

CITY OF BRAWLEY, CALIFORNIA

SINGLE AUDIT REPORT

June 30, 2011

City of Brawley

Single Audit Report

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**INDEPENDENT AUDITOR'S 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
of the City of Brawley
Brawley, 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 City of Brawley (City) as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated March 31, 2012. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Findings 2011-1 to 2011-4).

A significant deficiency is a deficiency, or a 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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (Findings 2011-5).

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*.

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, we express no opinion on them.

This report is intended solely for the information and use 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 31, 2012



MOSS, LEVY & HARTZHEIM LLP

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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
of the City of Brawley
Brawley, California

Compliance

We have audited the City of Brawley'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 fiscal year ended June 30, 2011. 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 legal determination on the City's compliance with those requirements.

In our opinion, the City 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 fiscal year ended June 30, 2011.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 non-compliance 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 noted no deficiencies in internal control over compliance that we considered to be a material weakness.

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 fiscal year ended June 30, 2011, and have issued our report thereon dated March 31, 2012 which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic 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 information is 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 and use of the City Council, management, 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
March 31, 2012

City of Brawley
 Schedule of Expenditures of Federal Awards
 For the fiscal year ended June 30, 2011

Federal Grantor/ Pass -Through Grantor	Federal CFDA Number	Agency or Pass-Through Program Number	Federal Expenditures
Program Title			
U.S. Department of Housing and Urban Development:			
Passed through California Department of Housing and Community Development: Community Development Block Grant	14.228	N/A	\$ 28,000
Total U.S. Department of Housing and Urban Development			<u>28,000</u>
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	EMW-2009-FO-04111	99,511
FEMA/Cal-EMA	97.036	OES-ID No.025-08058	31,977
Total U.S. Department of Homeland Security			<u>131,488</u>
U.S. Department of Transportation:			
Passed through State of California Department of Transportation:			
Highway Planning and Construction	20.205	SRTSLNI-5167-021	29,398
ARRA - Highway Planning and Construction	20.205	ESPLE-5167-025	104,128
Highway Planning and Construction- CMAQ	20.205	CML 5167-023	24,429
Highway Planning and Construction- CMAQ	20.205	CML 5167-026	7,237
ARRA - Cal-Trans/Division of Mass Transportation	20.207	3-06-0028-13-2010	81,390
Total U.S. Department of Transportation			<u>246,582</u>
Federal Aviation Administration:			
Airport Improvement Program	20.106	649835-A-1	72,593
Total Federal Aviation Administration			<u>72,593</u>
U.S. Environmental Protection Agency:			
Passed through State of California State Water Resources Control Board: ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	08-848-550	14,994,742
Total U.S. Environmental Protection Agency			<u>14,994,742</u>
Executive Office of the President:			
High intensity Drug Trafficking Areas Program	95.001	N/A	101,709
Total Executive Office of the President			<u>101,709</u>
U.S. Department of Justice:			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	09-rkwx0107	150,537
Asset Forfeiture Grant	16.000	n/a	110,479
FBI - Street Task Force	16.000	n/a	3,162
Total U.S. Department of Justice			<u>264,178</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 15,839,292</u>

See accompanying notes to the schedule of expenditures of federal awards

City of Brawley

Notes to the Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2011

1. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, City of Brawley (City), and (b) component units which include organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units of the City are:

- Brawley Community Development Agency
- Brawley Public Improvement Corporation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within special revenue, capital projects, and enterprise funds of the City. The City utilizes the modified accrual method of accounting for the special revenue, and capital projects funds. The City utilizes the accrual method of accounting for the enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the schedule.

The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3. PROGRAM DESCRIPTIONS

U. S. Department of Housing and Urban Development

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) Program was authorized under Title I of the Housing and Community Development Act of 1974. The primary objective of the CDBG Program is the development of viable urban communities by providing adequate housing, a suitable living environment, and expansion of economic opportunities, principally for persons of low to moderate income. Under this program, the Department of Housing and Urban Development (HUD) distributes funds based upon approved applications to eligible local governmental units for the purpose of community improvement and betterment. The City uses CDBG funds to finance a comprehensive home improvement program that assists low and moderate income residents through low interest subsidies and deferred loans.

