

CITY OF INGLEWOOD
Inglewood, California

**Single Audit Report on
Federal Awards**

For the Fiscal Year ended September 30, 2011

CITY OF INGLEWOOD
Single Audit Report on Federal Awards
Year ended September 30, 2011

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Honorable Mayor and City Council
City of Inglewood
Inglewood, California

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

We have audited the financial statements of the governmental activities, business-type activities, and each major fund and the aggregate remaining fund information of the City of Inglewood, California, (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first 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 as items 2011-01 through 2011-27, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, as items 2011-01 through 2011-27 to be material weaknesses.

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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 testing disclosed twelve instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as findings 2011-02, 2011-04, 2011-06, 2011-07, 2011-11 and 2011-21 through 2011-27.

The City's written response to the material weaknesses identified in our audit have not been subjected to the audit procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

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

A handwritten signature in blue ink that reads "Melissa Hoffman McClain P.C.".

Irvine, California
June 28, 2012



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Compliance

We have audited the compliance of the City of Inglewood, California, (the City) 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 September 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. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed seven 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 2011-21 through 2011-27.

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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our

Honorable Mayor and City Council
City of Inglewood
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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 consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, as items 2011-02, 2011-04, 2011-06, 2011-07, 2011-11 and 2011-21 through 2011-27, to be material weaknesses.

Schedule of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2012. 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* is presented for purposes of additional analysis in accordance with the requirements of 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 supplementary *Schedule of Expenditures of Los Angeles County Grants* has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The City's written response to the material weaknesses identified in our audit have not been subjected to the audit procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information 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.



Irvine, California
June 28, 2012

CITY OF INGLEWOOD
Schedule of Expenditures of Federal Awards
For the Fiscal Year ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal Domestic Assistance Number</u>	<u>Program Identification Number</u>	<u>Program Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
U.S. Department of Agriculture				
Direct Assistance:				
Nutrition Services	93.053	n/a	\$ 72,916	-
Subtotal			<u>72,916</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Section 8 Housing Choice Vouchers	14.871	CA082VO	\$ 8,781,612	-
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-06-0520	1,862,338	174,181
Community Development Block Grants/Entitlement Grants - ARRA	14.253	B-09-MY-06-0520	559,478	-
Neighborhood Stabilization Program	14.228	09-NSP1-6425	1,159,276	-
Emergency Shelter Grants Program	14.231	S03MC060520	94,038	-
Home Investment Partnerships Program	14.239	M03MC060516	4,823,238	167,478
Homelessness Prevention and Rapid Re-Housing- ARRA	14.257	S09-MY-06-0520	576,882	-
Economic Development Initiative - Senior Center	14.246	SP-CA-001	21,126	-
Subtotal			<u>17,877,988</u>	<u>341,659</u>
U.S. Department of Justice				
Direct Assistance:				
Asset Forfeiture and Seizure	16.000	n/a	163,956	-
Cold Cases Grant	16.560	n/a	1,573	-
Community Oriented Policing Technology Grants	16.710	2008CKWX0511	580,201	-
COPS Option	16.710	110104-4	169,440	-
		2006DJBX0360, 2007DJBX0592,		
Justice Assistance Grant	16.738	2008DJBX0394	39,344	-
Justice Assistance Grant - ARRA	16.738	n/a	130,304	-
Subtotal			<u>1,084,818</u>	<u>-</u>
U.S. Department of Transportation				
Direct Assistance:				
Airport Improvement Program	20.106	3-06-0139-33, 3-06-0139-38, 3-06-0139-59, 3-06-0139-60	9,851,679	-
Passed-through the California Department of Transportation				
Highway Planning and Construction - ARRA - Manchester	20.205	07-5164R	9,921	-
Highway Planning and Construction - ARRA - Century	20.205	07-5164R	629,934	-
Highway Planning and Construction - ARRA - La Cinega	20.205	07-5164R	18,865	-
Subtotal			<u>10,510,399</u>	<u>-</u>
U.S. Department of Energy				
Direct Assistance:				
Energy Conservation Block Grant	81.128	SC0003267	560,120	-
Subtotal			<u>560,120</u>	<u>-</u>
U.S. Department of Health and Human Services				
Pass-through from the County of Los Angeles:				
Special Programs for the Aging Title III				
Part B Grants for Supportive Services and Senior Centers	93.044	n/a	691,312	-
Home Delivered Meals, Congregate Nutrition, Title III	93.045	n/a	63,479	-
Subtotal			<u>754,791</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 30,861,032</u>	<u>341,659</u>

n/a - not available

See accompanying notes to the schedule of expenditures of federal awards

CITY OF INGLEWOOD
Schedule of Expenditures
Los Angeles County Grants
AAA-ENP2-0809-011/SSP-1014-12/
For the Fiscal Year Ended September 30, 2011

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal Domestic Assistance Number</u>	<u>Contract</u>	<u>Period</u>	<u>Award Contracted</u>	<u>Amount Expended</u>
Older Americans Act:					
NSIP/USDA Title IIIC1	93.053	AAA-ENP2-0809-011	2010-2011	\$ 37,162	37,162
NSIP/USDA Title IIIC2	93.053	AAA-ENP2-0809-011	2010-2011	<u>43,264</u>	<u>43,264</u>
Subtotal - Older Americans Act (Nutritional Services Incentive Program)				<u>80,426</u>	<u>80,426</u>
Integrated Care Management Services (State of California):					
Linkages-California State General Funds			2010-2011	-	-
Linkages-Parking Fees Funds			2010-2011	<u>-</u>	<u>-</u>
Subtotal - Integrated Care Management Services (State of California)				<u>-</u>	<u>-</u>
Department of Health and Human Services:					
Title IIIC1 Congregate Nutrition	93.045	AAA-ENP2-0809-011	2010-2011	297,986	297,986
Title IIIC 2 Home Delivered Meals	93.045	AAA-ENP2-0809-011	2010-2011	318,691	318,691
Title III Part B - Special Programs for the Aging -					
Grants for Supportive Services and Senior Centers	93.044	40291	2010-2011	4,500	4,500
Grants for Supportive Services for Aging	93.044	SSP-1014-12	2010-2011	<u>85,298</u>	<u>85,298</u>
Subtotal - Department of Health and Human Services				<u>706,475</u>	<u>706,475</u>
Total - LA County Contracts AAA-ENP2-0809-011 and SSP-1014-12/40291				<u>\$ 786,901</u>	<u>786,901</u>

