

CITY OF PLEASANTON, CALIFORNIA

**REPORT ON FEDERAL AWARDS
IN ACCORDANCE WITH
OMB CIRCULAR A-133**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**CITY OF PLEASANTON, CALIFORNIA
SINGLE AUDIT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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

The Honorable Mayor and
Members of the City Council
City of Pleasanton
Pleasanton, California

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Pleasanton (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 23, 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

The Management of the City of Pleasanton 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of City management, the Mayor and Members of City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
December 23, 2011



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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

The Honorable Mayor and
Members of the City Council
City of Pleasanton
Pleasanton, California

Compliance

We have audited City of Pleasanton, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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 year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 through 2011-5.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-4. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pleasanton, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 23, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 as a whole.

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 the responses.

This report is intended solely for the information and use of the Mayor and City Council, the City's 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.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California

December 23, 2011

CITY OF PLEASANTON, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Programs:</i>			
Community Development Block Grant	14.218	B-09-MC-06-0050	\$ 194,227
Community Development Block Grant	14.218	B-10-MC-06-0050	216,081
Public and Indian Housing	14.850	CA08100000110D	75,367
Public and Indian Housing	14.850	CA08100000111D	47,237
Public and Indian Housing	14.850	Not applicable	66,153
Public Housing Capital Fund	14.872	CA39P08150107	9,174
Public Housing Capital Fund	14.872	CA39P08150108	<u>55,232</u>
Total Direct Programs			<u>663,471</u>
<i>Passed through the County of Alameda, Housing and Community Development:</i>			
HOME Investment Partnerships Program Expenditures	14.239	M03-DC-060201	4,760
HOME Investment Partnerships Program Expenditures	14.239	M04-DC-060201	2,138
HOME Investment Partnerships Program Expenditures	14.239	M05-DC-060201	37,846
HOME Investment Partnerships Program Expenditures	14.239	M06-DC-060201	7,135
HOME Investment Partnerships Program Expenditures	14.239	M07-DC-060201	18,997
HOME Investment Partnerships Program Expenditures	14.239	M09-DC-060201	10,368
HOME Investment Partnerships Program Loans	14.239	Not applicable	<u>27,371</u>
<i>Total Passed through the County of Alameda</i>			<u>108,615</u>
Total U.S. Department of Housing and Urban Development			<u>772,086</u>
U.S. Department of Justice			
<i>Direct Programs:</i>			
Bulletproof Vest Partnership Program	16.607	Not available	10,816
<i>Passed through the County of Alameda</i>			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	2009-SB-B9-0733	<u>8,117</u>
Total U.S. Department of Justice			<u>18,933</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

CITY OF PLEASANTON, CALIFORNIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Institute of Museum and Library Services			
<i>Passed through California State Library - Library Services & Technology Act</i>			
Grants to States	45.310	LSTA#40-7661	4,464
Grants to States	45.310	LSTA#40-7448	565
Total Institute of Museum and Library Services			<u>5,029</u>
U.S. Department of Transportation			
<i>Passed through State of California Department of Transportation</i>			
ARRA - Highway Planning and Construction	20.205	* 04-ALA-0-PLE; ESPL-5101 (022)	773,994
ARRA - Highway Planning and Construction	20.205	* 04-ALA-0-PLE; ESPL-5101 (023)	59,778
ARRA - Highway Planning and Construction	20.205	* 04-ALA-0-PLE; ESPL-5101 (024)	368,588
<i>Passed through State of California Office of Traffic Safety</i>			
State and Community Highway Safety	20.600	AL0995	26,077
State and Community Highway Safety	20.600	10C061053-0	19,369
Total U.S. Department of Transportation			<u>1,247,806</u>
U.S. Department of Energy			
<i>Direct Program:</i>			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	* DE-SC0002385	354,334
Total U.S. Department of Energy			<u>354,334</u>
U.S. Department of Homeland Security			
<i>Passed through the County of Alameda Sheriff's Office:</i>			
Homeland Security Grant Program	97.067	2009-0019; CAL EMA ID 001-00000	13,610
Total U.S. Department of Homeland Security			<u>13,610</u>
TOTAL CURRENT EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,411,798</u></u>

* Denotes major program

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

CITY OF PLEASANTON, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Pleasanton (City). The City’s reporting entity is defined in Note 1 to the City’s basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the City’s enterprise funds where applicable, which are presented using the accrual basis of accounting, which is described in Note 1 to the City’s basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Relationship to Basic Financial Statements – The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agrees, in all material respects, to amounts reported within the City’s financial statements. Federal award revenues are reported principally in the City’s financial statements as intergovernmental revenues in the General, Special Revenue, and Enterprise funds.

