

**CITY OF BRAWLEY, CALIFORNIA**

**SINGLE AUDIT REPORT**

June 30, 2010



# City of Brawley

## Single Audit Report

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# MOSS, LEVY & HARTZHEIM LLP

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CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS:**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2010, and have issued our report thereon dated March 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 2010-1 to 2010-6).



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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (Findings 2010-7 and 2010-8).

### **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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (Findings 2010-9 and 2010-10)

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  
Beverly Hills, California  
March 29, 2011







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# MOSS, LEVY & HARTZHEIM LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2010. 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, 2010.

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 one deficiency in internal control over compliance presented in the schedule of findings and questioned costs that we considered to be a material weakness (Finding 2010-6) 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, 2010, and have issued our report thereon dated March 29, 2011. Our audit was performed for the purpose of forming our 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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  
Beverly Hills, California  
March 29, 2011



# City of Brawley

Schedule of Expenditures of Federal Awards  
For the fiscal year ended June 30, 2010

Federal Grantor/ Pass -Through Grantor Program Title	Federal CFDA Number	Pass-Through Program Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development:</b>			
Passed through California Department of Housing and Community Development:			
Community Development Block Grant	14.228	06-STBG-2806	5,629
Community Development Block Grant	14.228	04-STBG-1952	93,115
Community Development Block Grant - Program Income	14.228	n/a	63,252
Total U.S. Department of Housing and Urban Development			<u>161,996</u>
<b>U.S. Department of Transportation:</b>			
Passed through State of California Department of Transportation:			
Highway Planning and Construction	20.205	HPLU-5167-020	831,936
Highway Planning and Construction	20.205	SRTSLNI-5167-021	53,400
Highway Planning and Construction - CMAQ	20.205	CML 5167-022	190,000
ARRA - Highway Planning and Construction	20.205	ESPL-5167-024	884,923
ARRA - Highway Planning and Construction	20.205	ESPL-5167-025	26,468
Highway Planning and Construction- CMAQ	20.205	CML 5167-023	529,052
Total U.S. Department of Transportation			<u>2,515,779</u>
<b>U.S. Environmental Protection Agency:</b>			
Passed through State of California State Water Resources Control Board:			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	08-848-550	4,435,177
Total U.S. Environmental Protection Agency			<u>4,435,177</u>
<b>U.S. Department of Justice:</b>			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	09-rkwx0107	88,578
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	09-sb-b9-0962	33,047
Asset Forfeiture Grant	16.000	n/a	72,113
Bulletproof Vest Partnership Program	16.607	n/a	10,624
FBI - Street Task Force	16.000	n/a	2,727
Total U.S. Department of Justice			<u>207,089</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$7,320,041</u></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, 2010

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## 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, 2010

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## 3. 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. 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 2010: 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.

### U. S. Department of Justice

#### **Public Safety Partnership and Community Policing Grant**

The object of this grant 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.



# City of Brawley

Notes to the Schedule of Expenditures of Federal Awards  
For the fiscal year ended June 30, 2010

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## 3. PROGRAM DESCRIPTIONS (Continued)

### U. S. Department of Justice (Continued)

#### **Edward Byrne Memorial Justice Assistance Grant (JAG)**

This program allows states and local governments to support a broad range of activities to prevent and control crime and to improve the criminal justice system. The Recovery Act – JAG program will solicit applications from eligible States, territories, tribes, and units of local government for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and information systems for criminal justice, as well as research and evaluation activities that will improve or enhance law enforcement programs related to criminal justice

#### **Bulletproof Vest Partnership Grant**

The Bulletproof Vest Partnership Program was authorized under Bulletproof Vest Partnership Grant Act of 1998, Public Law 105-181, June 16, 1998, and Bulletproof Vest Program Act of 2000, Public Law 106-517. The primary objective of the program is to protect the lives of law enforcement officers by helping State, local, and tribal law enforcement agencies provide officers with armored vests.



