

CITY OF PLEASANTON, CALIFORNIA

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

**CITY OF PLEASANTON
SINGLE AUDIT REPORT**

FOR THE YEAR ENDED JUNE 30, 2013

Table of Contents

	Page
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required By OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	
I. Summary of Auditors' Results	8
II. Financial Statement Findings	9
III. Federal Award Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings and Questioned Costs	14



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

VALUE THE DIFFERENCE

**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pleasanton (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Pleasanton's basic financial statements, and have issued our report thereon dated December 31, 2013. Our report included an emphasis of a matter paragraph regarding the City's adoption of GASB Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

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

Vavrinek, Trine, Day & Co., L.L.P.

Pleasanton, California
December 31, 2013



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Pleasanton'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 year ended June 30, 2013. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-1, 2013-2, and 2013-3. Our opinion on each major Federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal controls over compliance that we consider to be a material weakness. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-1, 2013-2, and 2013-3, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pleasanton as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 31, 2013, which contained unmodified opinions on those financial statements. Our report included an emphasis of a matter paragraph regarding the City's adoption of GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our audit was conducted 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 U.S. Office of Management and Budget 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California

February 9, 2014, except for our report on the schedule
of expenditures of federal awards, for which the date is
December 31, 2013

CITY OF PLEASANTON

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

Federal Grantor / Pass-through Grantor / Program Title	Grant Identifying Number	Federal Catalog Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Programs:</i>			
Community Development Block Grant ⁽¹⁾	B-11-MC-06-0050; B-12-MC-06-0050	14.218	\$ 338,921
Public and Indian Housing ⁽¹⁾	CA08100000112D; CA08100000113D	14.850	124,631
Public Housing Capital Fund	CA39P08150107; CA39P08150108	14.872	<u>14,071</u>
Total Direct Programs			<u><u>477,623</u></u>
<i>Passed through the County of Alameda, Housing and Community Development:</i>			
HOME Investment Partnerships Program Loans	Not applicable	14.239	<u>112,374</u>
<i>Total Passed through the County of Alameda</i>			<u>112,374</u>
Total U.S. Department of Housing and Urban Development			<u><u>589,997</u></u>
U.S. Department of Justice			
<i>Direct Programs:</i>			
Bulletproof Vest Partnership Program	Not available	16.607	624
<i>Passed through the County of Alameda</i>			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	2009-SB-B9-0733	16.804	<u>5,073</u>
Total U.S. Department of Justice			<u><u>5,697</u></u>
Institute of Museum and Library Services			
<i>Passed through California State Library - Library Services & Technology Act</i>			
Grants to States	LSTA#40-7448	45.310	615
Grants to States	LSTA#40-7661	45.310	<u>9,718</u>
Total Institute of Museum and Library Services			<u><u>10,333</u></u>
U.S. Department of Transportation			
<i>Passed through State of California Office of Traffic Safety</i>			
State and Community Highway Safety	AL0995	20.600	6,134
State and Community Highway Safety	12C061110	20.600	6,578
State and Community Highway Safety	12C061111	20.600	<u>9,999</u>
Total U.S. Department of Transportation			<u><u>22,711</u></u>
U.S. Department of Energy			
<i>Direct Program:</i>			
ARRA - Energy Efficiency and Conservation Block Grant	DE-SC0002385	81.128	<u>19,836</u>
Total U.S. Department of Energy			<u><u>19,836</u></u>
U.S. Department of the Interior Bureau of Reclamation			
<i>Direct Program:</i>			
Water Reclamation and Reuse Program	R11AC20126	15.504	<u>70,866</u>
Total U.S. Department of the Interior Bureau of Reclamation			<u><u>70,866</u></u>
TOTAL CURRENT EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 719,440</u></u>

⁽¹⁾ Tested as a major program

CITY OF PLEASANTON

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

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 of the City’s basic financial statements. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other governmental agencies to the City are included in the accompanying schedule.

B. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note #1 of the City’s basic financial statements.

C. Relationship to Basic Financial Statements

The amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, to amounts reported within the City’s financial statements. Federal award revenues for the year ended June 30, 2013 are reported in the City’s financial statements in a separate fund.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related Federal financial reports. However, certain Federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the schedule of expenditures of federal awards and the Federal financial reports.

E. 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.

F. 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.

NOTE #2 – HOME INVESTMENT PARTNERSHIPS PROGRAM RECONCILIATION

City of Pleasanton Single Audit Report Reconciliation to County of Alameda:

Total FY 2012-13 Payments from County of Alameda	\$ 93,726
City's FY 2012-13 Expenditures Per Single Audit Report (page 6)	112,374
Variance	<u>\$ 18,648</u>

Unreimbursed expenditures at June 30, 2013:

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Amerinational Community Services	Housing rehabilitation program	\$ 15,088
Tri-Valley Housing Scholarship Program	Rent subsidies	3,560
Total unreimbursed expenditures at June 30, 2013		<u>\$ 18,648</u>

CITY OF PLEASANTON

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

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<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?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	<u>Yes</u>
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>Community Development Block Grant</u>
<u>14.850</u>	<u>Public and Indian Housing</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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

CITY OF PLEASANTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

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 2013 - 1

Absence of an Annual Contribution Contract for the Fiscal Year 2013 Operating Fund

Program: Public and Indian Housing

CFDA No.: 14.850

Federal Agency: U.S. Department of Housing and Urban Development

Award Year: FY 2012-13

Compliance Requirement: Non compliance-requirement specific.

