

# City of Glendale, California

Compliance Report  
Year Ended June 30, 2008

**McGladrey & Pullen**  
Certified Public Accountants

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an affiliation of separate and independent legal entities.

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City of Glendale

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

| Federal Grantor/Pass-through Grantor Program or Cluster Title                         | Federal CFDA Number | Pass-through Entity Identifying Number/ Grant Number | Federal Expenditures |
|---|---------------------|--|----------------------|
| <b>U.S. Department of Agriculture</b>   |                     |  |                      |
| Pass-through Los Angeles County Department of Community and Senior Citizens Services: |                     |  |                      |
| Food Distribution Program   | 10.570              | CK42141  | \$ 26,905            |
| <b>Total U.S. Department of Agriculture</b>   |                     |  | <u>26,905</u>        |
| <b>U.S. Department of Housing and Urban Development</b>                               |                     |  |                      |
| Direct Programs:  |                     |  |                      |
| Community Development Block Grant Entitlement Program                                 | 14.218*             | B-06-MC-06-0518                                      | <u>2,595,823</u>     |
| Emergency Shelter Grants Program  | 14.231              | S-06-MC-06-0518                                      | <u>138,793</u>       |
| Supportive Housing Program-WCC Assistance for Families                                | 14.235*             | CA16B112-006   | 11,649               |
| Supportive Housing Program-Project Achieve Supportive Housing                         | 14.235*             | CA16B212-001   | (1,882)              |
| 2004 SHP Renewal-IURD Scatter   | 14.235*             | CA16B512-004   | 46,248               |
| 2005 SHP Renewal-Hamilton Court   | 14.235*             | CA16B512-005   | 121,497              |
| Supportive Housing Program-Project Achieve Supportive Housing                         | 14.235*             | CA16B512-002   | 117,572              |
| Supportive Housing Program-HMIS   | 14.235*             | CA16B412-003   | 25,374               |
| 2003 Funded SHP PATH ACHIEVE  | 14.235*             | CA16B312-001   | 156,813              |
| 2005 S+C Chronic Homeless Prog  | 14.235*             | CA16B512-001   | 22,782               |
| 2004 SHP Renewal-Scatter Site   | 14.235*             | CA16B612-006   | 132,382              |
| 2005 SHP Renewal-Hamilton Court   | 14.235*             | CA16B612-009   | 97,803               |
| 2005 SHP Renewal-Freedom House  | 14.235*             | CA16B612-004   | 144,381              |
| 2005 SHP Renewal SSO PATH ACH   | 14.235*             | CA16B612-005   | 412,136              |
| 2005 SHP Renewal-HMIS   | 14.235*             | CA16B612-003   | 65,311               |
| SHP New Horizon Family Care Center  | 14.235*             | CA16B612-008   | 13,705               |
| 2006 SHP renewal project-Next Step  | 14.235*             | CA16B612-002   | 120,911              |
| 2007 SHP renewal project-Freedom House  | 14.235*             | CA16B712-008   | 26,103               |
| SHP renewal project-PATH Ventures   | 14.235*             | CA16B712-002   | 23,594               |
| <b>Subtotal</b>   |                     |  | <u>1,536,379</u>     |
| Special Needs Assistance-1998 Shelter Plus Care Grant                                 | 14.238              | CA16C812-001   | 106,703              |
| Special Needs Assistance-1999 Shelter Plus Care Grant                                 | 14.238              | CA16C912-001   | 59,180               |
| Special Needs Assistance-2001 Shelter Plus Care Grant                                 | 14.238              | CA16C112-001   | 112,210              |
| Special Needs Assistance-1999 Renewal Shelter Plus Care Grant                         | 14.238              | CA16C712-012   | 15,069               |
| Special Needs Assistance-1998 Renewal Shelter Plus Care Grant                         | 14.238              | CA16C712-011   | 30,666               |
| <b>Subtotal</b>   |                     |  | <u>323,828</u>       |
| Home Investment Partnership Act   | 14.239              | M-06-MC-06-0512                                      | <u>1,240,018</u>     |
| Section 8-Housing Assistance-Voucher Program  | 14.871              | CA114V   | <u>13,507,551</u>    |
| <b>Total U.S. Department of Housing and Urban Development</b>                         |                     |  | <u>19,342,392</u>    |
| <b>U.S. Department of Justice:</b>  |                     |  |                      |
| Direct Programs:  |                     |  |                      |
| Interagency Communications Interoperability System                                    | 16.710              | 2005CKWX0334   | 89,224               |
| 2005 Justice Assistance Grant   | 16.738              | 2007-DJ-BX-0001                                      | 57,408               |
| 2006 Justice Assistance Grant   | 16.738              | 2007-DJ-BX-0863                                      | 17,444               |
| 2007 Justice Assistance Grant   | 16.738              | 2007-DJ-BX-0105                                      | 34,868               |
| Anti-Gang Initiative Grant  | 16.744              | 200700107  | 43,750               |
| <b>Total U.S. Department of Justice</b>   |                     |  | <u>242,694</u>       |