**CITY OF BRAWLEY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the fiscal year ended June 30, 2010

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued	<b><u>Unqualified</u></b>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>  X  </u> Yes   _____ No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>  X  </u> Yes   _____ None reported
Noncompliance material to financial statements noted?	<u>  X  </u> Yes   _____ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>  X  </u> Yes   _____ No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes <u>  X  </u> 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**

  20.205    
  66.458  

ARRA - Highway Planning and Construction  
ARRA - Clean Water State Revolving Funds

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

**\$ 300,000**

Auditee qualified as low-risk auditee:

  X   Yes   \_\_\_\_\_ No



**CITY OF BRAWLEY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the fiscal year ended June 30, 2010

**Section II – 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.

Management's Response:

The City will implement and follow procedures to adequately reconcile and maintain the capital asset schedules. These schedules have been prepared at fiscal year-end by the Finance Director. The City will strive to reconcile on a monthly basis versus annually in order to achieve accurate reporting of capital assets.

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.

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.

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.





**CITY OF BRAWLEY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the fiscal year ended June 30, 2010

**Section II – Findings – Financial Statement Audit (Continued)**

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.

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.

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.

Management's Response:

Journal entries are reviewed by Finance Director, as well as staff. The normal procedure for journal entry processing is that staff (including the Finance Director) will prepare journal entries. A designated staff member, Sr. Accounting Assistant or Accounting Assistant, will gather all journal entries monthly and provide all journal entries to the Finance Director for review. Finance Director reviews all entries and signs off on all entries with approval. Once approved all entries are provided back to the designated staff member to process in the accounting systems general ledger application. After entry of such journal entries, they are reviewed once again by the Accountant to verify accounting information and processing. All journal entries do maintain adequate back-up documentation with the exception of a few monthly allocations which are supported by the approved budget and in some cases a few audit journal entries. We will take the position to tighten our procedures to ensure that adequate back up documentation is supplied with every entry.

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.

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.

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.



**CITY OF BRAWLEY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the fiscal year ended June 30, 2010

**Section II – Findings – Financial Statement Audit (Continued)**

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.

Management's Response:

This schedule was prepared incomplete which resulted in many adjustments and revisions. Since the Finance Department of the City is currently under short staffing levels not to exclude a change in management the preparation of this schedule was assigned to staff that was knowledgeable with preparing the schedule of federal expenditures. Staff will be trained on the proper preparation of the schedule of federal expenditures.

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.

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.

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.

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.

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.



**CITY OF BRAWLEY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the fiscal year ended June 30, 2010

**Section II – Findings – Financial Statement Audit (Continued)**

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 31<sup>st</sup> beginning in 2014.

Management's response:

The Agency hired a consultant and had a new 5 year plan adopted by the Board on July 20, 2010.

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.

Management's response:

