14.239	HOME Investment Partnerships Program

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

Auditee qualified as low-risk auditee? _____ yes _____X_____ no

II. FINDINGS – FINANCIAL STATEMENT AUDIT

No matters to be reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant – CFDA No. 14.218

Grant No. B-11-MC-06-0580

2012-1 *Criteria:* 24 CFR Section 84.51(b) requires grantees to use the Federal Financial Report (FFR/SF-425) to report the status of funds for all non-construction grants, construction grants, or grants which include both construction and non-construction activities as determined by HUD. HUD requires recipients to submit the form SF-425 no later than 30 days after the end of each specified reporting period for quarterly and semiannual reports and 90 days for annual reports.

Condition: During the course of the audit, it was noted that the City of Rosemead did not prepare and submit form SF-425 to HUD.

Questioned Cost: None noted.

Cause: The City did not monitor compliance with reporting requirements.

Auditor Recommendation: The City should implement procedures to ensure Federal Financial Reports (FFR/SF-425) are prepared timely and submitted as required.

Grantee Response and Corrective Action Plan: The Grantee's response is reported in the "Corrective Action Plan" and considered as part of this report.

City of Rosemead
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

CURRENT STATUS OF PRIOR YEAR FINDINGS:

No matters to be reported.

MAYOR:
SANDRA ARMENTA

MAYOR PRO TEM:
POLLY LOW

COUNCIL MEMBERS:
BILL ALARCON
MARGARET CLARK
STEVEN LY



City of Rosemead

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CORRECTIVE ACTION PLAN
March 26, 2013

U.S. Department of Housing and Urban Development

The City of Rosemead respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:
Rogers, Anderson, Malody & Scott, LLP
735 E. Carnegie Drive, Suite 100
San Bernardino, California 92408

Audit period: Year ended June 30, 2012

FINDINGS – FEDERAL AWARD PROGRAM AUDIT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant – CFDA No. 14.218

Grant No. B-11-MC-06-0580

Auditor Recommendation: The City should implement procedures to ensure Federal Financial Reports (FFR/SF-425) are prepared timely and submitted as required.

Action Taken: The finding has been corrected. The City is now filing the required form SF-425 to HUD in a timely manner.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Matthew Hawkesworth, Assistant City Manager/Finance Director, at 626-569-2107.

Sincerely yours,

Matthew Hawkesworth
Assistant City Manager/Finance Director