City of Brawley

Notes to the Schedule of Expenditures of Federal Awards

For the fiscal year ended June 30, 2011

3. PROGRAM DESCRIPTIONS (Continued)

U. S. Department of Homeland Security

Assistance to Firefighters Grant

The Assistance to Firefighters Grant is intended to provide funding directly to fire departments and emergency medical services (EMS) organizations of a State for the purpose of enhancing departments' abilities to protect the health and safety of the public, as well as that of firefighting personnel, facing fire and fire-related hazards.

FEMA/Cal-EMA

The object of the FEMA/Cal-EMA grant is to assist State and local governments in responding to and recovering from the devastating effects of disasters by providing assistance for debris removal, emergency protective measures and the repair, restoration, reconstruction or replacement of public facilities or infrastructure damaged or destroyed.

U. S. Department of Transportation

Highway Planning and Construction

The objective of the Highway Planning and Construction cluster is to: (1) assist states in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the national highway system, including interstate highways and most other public roads; (2) provide aid for the repair of roads following disasters; (3) foster safe highway design and replace or rehabilitate structurally deficient or functionally obsolete bridges; and (4) provide for other special purposes.

U. S. Department of Transportation – Federal Aviation Administration

Airport Improvement Program

The objective of the Airport Improvement Program is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics. The purpose of the law includes the investment in transportation, environmental protection, and airport infrastructure that will provide long-term economic benefits.

U. S. Environmental Protection Agency

Clean Water State Revolving Funds

To create State Revolving Funds (SRFs) through a program of capitalization grants to States which will provide a long term source of State financing for construction of wastewater treatment facilities and implementation of other water quality management activities. Funding Priority - Fiscal Year 2011: Capitalization grants are available to each State for the purpose of establishing a Clean Water SRF for providing assistance for: (1) construction of publicly owned wastewater treatment works; (2) implementing nonpoint source management activities included in State Plans developed pursuant to Section 319; and (3) developing and implementing an estuary comprehensive conservation and management plan under Section 320. The capitalization grant is deposited in the State's SRF, which is used to provide loans and other types of financial assistance, to local communities and intermunicipal and interstate agencies.

City of Brawley

Notes to the Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2011

3. PROGRAM DESCRIPTIONS (Continued)

U. S. Department of Justice

Public Safety Partnership and Community Policing Grant, FBI Street Task Force

The object of these grants is to advance the practice of community policing as an effective strategy in communities' efforts to improve public safety. COPS grants support innovative programs that respond directly to the existing and emerging needs of state, local, and tribal law enforcement, to shift law enforcements focus to preventing, rather than solely responding to crime and disorder within their communities; develop state-of-the-art training and technical assistance to enhance law enforcement officers problem- solving and community interaction skills, promote collaboration between law enforcement and community members to develop innovative initiatives to prevent crime, and provide responsive, cost effective service delivery to our grantees to ensure success in advancing community policing strategies within their communities.

Law Enforcement Assistance – Asset Forfeiture Program

The Department of Justice Asset Forfeiture Program (the Program) is a nationwide law enforcement initiative that removes the tools of crime from criminal organizations, deprives wrongdoers of the proceeds of their crimes, recovers property that may be used to compensate victims, and deters crime. The most important objective of the Program is law enforcement. Equitable sharing further enhances this law enforcement objective by fostering cooperation among federal, state, and local law enforcement agencies.

Executive Office of the President

High Intensity Drug Trafficking Areas Program

The object of the High Intensity Drug Trafficking Areas Program is to reduce drug trafficking and drug production in the United States by-- (A) facilitating cooperation among Federal, State, local, and tribal law enforcement agencies to share information and implement coordinated enforcement activities; (B) enhancing law enforcement intelligence sharing among Federal, State, local, and tribal law enforcement agencies; (C) providing reliable law enforcement intelligence to law enforcement agencies needed to design effective enforcement strategies and operations; and (D) supporting coordinated law enforcement strategies which maximize use of available resources to reduce the supply of illegal drugs in designated areas and in the United States as a whole.