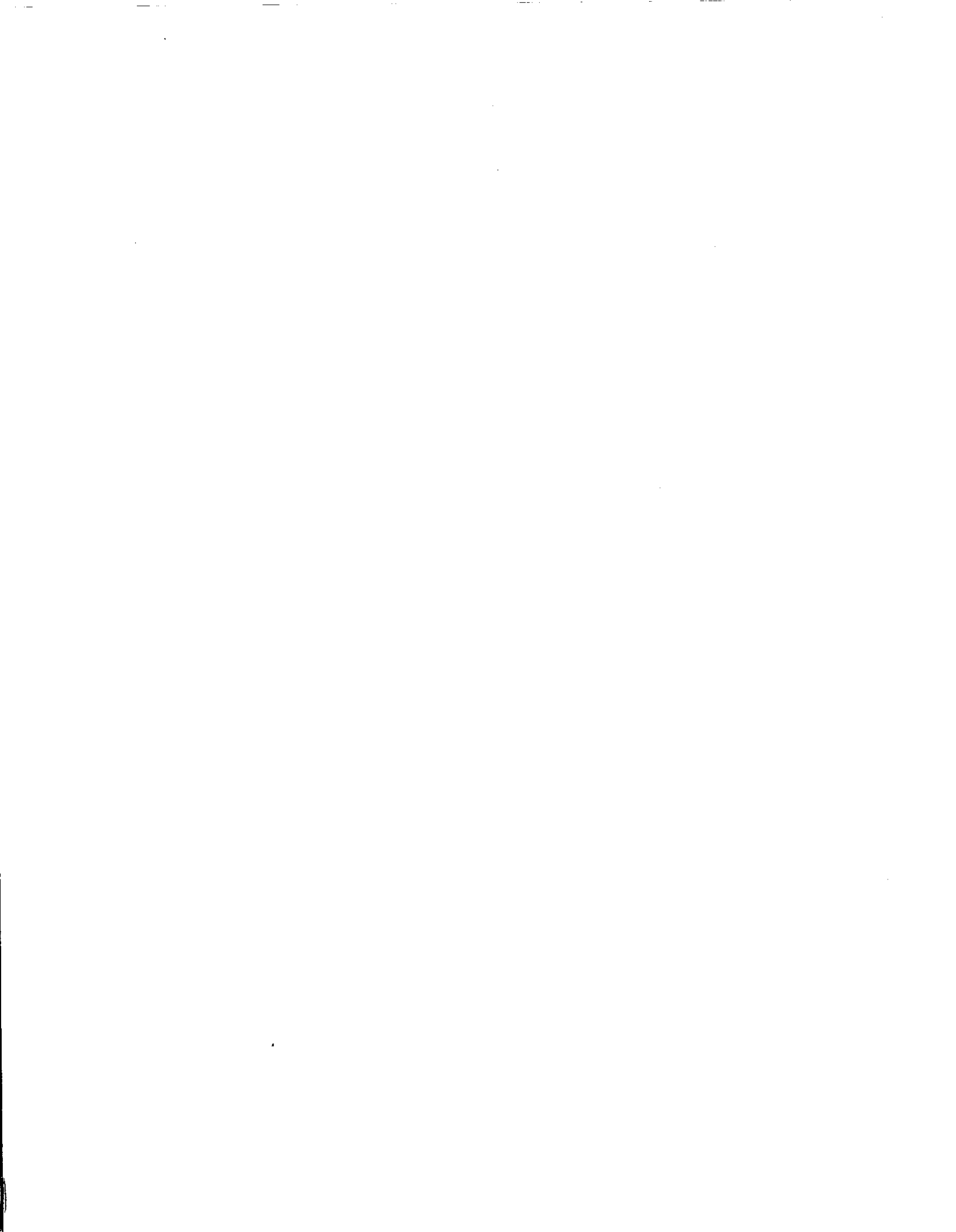
The use of redevelopment funds for these projects was consistent with the goals and objectives included within the 2005-2009 Redevelopment Implementation Plan ("Plan") for the Redevelopment Agency of the City of Brawley. Specifically, Goal No. 3 states, "IMPLEMENT INFRASTRUCTURE AND CIRCULATION SYSTEM IMPROVEMENTS WHICH BENEFIT THE PROJECT AREA" and Objective No. 3 (a) states, "Work with the City to prioritize infrastructure projects, focusing on those projects where Agency funds may be best used to leverage "outside" funding sources. Projects should be consistent with the City's water and sewer master plans." Further, the Plan includes recommended methods and financing strategies for implementing the goals and objectives included within it. For clarification, the purchase of the police department lockers was a component of a larger project to remodel a portion of the police department building, which provides public safety services to the redevelopment area. Subject to meeting certain prerequisites, projects of this type are eligible for redevelopment funding. The redevelopment funding used for street projects financed a portion of the costs incurred by the City to improve transportation linkages into and out of the redevelopment area. These improvements were essential to maintaining economic vibrancy and are needed to promote development and revitalization within the redevelopment area. Further, these expenditures were reasonable and proportional to the amount of overall benefit accruing to the redevelopment area. Both of these project activities have been discussed by the Community Redevelopment Agency Board on multiple occasions. This includes the deliberations related to the City of Brawley's budget discussions for both FY 2009 and FY 2010 and with respect to its Capital Improvement Program. Notwithstanding the foregoing, in order to formally confirm the prior determinations, the City will prepare the appropriate resolution for City Council consideration in regards to the above noted use of redevelopment funds in accordance with the California Health and Safety Code Sections 33445 and 33445.1 for adoption consideration in January 2011.



**CITY OF BRAWLEY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the fiscal year ended June 30, 2010

**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, 2010

**Prior Year Findings – Financial Statement Audit**

No findings reported in prior year.

**Prior Year Findings – Major Federal Award Programs Audit**

No findings reported in prior year.