Federal Funds - Reconciliation to Schedule of Expenditures of Federal Awards

Older Americans Act (Department of Agriculture) Fiscal Year Ended 6/30/11	\$ 80,426
Less: July through September 2010 Expenditures	(19,976)
Add: July through September 2011 Expenditures (40291)	<u>19,831</u>
Older Americans Act (Nutritional Services Incentive Program) Fiscal Year Ended 9/30/11	<u>\$ 80,280</u>
Department of Health and Human Services Fiscal Year Ended 6/30/11	\$ 706,475
Less: July Through September 2010 Expenditures	(163,210)
Add: July through September 2011 Expenditures (40291/40128)	<u>179,430</u>
Department of Health and Human Services Fiscal Year Ended 9/30/11	<u>\$ 722,695</u>

See accompanying notes to the schedule of expenditures of federal awards

CITY OF INGLEWOOD

Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year ended September 30, 2011

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Inglewood that are reimbursable by agencies providing federal assistance. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the agency becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) Subrecipient Expenditures

Payments to subrecipients totaled \$174,181 for the Community Development Block Grant and \$167,478 for the Home Investment Partnerships Program for the fiscal year ended September 30, 2011.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

For the Fiscal Year ended September 30, 2011

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. The audit disclosed twenty-seven material weaknesses in internal control over financial reporting.
3. The audit disclosed twelve matters of noncompliance which are material to the financial statements of the auditee.
4. There were seven significant deficiencies in internal control over compliance of the major programs of the auditee.
5. An unqualified opinion was issued by the auditors on compliance for major programs.
6. The audit disclosed seven findings required to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major programs of the auditee were U.S. Department of Housing and Urban Development, Section 8 Housing Choice Vouchers, CFDA No. 14.871; U.S. Department of Housing and Urban Development, Home Investment Partnership Program, CFDA No. 14.239; U.S. Department of Housing and Urban Development, Community Development Block Grants/Entitlement Grants, CFDA No. 14.218; U.S. Department of Housing and Urban Development, Community Development Block Grants/Entitlement Grants - ARRA, CFDA No. 14.253; U.S. Department of Housing and Urban Development, Neighborhood Stabilization Program, CFDA No. 14.228; U.S. Department of Transportation, Airport Improvement Program, CFDA No. 20.106.
8. The dollar threshold used to distinguish Type A and Type B programs was \$925,831.
9. The auditee did not qualify as a low risk auditee, as defined by OMB Circular A-133, paragraph .530, for the year ended September 30, 2011 for the purpose of determining major programs.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-01) Need for Enhanced Controls over Citywide Cash and Investment Reconciliation

We noted that throughout the fiscal year ended September 30, 2011 the monthly bank reconciliations of the City's cash and investment accounts were not being completed in a timely manner.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-01) Need for Enhanced Controls over Citywide Cash and Investment Reconciliation, (continued)

In addition to the reconciliation issues noted above, we also identified a liability account used by the City to track stale and outdated checks. These amounts should be included as outstanding checks in the monthly reconciliation until the point that the city has gone through the proper escheating procedures rather than as a liability of the General fund. Furthermore, the City should take the necessary steps to clean up these stale and outdated checks and review these items on a more regular basis.

Accurate and timely completion of monthly bank reconciliations are important internal controls that help the City identify any potential fraudulent activity and accurately state the financial position of the City's funds.

Recommendation

We recommend that monthly bank reconciliations be completed in a timely manner to ensure that all activity has been properly reconciled to the accounting records. Furthermore, the City should take the necessary steps to process and monitor uncleared items on a regular basis.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes the need to have bank reconciliations properly completed in a timely manner. In FY 2011, the bank reconciliations were completed and ready for the auditors to review on their first day of field work. In order to address the old stale dated checks, the City has drafted an Unclaimed Check policy that will be presented to the City Council for approval. This will allow the City to clear up a good majority of the outstanding items on the bank reconciliation.

In addition, in the past year, staff identified and produced various Eden reports that are created individually to help reconcile cash. These individual reports are generated from the various Eden modules that help the bank reconciliation accountant locate variances and tie to the G/L. Finally, cash reports are generated independently from Eden's cashiering module that helps staff tie to the G/L reports and the bank statements. Staff will continue to perfect the operation of the Eden system, so that bank reconciliations are completed in a timely manner. This will help the City identify any potential fraudulent activity and to accurately state the financial position of the City's funds at all times.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-02) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans

The “First Time Homebuyer Mortgage Assistance Loan Program” and the “Home Rehabilitation Loan Program” had a balance of approximately \$6.0 million of non-interest bearing loans to qualified participants as of September 30, 2011. Of the total loans, \$2.2 million were funded by HUD from HOME/CDBG grants to the City and the remaining \$3.8 million were funded by the Inglewood Redevelopment Agency (RDA) from the 20% property tax set-aside in the Low and Moderate Income Housing Fund. Repayment of the loans is required if the title of the assisted property changes during the term of the loan. The City has not issued any new loans for either of these programs since 2007.

