

# CITY OF BRAWLEY

BRAWLEY, CALIFORNIA

## SINGLE AUDIT REPORT

FOR THE YEAR ENDED

JUNE 30, 2013

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**CITY OF BRAWLEY**  
**Brawley, California**

**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**INDEPENDENT AUDITORS' 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**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Daud

Governing Board  
City of Brawley  
Brawley, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Brawley, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Brawley's basic financial statements, and have issued our report thereon dated March 17, 2014.

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

**Internal Control over Financial Reporting**

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San Diego, CA 92108

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Management of the City of Brawley 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. 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.

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State Board of Accountancy

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. (Comment #2013-1)

### **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 on it. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **City of Brawley's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Christy White Associates*

San Diego, California

March 17, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

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Governing Board  
City of Brawley  
Brawley, California

**Report on Compliance for Each Major Federal Program**

We have audited the City of Brawley'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 Brawley's major federal programs for the year ended June 30, 2013. The City of Brawley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Brawley's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Brawley'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Brawley's compliance.

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### ***Opinion on Each Major Federal Program***

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 year ended June 30, 2013.

### **Report on Internal Control over Compliance**

Management of the City of Brawley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Brawley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 City of Brawley'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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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 Brawley, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Brawley's basic financial statements. We issued our report thereon dated March 17, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 (continued)**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California

March 17, 2014

**CITY OF BRAWLEY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Name of Agency / Grant / Program	Federal Catalog Number	Identifying Number	Total Program Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			
<i>Passed through California Department of Housing and Community Development:</i>			
Community Development Block Grant - Program Income	14.228	n/a	\$ 95,514
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>			
<i>Passed through the State of California Department of Transportation:</i>			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	RSTPLE5167-029	542,349
Highway Planning and Construction	20.205	STPL5167-030	2,523
Highway Planning and Construction - CMAQ	20.205	CML5167-026	541,582
Subtotal Highway Planning and Construction Cluster			<u>1,086,454</u>
Federal Transit Cluster			
ARRA - Cal-Trans/Division of Mass Transportation	20.507	3-06-0028-13-2010	476,212
Bus and Bus Facilities Formula Program FTA 5309	20.526	n/a	300,000
Subtotal Federal Transit Cluster			<u>776,212</u>
Federal Aviation Administration			
Airport Improvement Program	20.106	649835-A-1	544,202
<b>Total U.S. Department of Transportation</b>			<u>2,406,868</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>			
<i>Passed through the California State Water Resources Control Board:</i>			
Capitalization Grants for Clean Water State Rev. Funds	66.458	08-848-550	251,812
<b>U.S. DEPARTMENT OF JUSTICE:</b>			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	09-RKWX0107	77,394
Equitable Sharing Program	16.922	n/a	498,001
<b>Total U.S. Department of Justice</b>			<u>575,395</u>
<b>EXECUTIVE OFFICE OF THE PRESIDENT:</b>			
High Intensity Drug Trafficking Areas Program	95.001	n/a	100,390
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>			
<i>Passed through the State of California Emergency Management Agency (CalEMA):</i>			
Homeland Security Grant Program	97.067	n/a	145,962
FY10 Emergency Operations Center Grant	97.052	2010-0016 Cal OES#025-08058	500,000
<b>Total U.S. Department of Homeland Security</b>			<u>645,962</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,075,941</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.



**CITY OF BRAWLEY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Funds received under the various grant programs have been recorded within the general, special revenue, capital projects, and enterprise funds of the City. The City utilizes the modified accrual basis of accounting for the general, special revenue, and capital project funds. The accrual basis of accounting is used for the enterprise fund. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

**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 and other agencies are included in the Schedule. The Schedule of Expenditures of Federal Awards 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.

**2. MAJOR PROGRAM DESCRIPTIONS**

**U. S. Department of Justice – Equitable Sharing 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. Federal law authorizes the Attorney General to share federally forfeited property with participating state and local law enforcement agencies.