City of Glendale

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

| Federal Grantor/Pass-through Grantor Program or Cluster Title                         | Federal CFDA Number | Pass-through Entity Identifying Number/ Grant Number | Federal Expenditures |
|---|---------------------|--|----------------------|
| <b>U.S. Department of Labor:</b>  |                     |  |                      |
| Pass-through State of California Employment Development Department:                   |                     |  |                      |
| Workforce Investment Act Cluster  |                     |  |                      |
| Nurses Training Program   | 17.258*             | R692515  | \$ 397,711           |
| WIA Adult 2007-2008   | 17.258*             | R760363  | 25,890               |
| WIA Adult 2008-2009   | 17.258*             | R865499  | 553,067              |
| WIA Youth 2007-2008   | 17.259*             | R760363  | 303,523              |
| WIA Youth 2008-2009   | 17.259*             | R865499  | 292,539              |
| WIA Youth 2009-2010   | 17.259*             | R970576  | 30,312               |
| WIA Dislocated Worker 2007-2008   | 17.260*             | R760363  | 2,101                |
| WIA Dislocated Worker 2008-2009   | 17.260*             | R865499  | 518,553              |
| WIA Disney Dislocated Worker 2006-2007  | 17.260*             | R760363  | 109,165              |
| Rapid Response Layoff Aversion  | 17.260*             | R760363  | 150,000              |
| WIA Rapid Response 2008   | 17.260*             | R865499  | 426,174              |
| WIA Financial Svcs Wkrs WMC 2008  | 17.260*             | R970576  | 150,000              |
| WIA Interstate Bakery D/W 2008-2009   | 17.260*             | R970576  | 115,120              |
| <b>Total Workforce Investment Act Cluster</b>   |                     |  | <u>3,074,155</u>     |
| 15% Pilot Spec (Incentive Award) 7/2005-3/2008  | 17.267              | R692515  | 1,324                |
| 15% Pilot Spec (Incentive Award) 7/2006-6/2008  | 17.267              | R760363  | 5,401                |
| 15% Pilot Spec (Incentive Award) 1/2008-12/2008                                       | 17.267              | R865499  | 3,000                |
| <b>Subtotal</b>   |                     |  | <u>9,725</u>         |
| <b>Total U.S. Department of Labor</b>   |                     |  | <u>3,083,880</u>     |
| <b>U.S. Department of Transportation</b>  |                     |  |                      |
| Pass-through State Department of Transportation:                                      |                     |  |                      |
| Highway Planning and Construction Cluster   |                     |  |                      |
| SR134 & San Fernando Phase II   | 20.205              | RPSTPL-5144(028)                                     | 63,103               |
| Wilson Avenue-Kenwood St Traffic Light Installation                                   | 20.205              | STPLH-5144(039)                                      | 188,100              |
| Senior Citizen Education Program  | 20.600              | 2700-101-0890(38/05)                                 | 5,200                |
| <b>Total U.S. Department of Transportation</b>  |                     |  | <u>256,403</u>       |
| <b>Institute of Museum and Library Services</b>                                       |                     |  |                      |
| Pass-through California State Library:  |                     |  |                      |
| English Literacy-WIA  | 45.310              | 84002022   | 87                   |
| Public Library Staff Education Program  | 45.310              | 40-6622  | 6,508                |
| English Literacy and Civics Grant   | 45.310              | 0745082382   | 59                   |
| <b>Total Institute of Museum and Library Services</b>                                 |                     |  | <u>6,654</u>         |
| <b>Environmental Protection Agency</b>  |                     |  |                      |
| Direct Programs:  |                     |  |                      |
| Chromium 6 Removal Studies Phase II   | 66.606              | X-97947901   | 1,751                |
| Chromium 6 Removal Studies III S&T  | 66.606              | X-96916501   | 107,040              |
| Chromium 6 Removal Studies III STAG   | 66.202              | XP-96990301  | 251,461              |
| <b>Total Environmental Protection Agency</b>  |                     |  | <u>360,252</u>       |
| <b>U.S. Department of Health and Human Services</b>                                   |                     |  |                      |
| Pass-through Los Angeles County Department of Community and Senior Citizens Services: |                     |  |                      |
| Aging Cluster   |                     |  |                      |
| Special Programs for the Aging-Title VII  | 93.042              | CK42350  | 70,769               |
| Special Programs for the Aging-Title III, Part B                                      | 93.044              | CK42141  | 906                  |
| Special Programs for the Aging-Title III, Part C                                      | 93.045              | CK42141  | 191,436              |
| <b>Total Aging Cluster</b>  |                     |  | <u>263,111</u>       |
| <b>Total U.S. Department of Health and Human Services</b>                             |                     |  | <u>263,111</u>       |