As a result of our testing of these programs we indentified one loan repayment from the CDBG program during the fiscal year ended September 30, 2011, which had not been properly recorded as loans. This resulted in adjustments to the general ledger.

The City began a process of analyzing the status and collectability of these loans, and based on this process, the City has established an allowance for certain loans where the City no longer expects repayment.

Recommendation

We recommend that the City develop and implement a tracking system to properly monitor the accuracy of the outstanding loan portfolio and payments of the loan balances for both the First Time Homebuyers and the Rehabilitation loan programs to prevent a loss in revenue to the City. The City should ensure that all outstanding loans be titled to the City as beneficiary and trustee. We also recommend that the City and the RDA properly monitor its contracts with all outside contracted entities to prevent possible defalcation, abuse or fraud in the accounting for these loans and to perform all of their fiduciary duties under the terms of the grant agreements, OMB requirements and City internal control policies and procedures.

Management’s Response Regarding Corrective Action Taken or Planned

Staff is still gathering a complete list of all loans outstanding for the rehab program and is also developing the steps necessary to monitor and track all activity on each outstanding loan to ensure they are in compliance with each loan agreement. This project will help us verify the existence of each outstanding loan by following up with each property owner, and monitoring compliance on a regular basis. Due to staffing issues, this process will be completed as staffing permits.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-03) Adjustments Detected Through the Audit Process

An important element of control over financial reporting is for management to identify adjustments necessary for financial statements to be fairly stated. Whenever possible, adjustments should be reflected in the accounting records prior to the start of the audit. When this is not possible, management should identify and communicate to the auditors the potential areas of adjustment that may need to be addressed during the audit process.

There were, however, material adjustments that were identified during the audit for the year ended September 30, 2011. These material adjustments detected by the audit process included the following: an adjustment to record grant receivable accruals, an adjustment to record fourth quarter tax revenue accruals, an adjustment to agree beginning fund balance in seven funds to the prior year audited financial statements, an adjustment to record expenditures in fiscal year 2011 that were paid in fiscal year 2012, an adjustment to increase the City's claims liability as of September 30, 2011 for a case settlement, an adjustment to remove prepaid expenses, an adjustment to remove overhead and internal service fund charges from restricted funds that could not be supported by a methodology, an adjustment to deferred revenue balances, an adjustment to record two new long term receivables, an adjustment to correct interfund transfers between City funds to agree to actual expenditures incurred during the fiscal year, adjustments to account for the transfer of RDA assets from the Agency to the City of Inglewood based on the Cooperation Agreement, an adjustment to correct formula errors in the fixed asset schedules and a prior period adjustment to correct the reporting of unearned revenue in a grant fund.

Recommendation

Auditing Standards indicate that material adjustments identified through the audit process are an indication of weaknesses in an entity's internal control structure. Efforts should be made to enhance the City's year end closing procedures to include areas that resulted in audit adjustments in 2011.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes that the general ledger accounts need to be reviewed and/or analyzed and audit preparation needs to be performed at the end of each fiscal year prior to the arrival of the auditors upon the commencement of the final audit. The Finance Dept has developed a check list that is being followed each month to insure that all postings are being recorded timely. In addition, this check list is being expanded to include timely postings from other system modules in order to help assure all transactions are being recorded timely. It is also anticipated that certain accounts will be assigned to individual staff accountants to reconcile and monitor on a regular basis in order to avoid incorrect postings and to allow for corrections in a timely manner. These schedules will help ensure that account balances are reconciled to the general ledger on a regular basis.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-04) Need for Improved Controls over Taxes and Grant Receivable Accruals

During our audit we found unrecorded receivables related to the Gas Tax, and AQMD funds, and unrecorded receivables relating to federally fund HUD, FAA and Department of Transportation grant programs. Adjustments were made to properly record the City's outstanding grant receivables and accrue 4th quarter gas tax revenue as of September 30, 2011.

The City receives grant funding from various agencies on a cost reimbursement basis. Under the terms of the grant funding agreements, the City incurs costs in advances and then requests reimbursement from granting agencies. Delays in communications and reconciliations between Finance and other City departments have caused grant eligible reimbursements to go unreported for extended periods of time.

Recommendation

We recommend that reimbursements be submitted to granting agencies on at least a quarterly basis in order to maximize the investment income of the City, reduce the cash flow impacts of delayed reimbursements, and to ensure that such reimbursements are fully collectible and prepared properly.

We also recommend that the City develop controls to properly track outstanding receivables and to follow-up with stale receivables in a timely manner. Known uncollectible receivables should also be completely written off from the City's general ledger.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes the need to improve our grants management methodology. We are in the process of compiling a master grants schedule to assist the City to track and monitor all grants. The master schedule will allow finance to follow up on timely reporting of expenditures and reimbursable expenses. This process will help ensure the city submits reimbursement requests on a regular and timely manner, and helps the City maximize available funding from other external funding sources.

(2011-05) Need for Reporting Investments at Market Value

During our testwork performed over the City's investment portfolio, we noted that the City records all of its investments throughout the year at cost. As part of the City's year end closing, no adjustments are made to record investments at the fair market value as of yearend, as required by the Generally Accepted Accounting Principles (GAAP). As of September 30, 2011, the difference between cost and fair market value for the City's investment portfolio was approximately \$104,240.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-05) Need for Reporting Investments at Market Value, (continued)

Recommendation

We recommend that on an annual basis, as part of the City's year end closing procedures, all of the City's investments be adjusted to market value.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes the need to adjust the City's investments to market value at least on an annual basis at year end. This step will be completed at year end moving forward in order to reflect the market value at the end of each fiscal year end.