**U. S. Department of Homeland Security – FY10 Emergency Operations Center Grant**

The objective of the Emergency Operations Center (EOC) Grant Program is to improve emergency management and preparedness capabilities by supporting flexible, sustainable, secure, strategically located and fully interoperable EOCs with a focus on addressing identified deficiencies and needs. This program provides funding for construction or renovation of a State, local or Tribal government's principal EOC. Fully capable emergency operations facilities at the State and local levels are an essential element of a comprehensive national emergency management system and are necessary to ensure continuity of operations and continuity of government in major disasters cause by any hazard.

CITY OF BRAWLEY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued  
FOR THE YEAR ENDED JUNE 30, 2013

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2. MAJOR PROGRAM DESCRIPTIONS (continued)

**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 Transit Cluster**

The purpose of the Federal Transit Cluster is to support public transportation services in urbanized areas. Funds may be used for capital projects to finance the planning, acquisition, construction, cost-effective lease, improvement, and maintenance of equipment and facilities for use in transit.

**CITY OF BRAWLEY  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>No</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>
<u>20.507, 20.526</u>	<u>Federal Transit Cluster</u>
<u>16.922</u>	<u>Equitable Sharing Program</u>
<u>97.052</u>	<u>FY10 Emergency Operations Center Grant</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**CITY OF BRAWLEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**FINANCIAL STATEMENT FINDINGS**

**COMMENT #2013-1 – BANK RECONCILIATIONS**

**Criteria:** Procedures over the cash collection cycle should include timely and accurate reconciliation of the City's bank statements. Stale dated checks should be written off when they are greater than one year old in order to ensure accurate reconciliations and cash balances.

**Condition:** During the review of bank reconciliations, it was noted that bank reconciliations are not being prepared in a timely manner. During our testing of cash and outstanding checks, it was noted that the City has stale dated checks older than one year remaining on their reconciliations dating back to 2004, and totaling \$32,950.22.

**Cause:** The City changed to a new financial system and is trying to adapt to new procedures.

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

**Perspective:** Review of bank reconciliations prepared by the City.

**Recommendation:** We recommend that the City regularly write off reconciling items greater than one year when performing bank reconciliations, and that the City ensure that bank reconciliations are prepared in a timely manner.

**Management's Response:** Staff continues to work on bank reconciliations and the outstanding pending items. Bank reconciliations are prepared on a monthly basis. There are no differences nor carrying balances that go unrecognized. The listings of items to be reconciled require research and proper journal entry adjustments. The Finance Department will obligate the necessary resources and implement the proper processes to correct such reconciliation discrepancies on a timely manner. Stale dated checks have been a concern of the department and have the desire of implementing policy and procedures for the processing of stale dated checks. Staff is seeking to develop an unclaimed property program that would allow the City to reissue stale dated checks on file or write-off such balance after the appropriate filing period. This process is currently in the research phase. This program is expected to be implemented by the close of fiscal year 2014-2015.

**CITY OF BRAWLEY  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**COMMENT #2012-1 – BANK RECONCILIATIONS**

**Criteria:** Procedures over the cash collection cycle should include timely and accurate reconciliation of the City's bank statements.

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

**Cause:** The City changed to a new financial system and is trying to adapt to new procedures.

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

**Perspective:** Review of bank reconciliations prepared by the City.

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

**Management's Response:** The City is diligently working on updating bank account reconciliations to a current status. The City currently has a monthly procedure in place for timely completion and will follow such procedure to complete the reconciliations in a timely manner as recommended.

**Status:** See comment #2013-1.

**CITY OF BRAWLEY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**COMMENT #2012-2 - PARKS & RECREATION CASH RECEIPTS**

**Criteria:** All cash receipts should be properly supported by receipts and collections summaries maintained. Monthly collections summaries should be reconciled to daily collections summaries.

**Condition:** In our testing of Parks & Recreation cash receipts, it was noted that the Parks & Recreation finance office is not reconciling fees collected and customers served to checks deposited by Zumba instructors. Auditor noted that amounts and fares reported to the Finance Department, do not appear to be audited or verified on a regular basis. In addition, daily summaries do not appear to give a detailed breakdown showing fares charged and collected, and therefore cannot be substantiated to the amount deposited.