City of Glendale

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

| Federal Grantor/Pass-through Grantor Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number/ Grant Number | Federal Expenditures |
|---|---------------------|--|----------------------|
| <b>Social Security Administration</b>                         |                     |  |                      |
| Direct Programs:  |                     |  |                      |
| Social Security Administration 6/2007-3/2008                  | 96.008              | 14-W-50006-9-02                                      | \$ 71,377            |
| Social Security Administration 4/2008-3/2009                  | 96.008              | 14-W-50006-9-02                                      | 8,115                |
| <b>Total Social Security Administration</b>                   |                     |  | <u>79,492</u>        |
| <b>Department of Homeland Security:</b>                       |                     |  |                      |
| Pass-through Governor's Office of Emergency Services:         |                     |  |                      |
| FY 2007 Homeland Security Grant                               | 97.004*             | 2007-006   | 17,752               |
| <b>Subtotal</b>   |                     |  | <u>17,752</u>        |
| Pass-through State Office of Homeland Security:               |                     |  |                      |
| FY 2005 State Homeland Security Grant                         | 97.004*             | 2005-15  | -                    |
| FY 2005 State Homeland Security Grant Part 2                  | 97.004*             | 2005-15  | 21,417               |
| FY 2006 State Homeland Security Grant                         | 97.004*             | 2006-0071  | 371,690              |
| FY 2003 Part 2 State Homeland Security Grant                  | 97.004*             | 2003-35  | 6,878                |
| <b>Subtotal</b>   |                     |  | <u>399,985</u>       |
| Pass-through Governor's Office of Emergency Services:         |                     |  |                      |
| Public Assistance Grants (January 2005 Rainstorm)             | 97.036              | OES ID #037-30000                                    | 40,720               |
| Public Assistance Grants (February 2005 Rainstorm)            | 97.036              | OES ID #037-30000                                    | 8,294                |
| <b>Subtotal</b>   |                     |  | <u>49,014</u>        |
| Pass-through Los Angeles County:                              |                     |  |                      |
| Metropolitan Medical Response System                          | 97.071              | 2004-0045, 2003-0023<br>2005-0015                    | 29,443               |
| FY 2005 Metropolitan Medical Response System                  | 97.067*             | 2003-0023  | 127,229              |
| <b>Subtotal</b>   |                     |  | <u>156,672</u>       |
| Pass-through City of Los Angeles:                             |                     |  |                      |
| FY 2005 Urban Area Security Initiative                        | 97.008              | 2004-14  | 61,927               |
| FY 2006 Urban Area Security Initiative                        | 97.067*             | 2005-15  | 678,207              |
| <b>Subtotal</b>   |                     |  | <u>740,134</u>       |
| <b>Total Department of Homeland Security</b>                  |                     |  | <u>1,363,557</u>     |
| <b>Total Expenditures of Federal Awards</b>                   |                     |  | <u>\$ 25,025,340</u> |

CFDA--Catalog of Federal Domestic Assistance

\* Denotes major program

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards

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**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the City of Glendale (City). The Schedule includes federal awards received directly from federal agencies, as well as federal awards passed through other agencies. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position of the City.

The accompanying Schedule is presented on the modified-accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Section 108 Loans**

The City has one Section 108 loan outstanding at June 30, 2008. The City has pledged current and future Community Development Block Grant (CDBG) funds as principal security for the loan. The original loan is \$1,800,000 and remaining principal amounts range from \$200,000 to \$240,000 from fiscal year 2009 to 2012. The Section 108 loan payment is budgeted as a CDBG project each year based on the payment schedule. Principal and interest payments on the loan totaled \$232,000 for the year ended June 30, 2008. As of June 30, 2008, \$1,100,000 of the loan balance is outstanding.

**Note 3. Workforce Investment Act**

The City, along with the cities of Burbank and La Cañada Flintridge, established a joint powers agreement in August 23, 2005, named the Verdugo Consortium (Consortium) for the purpose of receiving a Workforce Investment Act (WIA) allocation and administering the WIA program as a single participating jurisdiction. This agreement designates the Arroyo Verdugo Cities Steering Committee, which consists of one elected official from each of the three cities, to appoint Verdugo Workforce Investment Board members. The City, the Consortium's lead entity, has assumed the overall responsibility for ensuring that the Consortium is compliant with all WIA program requirements, including the receipt, disbursement and accounting of all WIA program and matching funds.