(2011-06) Need for Update of Cost Allocation Plan

The City uses both a direct and indirect cost allocation plan to allocate overhead expenditures to different departments. In the past the City has updated this plan each year during the budget process to ensure that the overhead charges reflect current activity. During the 2011 fiscal year, the City was unable to provide a current allocation plan or methodology to support the indirect charges being charged to different City funds. Adjustments were recorded to eliminate these charges to restricted funds where proper support was not obtained.

The Information Technology & Communications fund is currently being used to account for internal services provided by the City and external services the City performs for electronic ticket processing for other local Agencies. These are two distinct operations and should be recorded for separately in the City's general ledger.

Recommendation

We recommend that the City update its cost allocation plan on an annual basis to ensure that expenses being charged to different departments are an accurate reflection of current activity.

Management's Response Regarding Corrective Action Taken or Planned

The City utilized a consultant to update the cost allocation plan which has been completed. This cost allocation plan will be implemented for fiscal year 2011-12.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-07) Need for Inventory of City Vehicles

Based on our review of controls in place to monitor City vehicles it was noted that the City owns approximately 500 vehicles currently in service. It was also noted that it had been several years since a full inventory of these vehicles had been taken and compared to the City's capital asset listing.

Recommendation

We recommend that the City maintain an inventory listing of all equipment purchased. In addition, we recommend that an inventory of the equipment be performed at a minimum of once every two years.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes the need to maintain a comprehensive capital asset inventory listing. The City's fleet maintenance division utilizes robust specialty software to inventory and maintain records on approximately 500 vehicles. The fleet management software system includes tools for assets, fuel, and parts management as well as a work order process for vehicle maintenance. The City's financial software, Eden, includes a module that provides management of the agencies assets, such as vehicles, buildings, and equipment, from acquisition through disposal. The Finance division plans to better integrate the information maintained on the vehicles in the fleet system with the Eden fixed asset module for FY2011/12. In addition, we plan to modify the existing setup in Eden to improve the year-end audit reporting for capital assets. One of the attributes currently not fully utilized in Eden is the identification of the funding sources. We plan to update this information for all assets currently in the Eden database and include for future acquisitions. The enhancements planned for the fixed asset module should result in a more efficient accounting and reporting of the Agencies capital assets.

(2011-08) Efforts Needed to Control Expenditures and Increase Revenues

The General Fund is typically the focal point in analyzing the financial health of the City because the General Fund is expected to be able to cover both its costs and to act as a financial backstop for other funds in the event of an insufficiency with respect to the other funds. During the fiscal year ended September 30, 2011, the City had a decrease in general fund balance of \$2,437,291.

City management needs to be make significant efforts to ensure that budgets generated for the 2012/2013 fiscal year are based on attainable expectations. Budgets should be established to control the level of General Fund expenditures to conform to its anticipated revenues and to provide for an increase in General Fund reserves.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-08) Efforts Needed to Control Expenditures and Increase Revenues, (continued)

Throughout the fiscal year, as expectations of revenue levels change, adjustments need to be made with respect to expenditures for the remainder of the year. The City should also make efforts to identify additional reoccurring revenue sources to support City operations.

Recommendation

We recommend that City management make the necessary efforts to control expenditures to ensure that expenditures do not exceed revenues for fiscal year 2012/2013. Procedures may need to be implemented to compare actual to budgeted estimates on a monthly basis. Management could then make the necessary decisions to react to anticipated revenue shortfalls or expenditure overages.

Management's Response Regarding Corrective Action Taken or Planned

The Finance staff have presented to City Council quarterly financial updates in the current fiscal year 2011-12 as a way to keep the City Council updated on the City's financial status, and to show how the City's revenues and expenditures have been tracking compared to the adopted budget. In addition, a five year forecast was completed and presented to the Mayor and City Council in the current fiscal year which provided a five year look back and five year projection based on current information. This forecast is being used as a planning and tool to help develop a more comprehensive view of revenues and expenses, allowing staff more time to plan and adapt to economic challenges, reduce expenditures wherever possible and to continue to look for new revenues for the City.

(2011-09) Need for Improved Controls over Journal Entries

During our audit, we identified instances where significant journal entries were required to be made to the general ledger and in many instances, the audit adjustments were a result of system generated journal entries automatically posted to the system without proper review and approval of the Finance Department. These system generated journal entries are reoccurring entries that are, in most cases, based on budgeted projections of costs which are not reconciled to actual programmatic expenditures or are not supported by a cost allocation plan.

Recommendation

We recommend that adjustments posted to the general ledger be reviewed by a knowledgeable individual. We also recommend that the City review all reoccurring adjustments that are currently being posted and determine the necessity of each reoccurring adjustment. Furthermore, we recommend that documentation be retained to support all reoccurring adjustments.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

Management's Response Regarding Corrective Action Taken or Planned

The City concurs with the recommendation and has recently instituted a new procedure and approval process related to journal entries. The Assistant Finance Director reviews all journal entries. The Assistant Finance Director approves journal entries for posting to the general ledger that total less than one million dollars. The Finance Director approves journal entries for posting to the general ledger that total more than one million dollars. The Accounting Manager completes the general ledger journal entry posting in the Eden Financial System. Additionally, a list of standard monthly journal entries is verified to ensure that all monthly activity is properly recorded. Also, monthly recurring journal entries are created at the beginning of the fiscal year based on budgeted revenue and/or expenditures approved by the Finance Director are posted to the general ledger by the Accounting Manager.