CITY OF BRAWLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the fiscal year ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified not considered to be material weaknesses?

 X Yes None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses?

 Yes X 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 Circular A-133, Section 510 (a)

 Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

ARRA - Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 475,179

Auditee qualified as low-risk auditee:

 Yes X No

CITY OF BRAWLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended June 30, 2011

Section II – Findings – Financial Statement Audit

Material Weaknesses

2011-1 Finding - Lack of reconciliation of financial statements:

During the review of fund balance, it was noted that the City does not have procedures in place to reconcile the audited financial statements with the City's accounting records.

Effect:

Due to the lack of reconciliation of the audited financial statements to the City's accounting records, numerous entries that were reflected on the statements were not posted to the City accounting records, resulting in a misstatement of fund balances with the City's books and records. Audit adjustments were needed to correct these misstatements.

Recommendation:

We recommend that the City ensure that procedures are in place to reconcile the City's accounting records to the audited financial statements.

Management's Response:

The City accepts this recommendation, due to a system conversion and management transition for the Finance Department. The Department did lack in this area as well as other areas set forth. In terms of the conversion, the City has encountered missing data from the general ledger in comparison to other accounting applications. When such situations have arrived we have been able to research and reconcile the missing data. We currently maintain the old operating system in order to assist in researching the conversion errors. Now moving forward, procedures are being developed and utilized in order to avoid many audit adjusting entries as indicated. Close to the end of fiscal year 2010, there was a change in management within the Finance Department which caused some loose ends with the reconciliation of such financial data in accordance with financial statement reconciliation.

2011-2 Finding - Lack of proper accruals of year end receivables and liabilities:

During the review of receivables and payables, it was noted that the City does not have adequate procedures in place to properly record year end accruals of receivables and payables. Numerous audit adjustments were necessary to correct year end balances.

Effect:

Due to the lack of procedures to properly record year end accruals of receivables and payables, the City has misstatements in receivable and payable balances as of year-end. Audit adjustments were needed to correct these misstatements.

Recommendation:

We recommend that the City ensure that procedures are in place to properly record all year end accruals of receivables and payables in accordance with City policy and procedures as well as accounting standards generally accepted in the United States of America.

Management's Response:

There were many accruals required by audit adjusting entries. Many of these accruals were overlooked at year end in comparison from prior years. Due to short staffing levels and change in staff, many of these required entries were not completed. Discussions and procedures have been discussed with staff and will be implemented in order to have proper accruals of year end receivables and liabilities.

2011-3 Finding - Lack of reconciliation of long term liabilities:

During the review of long term liabilities, it was noted that the City does not have adequate procedures in place to reconcile outstanding balances of long term liabilities to the City's accounting records.

Effect:

Due to the lack of reconciliation of long term liabilities, entries that were needed to adjusted the accounting records of the City to match actual outstanding balances of long term liabilities were not made. Audit adjustments were needed to correct this issue.

CITY OF BRAWLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended June 30, 2011

Section II – Findings – Financial Statement Audit (Continued)

Recommendation:

We recommend that the City ensure that adequate procedures are in place to reconcile outstanding balances of long term liabilities to the City's accounting records.

Management's Response:

The City will implement adequate procedures in order to account and reconcile the City's outstanding balances of long-term liabilities. There were a few items that were overlooked for the close of this fiscal year and will correct these issues and apply such recommendation.

2011-4 Finding – Utility billing system does not reconcile with general ledger:

During the review of the utility cash receipt system, it was noted that activity reported on the utility cash receipt system does not match information being posted to the City's general ledger.