Criteria:

Section 9(f) of the United States Housing Act of 1937 (the Act) established an Operating Fund for the purpose of making assistance available to public housing agencies (PHAs) for the operation and management of public housing. The Public and Indian Housing operating subsidy is provided under the Act and in accordance with an Annual Contribution Contract (ACC) entered into between the U.S. Department of Housing and Urban Development (HUD) and the PHA, whereby HUD agrees to provide financial assistance and the PHA agrees to comply with HUD requirements for the development and operation of its public housing projects. As the name implies, we believe this is a contract entered into on an annual basis.

Condition Found:

The Housing Authority staff was unable to provide us with the most recent Annual Contribution Contract. Instead, an Annual Contribution Contract dating back to 1972 was provided.

Questioned Costs:

None.

Context:

The condition described above was noted as we obtained an understanding of this Federal program. We requested the most recent ACC so that we may refer to it as we gather guidance on the various HUD requirements consistently referred to throughout section 4 of OMB A-133 Compliance Supplement. Because of its unavailability, the auditors incurred a significant amount of time researching the various sections of Title 24 of the Code of Federal Regulation and obtained the guidance information necessary for us to complete the audit.

Effect:

The Housing Authority was not in compliance with the requirement to enter into an Annual Contribution Contract with HUD.

Cause:

The Housing Authority's staff lack of awareness of this requirement.

CITY OF PLEASANTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

We recommend that Housing Authority implement measures to ensure that its staff, which are tasked with the Federal program oversight, are aware of the compliance requirements applicable to the grant and have a mechanism to track the Housing Authority's compliance with those requirements applicable to each of its Federal awards.

Views of Responsible Officials and Planned Corrective Actions:

The Housing Authority agrees with the finding and will work with the HUD office to enter into an Annual Contribution Contract for the Operating Fund or the necessary documentation as determined by HUD.

Finding 2013 - 2

Absent Depository Agreement

Program: Public and Indian Housing

CFDA No.: 14.850

Federal Agency: U.S. Department of Housing and Urban Development

Award Year: FY 2012-13

Compliance Requirement: Special Tests and Provisions; Depository Agreements

Criteria:

PHA's are required to enter into depository agreements with their financial institutions using the HUD-51999 (*OMB No 2577-0270*) or a form required by HUD in the ACC. The agreements serve as safe guards for Federal funds and provide third-party rights to HUD.

Condition Found:

The Housing Authority did not enter into a depository agreement with its financial institution.

Questioned Costs:

None.

Context:

The condition described above was noted during our testing of the Depository Agreement special test.

Effect:

The Housing Authority was not in compliance with the requirement to enter into a depository agreement with its financial institutions using the HUD-51999 (*OMB No 2577-0270*) or a form required by HUD in the ACC.

Cause:

The Housing Authority's staff lack of awareness of this requirement.

Recommendation:

We recommend that Housing Authority implement measures to ensure that their staff, which are tasked with the Federal program oversight, are aware of the compliance requirements applicable to the grant and have a mechanism to track the Housing Authority's compliance with those requirements applicable to each of its Federal awards.

CITY OF PLEASANTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Planned Corrective Actions:

The Housing Authority agrees with the finding and will implement the adequate verification process by using HUD-51999 when the Housing Authority enters into a depository agreement with the financial institution.

Finding 2013 - 3

Deficient internal control environment over Public Housing Waiting List

Program: Public and Indian Housing

CFDA No.: 14.850

Federal Agency: U.S. Department of Housing and Urban Development

Award Year: FY 2012-13

Compliance Requirement: Special Tests and Provisions; Public Housing Waiting List

Criteria:

The PHA must establish and adopt written policies for the admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejection of an applicant (24 CFR sections 960.202 through 960.206).

Condition Found:

The Housing Authority's internal control environment over the above compliance requirement is deficient.

Questioned Costs:

None.

Context:

In understanding the design and implementation of the Housing Authority control environment over this compliance requirement, we noted that one of the key onsite staff is required to send the public housing waiting list to the PHA management company's Director of Occupancy for review and audit, and that the Director of Occupancy reviews new admissions and compares them against the public housing waiting list. However, as this review and audit by the Director of Occupancy is not documented anywhere, we were unable to verify that this key internal control is implemented, other than through audit inquiry where the Director verbally acknowledged performance of the review and audit.

Effect:

Deficiency in the design and implementation of internal controls over the public housing waiting list special test and provision compliance requirement.

Cause:

The Housing Authority's management lack of improper design and implementation of internal control awareness.

Recommendation:

We recommend that the Housing Authority review the design and implementation of its PHA management company system of internal controls to ensure that its internal control environment is properly designed and effective in ensuring compliance with each of its Federal program compliance requirements.

CITY OF PLEASANTON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Planned Corrective Actions:

The Housing Authority agrees with the finding and will document on a going forward basis the Director's audit and review of the admissions against the public housing waiting list as required in the Housing Authority's policies and procedures.

CITY OF PLEASANTON

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

Summarized below is the current status of all audit findings reported in the prior year audit's schedule of findings and questioned costs

Finding No.	Program	CFDA No.	Compliance Requirement	Status
2012 - 1	Capital Assets - Valuation	Not applicable	Not applicable	Implemented
2012 - 2	Capital Assets - Accounting	Not applicable	Not applicable	Implemented
2012 - 3	ARRA Energy Efficiency Community Block Grant	81.128	Cash Management	Implemented
2012 - 4	ARRA Energy Efficiency Community Block Grant	81.128	Reporting	Implemented
2012 - 5	ARRA Energy Efficiency Community Block Grant	81.128	Procurement, Suspension, and Debarement	Implemented