(2011-10) Need for Improved Controls over Year End Accounts Payable Accruals

During our testwork performed over year end accruals, we noted ten (10) disbursements totaling over \$2,456,165 that related to services performed during fiscal year 2011, but had been recorded in fiscal year 2012. An audit adjustment was posted to record these disbursements in the proper year.

Recommendation

We recommend that the Finance Department develop procedures to ensure that disbursements made close to the end of the fiscal year be closely reviewed, to ensure that all activity is recorded in the proper fiscal year.

Management's Response Regarding Corrective Action Taken or Planned

The management of the City's Finance Department recognizes the importance of implementing year end procedures that will address such deficiencies as this one. The Purchasing Manager, Accounting Manager and Accounts Payable Supervisor will be working in conjunction to resolve this finding. In the past, departments have been given up to three months after the fiscal year end to process invoices that pertained to that fiscal year. That time period was reduced to two months this year and only the Accounting Manager or Purchasing Manager (for open purchase orders) will have the authority to approve the year end invoices. This will insure that the expenses are recorded in the correct fiscal year.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-11) Need for Segregation of Restricted Grant Funding in the Same Fund

During the audit we noted a specific fund that is being used to account for multiple restricted revenue sources. Best practices dictate that restricted revenues from different funding sources or programs be recorded in separate funds or at a minimum department level detail to allow for proper monitoring and tracking of expenditures associated with the restricted nature of the funds or programs.

Recommendation

We recommend that the City review the different sources of restricted revenue and expenditures being recorded in this fund and create new funds to record different activities as considered necessary.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes the importance of properly tracking different sources of restricted revenue and their related expenditures and agrees with this recommendation. Staff planning and execution of this task will occur before the close of the FY 2011/12.

(2011-12) Need for City to Adhere to Internal Policies when Accruing Vacation Liabilities

During testwork performed over the City's accrual of employee compensated absences, we obtained a copy of each of the MOU's that the City was operating under during fiscal year ended September 30, 2011. Upon further review of these documents it was noted that in one portion the MOU stated that an employee was only able to accrue a maximum of one-hundred and sixty (160) hours of vacation time, whereas another section of the same MOU states that an employee can trade in eight hundred (800) hours of accrued vacation time for post employment benefits.

Recommendation

We recommend the City account for these liabilities within the City's existing policy or amend the policy to agree with historical practice.

Management's Response Regarding Corrective Action Taken or Planned

The City is aware of this issue and will be addressing the matter with the Six (6) Bargaining groups during the next negotiation sessions, when the MOU's come up for renewal. This will occur at the end of FY2012. This has been an ongoing practice for several years as it was a negotiated benefit with all the bargaining groups, however, the language in the MOU's were not properly updated. Finally, the City is accounting for the accrued Sick and Vacation hours in separate balance sheet accounts. A resolution should be forth coming, once the new MOU's are drafted and approved by the bargaining groups.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-13) Need for Improvement in Employee Personnel File Records

During our review of employee personnel files we noted that certain files have not been maintained and did not agree with current pay rates. Based on discussion with City personnel we found that Personnel Action Forms (PAF) are not currently being prepared for step-up pay increases that are approved within the MOU's. In order to determine that current pay rates are accurate, we performed tests to recalculate the step-up rates for sampled employees and found that the current pay rates of tested employees were consistent with the MOU's. However, PAFs to support these step-up increases were not being maintained in the personnel files.

Recommendation

We recommend that all employee personnel changes be properly documented in personnel files in a timely manner.

Management's Response Regarding Corrective Action Taken or Planned

Finance confirmed with the Human Resources Department that Personnel Action Status Forms are created every time an employee receives an automatic annual pay increase. It was also confirmed that these forms have been completed, however, they may not have been in the employee's personnel file at the time the employee record was being tested/verified by the auditors. In the past, and as early as last year, the auditor performing the testing in the HR department, asked the HR Specialist if he could help locate the missing files. The HR Specialist would provide the missing document as had not yet been filed. This did not occur this time, which is why the auditor was not able to verify the changes to employee records. The City is aware of maintaining employee files up to date and is working very diligently to do so, however, employee lay offs, workforce reductions and weekly furloughs in the past few months has delayed the completion of some of the day to day duties

(2011-14) Need for Review of Subsidiary Ledgers in Eden Accounting Software

During our testwork performed over utility billing accounts receivable and deposits payable we found that the accounting system's subsidiary ledgers were not being maintained to support the amounts reported in the general ledger. By maintaining subsidiary ledgers, documentation could be increased to indicate the payee, and the date due, to allow for enhanced controls over outstanding receivables and payables. It was also noted that the subsidiary ledger was not able to produce an accurate accounts receivable aging report that agreed to the general ledger.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-14) Need for Review of Subsidiary Ledgers in Eden Accounting Software, (continued)

Recommendation

We recommend that the City reconcile the amounts recorded in subsidiary ledgers to the amounts recorded in the general ledger to ensure that the amounts are in agreement.

Management's Response Regarding Corrective Action Taken or Planned

The City acknowledges the issues relating to the Utility Billing subsidiary ledger and the general ledger. The issues stem from the conversion of the previous non-integrated software system to the Eden Utility Billing module. At that time, staff inadvertently failed to adjust the general ledger balances to reflect the conversion balances. The Eden UB module directly interfaces with the general ledger and is in-sync at all times. After staff adjusts the beginning conversion balances on the general ledger, this issue will not reoccur in the future.

Staff will plan to review all subsidiary modules during the current fiscal year and will plan to create procedures for the reconciliation of the subsidiary modules at month-end and year-end close. However, due to staff shortages and a lack of financial resources at this time, this task will be addressed as available staff time will allow.

