

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

**SINGLE AUDIT REPORT**

**For the Fiscal Year Ended June 30, 2012**



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

**SINGLE AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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* ..... 1

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..... 3

Schedule of Expenditures of Federal Awards ..... 6

Notes to the Schedule of Federal Expenditures of Federal Awards..... 7

Summary of Auditors' Results ..... 9

Schedule of Findings and Questioned Costs ..... 10

Schedule of Prior Year Findings and Questioned Costs ..... 14

**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

John Dominguez, CPA, CFE

Heather Daud

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board  
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, 2012, and have issued our report thereon dated April 1, 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 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 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 above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 through 2012-4 that we consider to be significant deficiencies in internal control over financial reporting. 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.

### **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.

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.



San Diego, California  
April 1, 2013

**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**

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City of Brawley  
Brawley, California

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, 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 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, 2012.

### **Internal Control over Compliance**

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 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 as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated April 1, 2013 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, 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.



San Diego, California  
April 1, 2013

**CITY OF BRAWLEY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Name of Agency / Grant / Program	Federal Catalog Number	Identifying Number	Total Program Expenditures
U.S. Department of Housing and Urban Development:			
Passed through California Department of Housing and Community Development:			
Community Development Block Grant - Program Income	14.228	n/a	<u>\$ 1,290,450</u>
U.S. Department of Transportation:			
Passed through the State of California Department of Transportation			
Highway Planning and Construction	20.205	SRTSLNI-5167(021)	28,265
Highway Planning and Construction - CMAQ	20.205	CML-5167(026)	21,816
ARRA - Cal-Trans/Division of Mass Transportation	20.507	n/a	<u>249,292</u>
Federal Aviation Administration:			
Airport Improvement Program	20.106	649835-A-1	<u>1,336,141</u>
U.S. Environmental Protection Agency			
California State Water Resources Control Board:			
ARRA - Capitalization Grants for Clean Water State Rev. Funds	66.458	08-848-550	<u>3,170,403</u>
U.S. Department of Justice			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	09-rkwx0107	141,718
Asset Forfeiture Grant	16.922	n/a	<u>114,217</u>
Executive Office of the President			
High Intensity Drug Trafficking Areas Program	95.001	n/a	<u>102,248</u>
U.S. Department of Homeland Security			
Passed through the State of California Emergency Management Agency (CalEMA)			
Homeland Security Grant Program	97.067	n/a	<u>33,985</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 6,488,535</b></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 FISCAL YEAR ENDED JUNE 30, 2012**

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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. 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 this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low- and moderate-income. Each activity funded must meet one of the program's National Objectives by: Benefiting low- and moderate-income families; aiding in the prevention or elimination of slums or blight; or meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.

**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.

CITY OF BRAWLEY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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2. PROGRAM DESCRIPTIONS, continued

**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.

**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 enforcement's 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.

**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.

**CITY OF BRAWLEY**  
**SUMMARY OF AUDITORS' RESULTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</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>Unqualified</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>14.228</u>	<u>Community Development Block Grant</u>
<u>20.106</u>	<u>Airport Improvement Program</u>
<u>66.458</u>	<u>ARRA - Capitalization Grants for Clean Water Funds</u>
<u>16.710</u>	<u>ARRA - Public Safety Partnership and Community Policing Grants</u>
<u>20.507</u>	<u>ARRA - Cal-Trans/Division of Mass Transportation</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 FISCAL YEAR ENDED JUNE 30, 2012**

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**FINANCIAL STATEMENT FINDINGS**

**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.

CITY OF BRAWLEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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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.

CITY OF BRAWLEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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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.

**CITY OF BRAWLEY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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.

**CITY OF BRAWLEY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**COMMENT #2011-1 - LACK OF RECONCILIATION OF FINANCIAL STATEMENTS**

**Condition:** 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.

**Status:** Implemented



CITY OF BRAWLEY  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**COMMENT #2011-2 - LACK OF PROPER ACCRUALS OF YEAR END RECEIVABLES AND LIABILITIES**

**Condition:** 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.

**Status:** Implemented

**CITY OF BRAWLEY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**COMMENT #2011-3 - LACK OF RECONCILIATION OF LONG TERM LIABILITIES**

**Condition:** 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 adjust 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.

**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.

**Status:** Implemented

**CITY OF BRAWLEY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**COMMENT #2011-4 - UTILITY BILLING SYSTEM DOES NOT RECONCILE WITH GENERAL LEDGER**

**Condition:** 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 20 10. 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.

**Status:** Implemented

**COMMENT #2011-5 - BANK RECONCILIATIONS ARE NOT PREPARED IN A TIMELY MANNER**

**Condition:** 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.

**Status:** Not implemented, see finding #2012-1.