

CITY OF ALAMEDA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2011

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For The Year Ended June 30, 2011

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CITY OF ALAMEDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2011**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unqualified

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	ARRA - Department of Transportation – Highway Planning and Construction
14.218 & 14.253	ARRA - Department of Housing and Urban Development – CDBG Entitlement Grants Cluster
81.128	ARRA - Department of Energy – Energy Efficiency And Conservation Block Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 29, 2011, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

Finding SA# 2011-01: Accurate Preparation of the Schedule of Expenditures of Federal Awards

CFDA Number: 20.205
CFDA Title: ARRA - Highway Planning and Construction (Federal Aid Highway Program)
Federal Agency: Department of Transportation
Pass-Through Entity: California Department of Transportation

Criteria: In accordance with the requirements of OMB Circular A-133 and the Single Audit Act, the City should report all Federal expenditures in the Schedule of Expenditures of Federal Awards (SEFA) each fiscal year.

Condition: In reviewing the expenditure details that support the expenditures of federal awards for the Buena Vista Resurfacing project (ARRA grant ESPL 5014(032)) on the current year SEFA, it was discovered that \$160,464 of the amount reported was actually expenditures incurred in fiscal 2009-10 and should have been reported on the SEFA for fiscal year 2009-10..

Effect: Excluding program expenditures from the SEFA misstates the SEFA, and results in the City being out of compliance with the requirements of individual grant agreements and OMB Circular A-133. This type of omission could result in a federal award program not being audited pursuant to A-133. We noted this omission did not affect the determination of major programs in 2010. The \$160,464 remains on the current year SEFA for the purpose of the audit.

Cause: In August 2010, the City made a grant reimbursable payment of \$160,464 to a vendor. It was later determined that this transaction should be accrued back to fiscal year 2009-10 through a financial adjustment. In preparing for the fiscal 2009-10 SEFA, the City did not take into account the above audit adjustment. Therefore, this amount was omitted from the fiscal 2009-10 SEFA.

Recommendation: The City should develop policies and procedures for City departments to ensure that annual expenditures for all grant agreements are included on the SEFA.

View of Responsible Officials and Planned Corrective Action:

Contact Person: Fred Marsh, Controller (510) 747-4888

Corrective Action: The City will implement this recommendation for fiscal year 2012.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Prepared by Management

Financial Statement Prior Year Findings

We have included the current status of a prior significant deficiency in our Memorandum of Internal Control dated November 29, 2011, which is an integral part of our audit and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

There were no prior year Federal Award Findings and Questioned Costs reported.

CITY OF ALAMEDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal and Pass-Through Identifying Number	Federal Expenditures
Department of Energy Direct Programs			
Energy Efficiency and Conservation Block Grant Program	81.128		
ARRA - Solar Power Library		EECBG-ARRA-09	\$365,000
ARRA - Webster Street SMART Corridor Project		EECBG-ARRA-09	90,248
Total Department of Energy Direct Programs			<u>455,248</u>
Department of Transportation Pass-Through Programs From:			
State of California, Department of Transportation			
Highway Planning and Construction	20.205		
Tinker/Webster Extension Project		EA-448200	1,097,624
Signal Coordination-Otis/Doolittle		CML-5014(0028)	311
Park Street Streetscape		DEMOL06L-5014(031)	100,180
ARRA - Central Avenue Resurfacing		ESPL 5014(032)	9,840
ARRA - Buena Vista Resurfacing		ESPL 5014(032)	310,445
Total Department of Transportation Pass-Through Programs			<u>1,518,400</u>
Department of Justice Pass-Through Program From:			
State of California, Department of Transportation			
Edward Byrne Memorial Formula Grant Program	16.579		
Justice Assistance Grant		2009 DJ-BX-0128	12,652
Total Department of Justice Pass-Through Programs			<u>12,652</u>
Department of Housing and Urban Development Direct Program			
Community Development Block Grants			
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257	S09MY060007	244,979
Community Development Block Grant Program Cluster			
Community Development Block Grant/Entitlement Grant	14.218		
Program Income		B09MC060007	139,214
Program Expenditures		B09MC060007	1,589,277
Loan Program:			
New Loans		B09MC060007	181,929
ARRA - Community Development Block Grants	14.253		
ARRA - Community Development Block Grant-Recovery		B09MY060007	360,846
Subtotal Community Development Block Grant Program Cluster			<u>2,271,266</u>
Subtotal Department of Housing and Urban Development Direct Program			<u>2,516,245</u>
Department of Housing and Urban Development Pass-Through Programs From:			
County of Alameda			
Home Investment Partnerships Program	14.239		
Program Income		M09DC060201	64
Program Expenditures		M09DC060201	87,630
Subtotal Department of Housing and Urban Development Pass-Through Programs			<u>87,694</u>
Total Department of Housing and Urban Development Programs			<u>2,603,939</u>
Total Expenditures of Federal Awards			<u><u>\$4,590,239</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CITY OF ALAMEDA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2011**

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Alameda, California, and its component units as disclosed in the notes to the Basic Financial Statements, except for federal awards of the Housing Authority (Authority) of the City of Alameda, California, and the Alameda Municipal Power (AMP), California. Federal awards expended by the Authority and AMP, if any, are excluded from the Schedule and are subject to a separate Single Audit performed by other auditors.

NOTE 2-BASIS OF ACCOUNTING

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs when they occur.

NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
	CDBG Entitlement Grants Cluster:	
14.218	Community Development Block Grant Program	\$312,032
14.253	ARRA - Community Development Block Grant Program	360,846
14.257	ARRA - Homeless Prevention and Rapid Re-Housing Program	244,979
14.239	Home Investment Partnership Program	74,500

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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***

Honorable Mayor and City Council
of the City of Alameda, California

We have audited the financial statements of the City of Alameda as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011. The report included special emphasis paragraphs concerning proposed redevelopment dissolution and the transfer of the City's ferry service and a paragraph discussing the implementation of Governmental Accounting Boards Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These are listed as items 2011-01, 2011-02, 2011-03 and 2011-04 in our separately issued Memorandum in Internal Control dated November 29, 2011.

We have also issued a separate Memorandum on Internal Control dated November 29, 2011, which is an integral part of our audits and should be read in conjunction with this report.

This report is intended solely for the information and use of City Council, the City Auditor, management, 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.

Maze & Associates

November 29, 2011

**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**

Honorable Mayor and City Council
of the City of Alameda, California

Compliance

We have audited City of Alameda's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City'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 City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City of Alameda's basic financial statements include the operations of the Housing Authority of the City of Alameda (Authority), California, which spent \$24,079,915 in federal awards, which is not included in the schedule during the year ended June 30, 2011. Our audit, described below, did not include the operations of the Authority because the component unit engaged other auditors to perform its audit in accordance with Circular A-133.

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. 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 of Alameda's compliance with those requirements.

In our opinion, the City of Alameda 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 item 2011-01.

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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated November 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.

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 management, City Council, the City Auditor, 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.

Maze & Associates

February 7, 2012