Catalog of Federal Domestic Assistance (CFDA) Numbers – The CFDA numbers included in this report were determined based on the program name, review of grant contract information, and the Office of Management and Budget’s Catalog of Federal Domestic Assistance.

Pass-Through Entities’ Identifying Number – When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the city has determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

CITY OF PLEASANTON, CALIFORNIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 – HOME INVESTMENT PARTNERSHIPS PROGRAM RECONCILIATION

City of Pleasanton Single Audit Report Reconciliation to County of Alameda

Fiscal year 2010-11 payments from County of Alameda:

<u>PO Number</u>	<u>Voucher ID</u>	<u>Invoice Date</u>	<u>Payment Date</u>	<u>Warrant No.</u>	<u>Amount</u>
2808	00047246	04/07/11	05/12/11	1966865	\$ 32,355
2808	00047799	05/23/11	06/14/11	1984477	10,368
2808	00047856	06/02/11	06/17/11	1987758	7,786
2808	00047998	06/02/11	06/28/11	1991887	27,371
Total FY 2010-11 Payments from County of Alameda					77,880
City's FY 2010-11 Expenditures Per Single Audit Report (page 6)					108,615
Variance					<u>\$ 30,735</u>

Unreimbursed expenditures at June 30, 2011:

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Amerinational Community Services	Housing rehabilitation program	\$ 23,992
Tri-Valley Housing Scholarship Program	Rent subsidies	6,743
Total unreimbursed expenditures at June 30, 2011		<u>\$ 30,735</u>

CITY OF PLEASANTON, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) Identification of major programs:	<u>Yes</u>

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205 (ARRA)</u>	<u>Highway Planning and Construction (Includes ARRA)</u>
<u>81.128 (ARRA)</u>	<u>Energy Efficiency and Conservation Block Grant (Includes ARRA)</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 PLEASANTON, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

II. FINANCIAL STATEMENT FINDINGS

None.

CITY OF PLEASANTON, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The following findings represent significant deficiencies, and/or instances of noncompliance including questioned costs that are required to be reported by *OMB Circular A-133, section .510(a)*.

Finding 2011-1

Program: ARRA Energy Efficiency and Conservation Block Grant

CFDA No.: 81.128

Federal Agency: U.S. Department of Energy

Award Year: FY 2009-10

Compliance Requirement: Cash Management

Criteria:

Per *OMB A-133 Compliance Supplement*, when awards are funded on a reimbursement basis, the costs for which reimbursement is requested should be paid prior to the date of the reimbursement request. Per additional guidance on the drawn down payments for Energy Efficiency and Conservation Block Grant (EECBG) issued by the U.S. Department of Energy (DOE), (EECBG Program Notice 10-013) effective June 23, 2010, non-state grantees should minimize the time elapsing between draw down and disbursement of funds, and that time period should not exceed 30 calendar days. In addition, the interest earned on advances drawn in excess of disbursement needs should be remitted promptly, but at least quarterly, to the federal agency. Up to \$100 per year may be kept for administrative expenses.

Condition Found:

The City requested reimbursement for invoices not yet paid and did not minimize the time elapsing between draw down and disbursement of funds to a maximum of 30 calendar days. For seven of nine payments made under the Energy Efficiency and Conservation Block Grant, a reimbursement was requested prior to the date when the costs were paid. In addition, for three of nine payments tested, the time between draw down and disbursement of funds exceeded 30 days.

The interest earned on advances drawn in excess of disbursement needs was not remitted promptly, or at least quarterly, to the federal agency.

Questioned Costs:

Since the grant award date through June 30, 2011, the City accumulated \$936 of interest that is due to the federal agency. None of the interest earned was returned to the federal agency as of June 30, 2011.

Context:

The condition described above was noted during our testing procedures over cash management.

Effect:

City is not in compliance with cash management compliance requirements under *OMB Circular A-133*.

Cause:

There was a lack of procedures in place that would ensure the draw down requests occur after the actual costs are paid and a lack of procedures in place that would ensure the interest earned on advances drawn in excess of disbursement needs is remitted promptly, or at least quarterly, to the federal agency.