**Cause:** General lack of oversight and reconciliation provided by both Parks & Recreation and the Finance Department.

**Effect:** Potential for misappropriation of City assets and inconsistencies in financial reporting to go undetected.

**Perspective:** Two out of ten cash receipts tested could not be substantiated by sufficient supporting documentation. In both cases, the cash receipts were proceeds from Zumba classes.

**Recommendation:** In order to reconcile between fees collected and subsequently deposited, we recommend that Zumba instructors provide collections summaries to the Park & Recreation finance office when deposits are made. Collections summaries should detail totals for customers served and fees paid by each customer. We also recommend that the Parks & Recreation clerk review all sales logs to ensure they agree without exception to amounts deposited, with any variances documented and properly explained.

**Management's Response:** The Finance Department has been working to implement cash handling policies for various locations that maintain cash transactions. The Finance Department will work with the staff of the Parks and Recreation Department to provide oversight and implement a sufficient reconciliation process of cash receipts from recreation activities that generate revenues.

**Status:** Implemented.

**CITY OF BRAWLEY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**COMMENT #2012-3: DIAL-A-RIDE CASH RECEIPTS**

**Criteria:** All cash receipts should be properly supported by receipts and collections summaries maintained. Monthly collections summaries should be reconciled to daily mileage, passenger, and fare summaries.

**Condition:** In our testing of Dial-A-Ride cash receipts, it was noted that Public Works and the Finance Department are not reconciling fares collected and passengers served to checks deposited by Dial-A-Ride. Auditor noted that amounts and fares reported to the Finance Department, do not appear to be audited or verified on a regular basis. In addition, daily summaries do not appear to give a detailed breakdown showing fares charged and collected, and therefore cannot be substantiated to the amount deposited.

**Cause:** Potential lack of oversight and reconciliation provided by both Public Works and the Finance Department.

**Effect:** Potential for misappropriation of City assets and inconsistencies in financial reporting to go undetected.

**Perspective:** Auditor selected February 2012 as a test month, and traced daily reports to monthly summaries in order to verify that appropriate figures appear to be reported. Auditor then pulled backup from deposit received at City Hall, in order to verify the fares deposited match the fares reported to Public Works.

**Recommendation:** In order to reconcile between fares collected and fares subsequently deposited, we recommend that Dial-A-Ride provide weekly collections summary to the Finance Department when deposits are made. Collections summaries should detail totals for each type of passenger served and how much each passenger paid. We also recommend that the Finance Director review all sales logs to ensure they agree without exception to amounts deposited, with any variances documented and properly explained.

**Management's Response:** The City will take the initiative to develop a cash handling and reconciliation policy between the City and Dial-A-Ride. The City will also implement a process to reconcile collections received by Dial-A-Ride with reports submitted to the Public Works Department.

**Status:** Implemented.

**CITY OF BRAWLEY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**COMMENT #2012-4: CAPITAL ASSET INVENTORY**

**Criteria:** Each year or every two years, the City should perform an annual fixed asset inventory count. This will ensure that any obsolete items included in the listing are removed and will help test for impairment.

**Condition:** In obtaining an understanding of fixed assets, we noted that the City has not performed an annual fixed asset inventory count in the last few years. In addition, the City has not tested fixed assets for potential impairment.

**Cause:** Inadequate controls over the valuation and completeness of fixed assets.

**Effect:** The potential for fixed assets to be over stated due to obsolete items or impairment of fixed assets.

**Recommendation:** We recommend that the City adopt procedures to ensure that fixed assets have an annual inventory count to ensure that there are no obsolete items included in the ending balance. In addition, the City should ensure that they are testing their fixed assets for impairment on an annual basis in addition to the inventory count.

**Management's Response:** The City will work to develop procedures for annual inventory of fixed assets. The City in its next fiscal year of 2012/2013 will conduct a review of fixed assets inventory for accuracy of additions and deletions of assets.

**Status:** Implemented.