(2011-15) Need for Improved Controls over Following City Purchasing Policy

During our testwork performed over the City's compliance with its purchasing policy we found one (1) instance where the City was operating under an expired contract and one (1) credit card bill that was paid without any supporting documentation or support.

Recommendation

We recommend that the City develop controls to ensure that for all purchases the City comply with their purchasing policy.

Management's Response Regarding Corrective Action Taken or Planned

The City is aware of the importance of following the approved purchasing policy. The instance noted where the City had been operating under an expired contract, that operation has been terminated. The other instance noted was an "emergency situation" where the services performed caused the vendor contract to exceed the original contract amount as the vendor was asked to step in to perform services (janitorial) for facilities not originally assigned to them, after another vendor assigned to those facilities went out of business, and failed to show up. The work performed by the current vendor was for a short period of time to enable the City to prepare and send out the contract for bid. The excess billing over the contract amount was processed for payment after review by the City Council in closed session.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-16) Need for Improved Capital Asset Records

During our testwork over the City's capital asset records for the year ended September 30, 2011, the following discrepancies were noted the City's schedule to track accumulated depreciation contained several errors within the formulas that included over depreciating City assets.

Recommendation

We recommend that the Finance Department enhance controls over capital asset recordkeeping and review all capital outlay expenditures each year to determine if any of the projects should be capitalized.

Management's Response Regarding Corrective Action Taken or Planned

The City acknowledges the need for better maintenance and reporting of capital assets. Due to staff turnover and budget constraints, the timely maintenance of the fixed asset module has suffered. The Finance division plans to integrate information maintained in the fleet management system to enhance the information currently residing in the fixed asset module. In addition, we plan to modify the existing setup for Eden to improve the year end audit reporting for capital assets. We recently re-assigned staff to improve the accuracy and timely maintenance of the Eden module, which should result in achieving our overall reporting goals.

(2011-17) Need to Maximize Investment Return on Bond Proceeds

During our testwork performed over the City's bond proceeds we found that as of September 30, 2011, the City had invested \$91,832,286 of bond proceeds in a depository account with U.S. Bank that earned \$64,587 of total interest income during fiscal year 2011.

The City should ensure the trustee of these funds is properly investing the monies to not only protect the funds from market volatility, but also generate an appropriate rate of return.

Recommendation

We recommend that the investment options available for unspent bond proceeds be reviewed on a regular basis to ensure that the City is maximizing the amount of investment income earned.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-17) Need to Maximize Investment Return on Bond Proceeds, (continued)

Management's Response Regarding Corrective Action Taken or Planned

The investment referenced in the first paragraph above was under a Depository Agreement with US Bank where the bank was acting as a depository rather than under a trustee arrangement as mentioned in the second paragraph above. The bank was investing the funds in accordance with paragraph 3 of the Depository Agreement dated December 14, 2007. Additionally, the funds are being invested in accordance with the definition of "Authorized Investments" under the related bond documents.

On an ongoing basis the City reviews its Investment Policy for the primary government and its component units. In accordance therewith; safety of principal is the top priority which was especially important during the recent period of great financial concern. The second priority is liquidity and having the funds available to meet disbursement requirements. In our investment policies yield is considered only after the basic requirements of safety and liquidity have been met. On a forward going basis yield will be considered after the first two priorities previously mentioned have been met and the various investment alternatives as included in the definition of "Authorized Investments" under the bond documents will be considered for the investment of the related bond proceeds mentioned in the item above.

(2011-18) Need for Review of Employee Pay Advances

During the fiscal year ended September 30, 2011 the City recorded as a liability \$805,981, which represents the amount of money already withheld from employees in prior years. This adjustment was done as a result from communication with Management concerning the potential liability that the City may have to former employees.

Recommendation

We recommend that City take the necessary procedures to determine if repayment of amounts already withheld as part of the employee pay advance program is necessary.

Management's Response Regarding Corrective Action Taken or Planned

The City has already setup a reserve on the books and is anticipating a thorough and complete follow up in order to have a final resolution and settle this issue in the current fiscal year.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2011-19) Need for Increased Controls over Budgetary Measures

During our audit we found that there were several individual accounts where the City had recorded a revenue/expenditure where there had been no budgeted amounts. It was also noted that there were accounts with a budgeted amount recorded but no actual revenue/expenditures. In addition, the City only budgeted annual debt service payments in one out of eight debt service funds, which resulted in \$14.7 million of unbudgeted expenditures in fiscal year 2011.

Recommendation

We recommend that the City's budget be prepared on the same detailed level as revenue and expenditures are accounted for in the general ledger, to ensure that the City can perform accurate reviews of budget to actual amounts incurred.

Management's Response Regarding Corrective Action Taken or Planned

Staff will look further into the budget control process and procedures and work to include the same level of details in the budget for revenues and expenditures to ensure the City can perform more accurate reviews of budget to actual variances and analysis.

(2011-20) Investment Income Allocation

During our review over the City's procedures for allocating investment income we noted the current practice is to allocate investment income on a quarterly basis to City funds based on average cash and investment balances during that period. During our audit it was noted the City completed their 4th quarter investment income allocation prior to material journal entries being posted to cash and investment accounts. This resulted in audit adjustments to reallocate investment income between certain funds, based on the adjusted average cash and investment balances.

Recommendation

We recommend that the City post all adjusting entries to cash and investments, prior to posting the quarterly investment income allocation to ensure the appropriate amounts are being allocated between the funds.