CITY OF PLEASANTON, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

We recommend the City develop cash management procedures that will ensure that the actual costs incurred under Energy Efficiency and Conservation Block Grant are paid before the funds are draw down from the federal agency. If immediate cash needs arise, the City is allowed to request advances from the federal agency, however, the City should maintain procedures ensuring minimizing the time elapsing between the fund transfer and the disbursement of funds. Per DOE guidance, that time period should not exceed 30 days. In addition, we recommend the City return the interest earned on advances drawn in excess of disbursement needs promptly, but at least quarterly, to the federal agency. Up to \$100 per year may be kept for administrative expenses.

Managements Response:

The City will implement grant procedures to ensure that the draw down requests occur after the actual costs are paid. The City will also work with the Department of Energy to reimburse the interest of \$879.45 from 2010FY and \$56.28 from 2011FY.

Current Status:

To be implemented

Finding 2011-2

Program: ARRA Energy Efficiency and Conservation Block Grant

CFDA No.: 81.128

Federal Agency: U.S. Department of Energy

Award Year: FY 2009-10

Compliance Requirement: Davis-Bacon Act

Criteria:

When required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, ARRA, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141- 3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Condition Found:

The City did not obtain the certified payroll from Pacific Solar Energy, Inc., a contractor under EECBG subject to Davis-Bacon Act requirements. Further, City did not incorporate the Davis-Bacon Act prevailing wage clause in the contract with Pacific Solar Energy, Inc.

CITY OF PLEASANTON, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Costs:

No questioned costs were noted as a result of the audit procedures performed.

Context:

The condition described above was noted during our testing of procedures over Davis-Bacon Act compliance.

Effect:

The City increased its risk of non-compliance with Davis-Bacon Act requirements set forth in *OMB A-133 Compliance Supplement*.

Cause:

There was a lack of internal controls and procedures to ensure that all construction contracts subject to Davis-Bacon Act requirements include a prevailing wage clause in the contract. The City did not obtain certified payrolls from the contractor for the duration of the contract.

Recommendation:

We recommend the City identify the contractors subject to Davis-Bacon Act requirements under Energy Efficiency and Conservation Block Grant. We further recommend the City develop and implement procedures to ensure that the contracts with the contractors subject to Davis-Bacon Act requirements include a prevailing wage clause and the City collect the certified payroll from contractors on a weekly basis.

Managements Response:

The City received the written certification from Pacific Solar Energy, Inc. that the vendor complied with Davis-Bacon Act prevailing wage requirements.

The City will add the requisite Davis-Bacon Act prevailing wage clause to all future contracts entered into by the City where grant funding is involved.

Current Status:

Implemented

Finding 2011-3

Program: ARRA Energy Efficiency and Conservation Block Grant

CFDA No.: 81.128

Federal Agency: U.S. Department of Energy

Award Year: FY 2009-10

Compliance Requirement: Procurement, Suspension and Debarment

Criteria:

The *March 2011 Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* states that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

CITY OF PLEASANTON, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition Found:

For the two vendors selected for testing, we noted no verification was performed and no certification was collected to ensure the vendor was not suspended and debarred or otherwise excluded.

Questioned Costs:

No questioned costs were noted as a result of the audit procedures performed.

Context:

The condition described above was noted during our testing procedures over procurement, suspension and debarment compliance.

Effect:

The City increased its risk of non-compliance with procurement, suspension and debarment requirements set forth in *OMB A-133 Compliance Supplement*.

Cause:

City personnel were unaware of the suspension and debarment federal requirements.

Recommendation:

We recommend the City implement procedures to ensure that procurements and subawards of federally funded projects are verified against the EPLS for suspension or debarment, or the City obtain a certification or add the required clauses to the contract for suspension or debarment and the required Federal approvals are obtained where applicable. All procedures performed should be documented.

Managements Response:

The City did check the Excluded Parties List System (EPLS) for the vendor and found that the vendor was not suspended or debarred. However, it was after the signing of the contract rather than prior to entering into a contract with the vendor. The City will implement grant procedures to include a verification process to confirm that the vendor is not suspended or debarred prior to the City entering into a contract where grant funding is involved. This process will include checking the Excluded Parties List System (EPLS).