Effect:

A lack of reconciliation between the utility cash receipt system and the City's general ledger could result in the misstatement of utility revenue and receivables for the fiscal year. Such misstatements were noted during our fieldwork and audit adjustments were needed to correct this issue.

Recommendation:

We recommend that the City ensure that procedures are in place to reconcile information from the utility cash receipt system with the City's general ledger.

Management's response:

This is related to the system conversion that took place in March 2010. After research of this issue, it was discovered that entries were being double posted. Through normal procedures staff would prepare manual entries which the new utility billing application was processing automatically. Staff has researched all utility billing accounts, reconciled and has made the necessary adjustments.

Significant Deficiencies

2011-5 Finding - Bank reconciliations are not prepared in a timely manner:

During the review of bank reconciliations, it was noted that bank reconciliations are not being prepared in a timely manner.

Effect:

Without bank reconciliations being prepared in a timely manner, errors or misappropriations of funds could occur and go undetected.

Recommendation:

We recommend that the City ensure that bank reconciliations are prepared in a timely manner.

Management's response:

Bank reconciliations will be completed on a monthly basis.

CITY OF BRAWLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended June 30, 2011

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

None

CITY OF BRAWLEY
STATUS OF PRIOR YEAR'S FINDINGS
For the fiscal year ended June 30, 2011

Prior Year Findings – Financial Statement Audit

2010-1 Finding - Lack of reconciliation of capital assets:

During the review of capital assets, it was noted that the City does not have adequate procedures in place to reconcile capital asset schedules to the City's accounting records.

Effect:

Without adequate procedures in place to reconcile capital asset schedules to the City's accounting records, the City's financial statements could be materially misstated.

Recommendation:

We recommend that the City implement procedures to reconcile capital asset schedules with the City's accounting records in accordance with City policies and procedures as well as accounting principles generally accepted in the United States of America.

Status:

Implemented.

2010-2 Finding - Lack of reconciliation of financial statements:

During the review of fund balance, it was noted that the City does not have procedures in place to reconcile the audited financial statements with the City's accounting records.

Effect:

Due to the lack of reconciliation of the audited financial statements to the City's accounting records, numerous entries that were reflected on the statements were not posted to the City accounting records, resulting in a misstatement of fund balances with the City's books and records. Audit adjustments were needed to correct these misstatements.

Recommendation:

We recommend that the City ensure that procedures are in place to reconcile the City's accounting records to the audited financial statements.

Status:

Not implemented, see Finding 2011-1.

2010-3 Finding - Lack of proper accruals of year end receivables and liabilities:

During the review of receivables and payables, it was noted that the City does not have adequate procedures in place to properly record year end accruals of receivables and payables. Numerous audit adjustments were necessary to correct year end balances.

Effect:

Due to the lack of procedures to properly record year end accruals of receivables and payables, the City has misstatements in receivable and payable balances as of year-end. Audit adjustments were needed to correct these misstatements.

Recommendation:

We recommend that the City ensure that procedures are in place to properly record all year end accruals of receivables and payables in accordance with City policy and procedures as well as accounting standards generally accepted in the United States of America.

Status:

Not implemented, see Finding 2011-2.

2010-4 Finding - Lack of review of journal entries and supporting documentation:

During the review of journal entries, it was noted that there is a lack of proper review and authorization of journal entries prepared by the Finance Director and outside consultants along with a lack of supporting documentation for journal entries.

CITY OF BRAWLEY
STATUS OF PRIOR YEAR'S FINDINGS
For the fiscal year ended June 30, 2011

Prior Year Findings – Financial Statement Audit (Continued)

Effect:

Due to the lack of review of journal entries, it was noted that duplicate entries were made along with numerous incorrect entries. Numerous entries also did not have adequate supporting documentation. Audit adjustments were needed to correct these issues.

Recommendation:

We recommend that the City ensure that procedures are in place for proper review and authorization of journal entries along with proper documentation of supporting materials for journal entries.

Status:

Implemented.