Management's Response Regarding Corrective Action Taken or Planned

The City is very conscience of the importance of posting material transactions affecting the cash and investment accounts, especially at year end, so that interest can be distributed accurately and on time. We are now recording interest on a monthly basis and will post the final interest allocation for the fiscal year more timely at fiscal year end. In the past, the City was waiting up to three months after the fiscal year ended to post transactions that affected cash. This fiscal year, that time period was reduced to two months. This will help reduce the number of transactions that are posted late and not included in the monthly average cash balance.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

(2011-21) Schedule of Expenditures of Federal Awards Preparation - General

Pursuant to OMB Circular A-133, Subpart C, Section .300 (a) and (d), the City has the responsibility to:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310.

For the fiscal year ended September 30, 2011, the City did not provide a SEFA as required by OMB Circular A-133. Based on inquiries of staff and our review of the general ledger, we were able to compile the necessary information for inclusion in the SEFA for the fiscal year ended September 30, 2011.

Recommendation

We recommend the City develop, document, and implement policies and procedures to ensure the SEFA is prepared accurately and completely in accordance with OMB Circular No. A-133 Subpart C §___.300 (a) and (d).

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes the need to develop, document and implement policies and procedures to ensure the SEFA is prepared accurately and completed in accordance with OMB Circular No. A-133. The City's staffing levels have been reduced to help close the budget deficit, however greater efforts to complete this report accurately and more timely by staff are being made.

(2011-22) Highway Planning and Construction – Timely Request of Reimbursement

Federal Agency: Department of Transportation

CFDA No.: 20.205

Federal Program Income: Highway Planning and Construction

Federal Award Program No.: 07-5164R

Federal Award Year: 2009

Control Category: Reporting

Questioned Costs: \$0

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

(2011-22) Highway Planning and Construction – Timely Request of Reimbursement, (continued)

During the fiscal year ended September 30, 2011 the City incurred reimbursable expenditures in the amount of \$658,720 for three (3) different federal projects. As of February 2012 the City had yet to submit reimbursement claims to Caltrans in the amount of \$154,032 on these projects. In December 2011 the City submitted a reimbursement to Caltrans in the amount of \$814,034 for project expenditures on a project that was completed in March 2011. Prompt reimbursement requests help ensure billing for all applicable costs, the proper recording of grants receivable/revenue and maximized investment earnings on the reimbursement.

Recommendation

We recommend that reimbursements be submitted to granting agencies on at least a quarterly basis in order to achieve the results discussed above.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes the need to submit reimbursement requests to granting agencies on a timely basis. The Finance and Public Works departments have addressed this issue and have already initiated regular meetings to discuss and review these costs so that the required reports are submitted on a timely basis.

(2011-23) Section 8 Vouchers Program – Administration of Tenant Files

Federal Agency: Department of Housing and Urban Development
CFDA No.: 14.871
Federal Program Income: Section 8 Housing Choice Vouchers
Federal Award Program No.: CA082VO
Federal Award Year: 2011
Control Category: Eligibility
Questioned Costs: \$0

We reviewed sixty (60) of the Section 8 Vouchers Program tenant files to test compliance with various HUD regulation. During our testing we noted one (1) instance where the privacy act notice was not signed by the tenant and one (1) instance where the City did not calculate the utility allowance correctly.

Recommendation

We recommend that the City improve their controls over maintenance of the Housing Voucher Program files to ensure compliance with applicable HUD regulations.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

(2011-23) Section 8 Housing Choice Vouchers Program – Administration of Tenant Files, (continued)

Management’s Response Regarding Corrective Action Taken or Planned

The City recognizes the need to have good controls and procedures in place and to maintain proper documentation to verify and support financial calculations. We will continue to work to improve our controls over the maintenance of the Housing Voucher Program files to help ensure the information provided is accurate and properly documented in accordance with HUD regulations. Management reviews up to 10% of tenant files each month as part of our quality control in this area of concern and will continue to strive for excellence in the maintenance of files for our clients.

(2011-24) Community Development Block Grants/Entitlement Grants - Reporting

Federal Agency: Department of Housing and Urban Development

CFDA No.: 14.218

Federal Program Income: Community Development Block Grants/Entitlement Grants

Federal Award Program No.: B-10-MC-06-0520

Federal Award Year: 2011

Control Category: Reporting

Questioned Costs: \$0

During our testwork performed over the City’s compliance with reporting requirements related to the Community Development Block Grant (CDBG), we found that for the fiscal year ended September 30, 2011, the City had not been submitting the form SF-425 report. This report is required to be submitted by the City to the Department of Housing and Urban Development.

Recommendation

We recommend that the City improve their controls to ensure that all grant reporting requirements are complied with.

Management’s Response Regarding Corrective Action Taken or Planned

The City acknowledges this finding and the submission of all past due SF-425 reports are being processed and submitted. It is anticipated that all outstanding SF-425 reports will be submitted in the current year.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

(2011-25) FAA Program Reporting & Accounting

Federal Agency: Department of Transportation
CFDA No.: 20.106
Federal Program Income: Airport Improvement Program
Federal Award Program No.: 3-06-0139-38, 3-06-0139-59, 3-06-0139-60
Federal Award Year: 2011
Control Category: Reporting
Questioned Costs: \$0

Testwork performed over fiscal year ended September 30, 2011 expenditure accruals identified six (6) payments totaling over \$1 million that related to Residential Sound Insulation (RSI) program payments that were incurred in fiscal year 2011, but paid in fiscal year 2012.

These expenses were not accrued for payment by the City as of September 30, 2011 and were also not included in the year end RSI status reports submitted to FAA. Audit adjustments were posted to accrue these invoices for payment as of September 30, 2011.