Current Status:

Implemented

CITY OF PLEASANTON, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2011-4

Program: ARRA Energy Efficiency and Conservation Block Grant

CFDA No.: 81.128

Federal Agency: U.S. Department of Energy

Award Year: FY 2009-10

Compliance Requirement: Reporting

Criteria:

The contract between the City and U.S. Department of Energy, the Energy Efficiency and Conservation Strategy is due to Department of Energy within 120 days of the effective date of the award.

SF-425 Financial Report is due 30 days after the end of a calendar quarter.

Information reported in the SF-425 Financial Report should be reported either on cash or accrual basis and should reconcile to the City's accounting system. Information reported in the Section 1512 ARRA should be reported on the accrual basis and should agree to the SEFA.

Condition Found:

The Energy Efficiency and Conservation Strategy was not submitted to Department of Energy within 120 days from the date of the award as required by the contract between the City and Department of Energy.

The SF-425 Financial Report was filed after the deadline of 7/30/2011.

The federal expenditures reported on the SF-425 Financial Report for the quarter ended June 30, 2011 did not agree to the federal expenditures per the general ledger as of 6/30/2011, even though it was noted the expenditures in the SF-425 Financial Report are reported on accrual basis and as such should match the general ledger. The federal expenditures reported in ARRA Quarterly Performance Report for the quarter ended June 30, 2011 did not agree to the general ledger. Based on our discussion with management, the amounts in this report are reported on the accrual basis. The cumulative federal expenditures reported in Section 1512 ARRA Quarterly Report for the quarter ended June 30, 2011 did not agree to the general ledger or SEFA. Based on our discussion with management, the amounts in this report are reported on the accrual basis.

Questioned Costs:

No questioned costs were noted as a result of the audit procedures performed.

Context:

The condition described above was noted during our examination of the City's reporting process.

CITY OF PLEASANTON, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect:

The City did not comply with the reporting deadlines pertaining to Energy Efficiency and Conservation Block Grant. In addition, as a result of the condition, the City increased its risk of non-compliance with reporting requirements set forth in *OMB A-133 Compliance Supplement*.

Cause:

There was a lack of procedures and internal controls in place to ensure a timely submission of all required reports to U.S. Department of Energy. Lack of internal controls in place that would ensure the financial information reported to U.S. Department of Energy reconciles to the financial records derived from the City's accounting system.

Recommendation:

We recommend the City implement procedures to ensure that all required reports are submitted to the federal agency within the established timelines. We also recommend the City establish procedures that would ensure the financial information reported to the federal agency reconciles/agrees to the financial information in the City's accounting system.

Managements Response:

The City will implement grant procedures to ensure that all required reports are submitted to the federal agency within the established timeline for each grant. The City will change the SF-425 Financial Report to a cash basis and reconcile all reports to the general ledger and SEFA.

Current Status:

Implemented

Finding 2011-5

Program: Highway Planning and Construction Cluster, ARRA Highway Planning and Construction
CFDA No.: 20.205

Federal Agency: U.S. Department of Transportation

Pass-through: State of California, Business, Transportation and Housing Agency, Department of Transportation

Award Year: FY 2009-10 and FY 2010-11

Compliance Requirement: Cash Management

Criteria:

Per *OMB A-133 Compliance Supplement*, when awards are funded on a reimbursement basis, the costs for which reimbursement is requested should be paid prior to the date of the reimbursement request.

Condition Found:

The City requested reimbursement for invoices not yet paid at the time of the reimbursement request. Due to the lead time for reimbursement from the State Department of Transportation, the contractor was paid prior to the City receiving reimbursement funds.

For one of nine payments made under the Highway Planning and Construction Grant, reimbursement was requested prior to the date when the costs were paid.

CITY OF PLEASANTON, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Costs:

No questioned costs were noted as a result of the audit procedures performed.

Context:

The condition described above was noted during our examination of the City's cash management process.

Effect:

City is not in compliance with cash management compliance requirements under *OMB Circular A-133*.

Cause:

There was a lack of procedures and internal controls in place to ensure requests for reimbursement are submitted after the actual costs are paid.

Recommendation:

We recommend City develop cash management procedures that will ensure that the actual costs incurred under Highway Planning and Construction Grant are paid before the reimbursement is requested from the State Department of Transportation.

Managements Response:

The City will implement grant procedures to ensure that the draw down requests occur after the actual costs are paid.

Current Status:

To be implemented

CITY OF PLEASANTON, CALIFORNIA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None.