2010-5 Finding - Lack of reconciliation of long term liabilities:

During the review of long term liabilities, it was noted that the City does not have adequate procedures in place to reconcile outstanding balances of long term liabilities to the City's accounting records.

Effect:

Due to the lack of reconciliation of long term liabilities, entries that were needed to adjusted the accounting records of the City to match actual outstanding balances of long term liabilities were not made. Audit adjustments were needed to correct this issue.

Recommendation:

We recommend that the City ensure that adequate procedures are in place to reconcile outstanding balances of long term liabilities to the City's accounting records.

Status:

Not implemented, see Finding 2011-3.

2010-6 Finding - Lack of reconciliation of schedule of Federal expenditures:

During the review of the schedule of Federal expenditures, it was noted that the schedule of Federal expenditures was not prepared in accordance with the modified and full accrual basis of accounting where applicable to accurately reflect the expenditure of Federal funding during the fiscal year.

Effect:

Due to the lack of reconciliation of expenditures of Federal awards, the City was unable to correctly report the expenditures of Federal funding during the fiscal year which is needed for Single Audit purposes in accordance with *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Audit adjustments on the schedule of Federal expenditures were needed to correct this issue.

Recommendation:

We recommend that the City ensure that proper procedures are in place to accurately reconcile the City's expenditures of Federal awards for Single Audit purposes.

Status:

Implemented.

2010-7 Finding - Bank reconciliations are not prepared in a timely manner:

During the review of bank reconciliations, it was noted that bank reconciliations are not being prepared in a timely manner.

Effect:

Without bank reconciliations being prepared in a timely manner, errors or misappropriations of funds could occur and go undetected.

CITY OF BRAWLEY
STATUS OF PRIOR YEAR'S FINDINGS
For the fiscal year ended June 30, 2011

Prior Year Findings – Financial Statement Audit (Continued)

Recommendation:

We recommend that the City ensure that bank reconciliations are prepared in a timely manner.

Status:

Not implemented, see Finding 2011-4.

2010-8 Finding – Utility billing system does not reconcile with general ledger:

During the review of the utility cash receipt system, it was noted that activity reported on the utility cash receipt system does not match information being posted to the City's general ledger.

Effect:

A lack of reconciliation between the utility cash receipt system and the City's general ledger could result in the misstatement of utility revenue and receivables for the fiscal year. Such misstatements were noted during our fieldwork and audit adjustments were needed to correct this issue.

Recommendation:

We recommend that the City ensure that procedures are in place to reconcile information from the utility cash receipt system with the City's general ledger.

Status:

Not implemented, see Finding 2011-5.

2010-9 Finding - 5 year Implementation Plan

During the compliance audit for the Redevelopment Agency, we noted that, for the fiscal year ended June 30, 2010, the Agency had not adopted its 5 year implementation plan by the required due date of December 31, 2009 per the California Health and Safety Code.

Effect:

The Agency is not in compliance with the Health and Safety Code for implementation dates of required reports.

Recommendation:

The Agency should address this issue immediately. In the future the redevelopment Director needs to be aware of the requirement that a new 5 year plan must be adopted by December 31st beginning in 2014.

Status:

Implemented.

2010-10 Finding - Unallowable expenditures

The Agency expended funds on projects that may have not benefited the Redevelopment plan and/or Project Area.

Effect:

The Redevelopment Plan has specific guidelines and projects that it follows to either create affordable housing within the City or to expend its funds to eliminate blight or create development opportunities. Certain projects the Agency funded during the fiscal years 2008-09 and 2009-10 may not have benefited the project areas under these guidelines.

Questioned Costs:

Up to \$2,804,859.

Recommendation:

When expending money on projects or administration costs the Agency needs to make sure that the redevelopment plan and 5 year plan are being followed and that the expenditures are for proper purposes.

Status:

Implemented.

CITY OF BRAWLEY
STATUS OF PRIOR YEAR'S FINDINGS
For the fiscal year ended June 30, 2011

Prior Year Findings – Major Federal Award Programs Audit

No findings reported in prior year.