Recommendation

We recommend the City develop controls to ensure that grant disbursements are recorded in the proper accounting period and that required status reports include information pertaining to all expenditures incurred during the reporting period.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes the need to improve the controls as the Finance and Residential Sound Insulation departments have been actively working together to tighten all process and procedures from disbursements, accounting and final grant reporting.

(2011-26) CDBG – Program Income Loan Repayments

Federal Agency: Department of Housing and Urban Development
CFDA No.: 14.218
Federal Program Income: Community Development Block Grants/Entitlement Grants
Federal Award Program No.: B-10-MC-06-0520
Federal Award Year: 2011
Control Category: Program Income
Questioned Costs: \$0

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

(2011-26) CDBG – Program Income Loan Repayments, (continued)

During the fiscal year ended September 30, 2011, the City recorded program income totaling \$13,500 for the CDBG program. This program income was received for an individual loan repayment from the First Time Home Buyer Loan Program. Upon further testwork, it was noted that this repayment was not used to reduce the outstanding receivable balance for the First Time Home Buyer Loan Program in the City's records. This was corrected through an audit adjustment.

Recommendation

We recommend that the City develop and implement a tracking system to properly monitor the accuracy of the outstanding loan portfolio and payments of the loan balances for the First Time Homebuyers loan program to prevent a loss in revenue to the City. The City should ensure that all outstanding loans be titled to the City as beneficiary and trustee. We also recommend that the City properly monitor its contracts with all outside contracted entities to prevent possible defalcation, abuse or fraud in the accounting for these loans and to perform all of their fiduciary duties under the terms of the grant agreements, OMB requirements and City internal control policies and procedures.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes the importance of recording program income on a timely basis for these First Time Home Buyer Loans and has taken steps to correct the issue. The accountant over the program has created a schedule of all outstanding loans that ties to the accounts receivable balance in the general ledger and will be monitoring the cash receipts regularly, so they are recorded when received. Each accountant is creating a monthly check list of items to be recorded on a daily and monthly basis. This task has been placed on the list, so the it can be monitored on a monthly basis.

(2011-27) Neighborhood Stabilization Program - Reporting

Federal Agency: Department of Housing and Urban Development

CFDA No.: 14.228

Federal Program Income: Neighborhood Stabilization Program

Federal Award Program No.: 90-NSP1-6424

Federal Award Year: 2011

Control Category: Reporting

Questioned Costs: \$0

During our testwork performed over the City's compliance with reporting requirements related to the Neighborhood Stabilization Program (NSP), we found that one of the four Quarterly Performance and Expenditure Reports was not submitted timely.

CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

(2011-27) Neighborhood Stabilization Program – Reporting, (continued)

Recommendation

We recommend that the City improve their controls to ensure that all grant reporting requirements are complied with.

Management's Response Regarding Corrective Action Taken or Planned

Internal Controls have been established to ensure that the final Performance and Expenditure Report will be submitted to identify the beneficiaries of the four homes acquired and sold under the Neighborhood Stabilization Program.

CITY OF INGLEWOOD

Summary Schedule of Prior Audit Findings

For the Fiscal Year ended September 30, 2011

The following is the status of prior audit findings for the year ended September 30, 2010:

(2010-01) Need for Enhanced Controls Over Citywide Cash and Investment Reconciliation

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-01.

(2010-02) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-02.

(2010-03) Adjustments Detected Through the Audit Process

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-03.

(2010-04) Need for Improved Controls over Taxes and Grant Receivable Accruals

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-04.

(2010-05) Need to Develop Written Policies and Procedures for Information Technology

Resolved

(2010-06) Need for Need to Establish Formal Ethics Policy and Anti-Fraud Policy

Resolved

(2010-07) Need for Update of Cost Allocation Plan

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-06.

(2010-08) Need for Inventory of City Vehicles

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-07.

(2010-09) Need for Formal Documentation and Approval of Long-term Interfund Borrowing

Resolved

CITY OF INGLEWOOD

Summary Schedule of Prior Audit Findings

(Continued)

(2010-10) Efforts Needed to Control Expenditures and Increase Revenues

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-08.

(2010-11) Need for Review of Employee Pay Advances

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-18.

(2010-12) Need for Improved Controls over Journal Entries

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-09.

(2010-13) Need for Improved Controls over Year End Accounts Payable Accruals

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-10.

(2010-14) Need for Segregation of Restricted Grant Funding in the Same Fund

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-11.

(2010-15) Need for Increased Controls over Budgetary Measures

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-19.

(2010-16) Need for City to Adhere to Internal Policies when Accruing Vacation Liabilities

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-12.

(2010-17) Need for Improvement in Employee Personnel File Records

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-13.

(2010-18) Need for Review of Subsidiary Ledgers in Eden Accounting Software

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-14.

(2010-19) Need for Improved Controls over Following City Purchasing Policy

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-15.

CITY OF INGLEWOOD

Summary Schedule of Prior Audit Findings

(Continued)

(2010-20) Need to Maximize Investment Return on Bond Proceeds

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-17.

(2010-21) Debt Compliance Reporting Findings

Resolved

(2010-22) Need for Improved Capital Asset Records

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-16.

(2010-23) Need for Formalized Review of Utility Rate Allowances for Section 8 Vouchers Program

Resolved

(2010-24) Highway Planning and Construction – Timely Request of Reimbursement

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-22.

(2010-25) Homelessness Prevention and Rapid Re-Housing – Reporting

Resolved

(2010-26) Home Investment Partnership Program – Program Income Loan Repayments

Resolved

(2010-27) Section 8 Vouchers Program – Administration of Tenant Files

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-23.

(2010-28) Community Development Block Grant - Reporting

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2011-24.

(2010-29) Community Development Block Grant - R - Reporting

Resolved