**Note 4. Subrecipients**

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

| Program Title Provided            | Federal<br>CFDA<br>Number | Amount     |
|-----------------------------------|---------------------------|------------|
| Community Development Block Grant | 14.218                    | \$ 711,384 |
| Emergency Services Grant          | 14.231                    | 138,793    |
| Supportive Housing Program        | 14.235                    | 1,379,740  |
| Workforce Investment Act Cluster  | 17.259                    | 488,236    |

# McGladrey & Pullen

Certified Public Accountants

## **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***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Glendale (City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon, dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We noted certain matters that are reported to management of the City in a separate letter dated November 26, 2008.

This report is intended solely for the information and use of the mayor, 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 those specified parties.

*McGladrey & Pullen, LLP*

Pasadena, California  
November 26, 2008

## **Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards**

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

### **Compliance**

We have audited the compliance of the City of Glendale (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### **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 opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon, dated November 26, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the mayor, 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 those specified parties.

*McGladrey & Pullen, LLP*

Pasadena, California  
November 26, 2008

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

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I. Summary of Independent 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 that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None Reported

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

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

Identification of major programs:

| CFDA Number(s)       | Name of Federal Program or Cluster                    |
|----------------------|---|
| 14.218               | Community Development Block Grant Entitlement Program |
| 14.235               | Supportive Housing Program                            |
| 17.258/17.259/17.260 | Workforce Investment Act Cluster                      |
| 97.004/97.067        | Homeland Security Cluster                             |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,760

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

City of Glendale

Schedule of Findings and Questioned Costs, Continued  
Year Ended June 30, 2008

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**II. Financial Statement Findings**

**A. Significant Deficiencies**

None reported.

**B. Compliance Findings**

None reported.

**III. Findings and Questioned Costs for Federal Awards**

**A. Significant Deficiencies**

None reported.

**B. Compliance Findings**

None reported.

**City of Glendale**

**Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2008**

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The prior year findings shown below were directly obtained from the June 30, 2007 Single Audit Report as prepared by the predecessor auditors.

**I. Financial Statement Findings**

**# 2007-01 Nonrecurring Journal Entries**

**Criteria or Specific Requirement:**

The City should maintain and monitor policies and procedures to ensure that general ledger accounts reflect proper and complete activity consistent with their basis of accounting.

**Condition:**

As a result of our audit of the City's year-end revenue accruals, we noted that several accounts included accruals recorded twice, thus overstating revenue. In addition we noted that a sample of year-end closing entries did not have the appropriate level of review and approval documented.

**Context:**

The condition was noted during our testing of the City's receivable balances.

**Effect:**

As a result of the above, the City was required to post material adjustments to balance sheet and revenue accounts in order to conform with generally accepted accounting principles.

**Recommendation:**

We recommend that the City implement effective controls to ensure year-end adjusting entries are properly reviewed and approved prior to posting to the general ledger. We also suggest that the City utilize a log to track each post post-close adjustment to prevent the double booking of year-end adjustments. Lastly, account analysis should be performed or documented to demonstrate the reasonableness of adjusted accounts to ensure accuracy and completeness for financial statement presentation.

Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2008

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**I. Financial Statement Findings, Continued**

**Views of Responsible Officials and Planned Corrective Action:**

The City currently has a procedure for year-end adjusting entries. The planning process starts in May of each year. Finance management reviews the prior year entries and develops a log of all expected entries. Every entry is assigned to staff based on the departments they cover. Once the journal entries are prepared, they are signed by the preparer, reviewed by their immediate supervisor and then approved by the Accounting Services Administrator. In addition, the journals are scanned and available in FileNet and Shared Drive for more review. One journal of the 450 total journals processed for year-end was inadvertently duplicated, which resulted in overstating some revenue accounts. The City will endeavor to be more accurate in the future and, in addition, balance sheet accounts will have lead sheets to ensure all accounts are properly accounted for.

**Current Year Status:**

Fully corrected.

**# 2007-02 Internal Service Funds Capital Assets**

**Criteria or Specific Requirement:**

Proprietary funds, including internal service funds, use the economic resources measurement focus and accrual basis of accounting. In accordance with generally accepted accounting principles, capital assets in such funds are capitalized at the fund level and depreciated over their estimated useful lives.

**Condition:**

Proprietary funds, including internal service funds use the economic resources measurement focus and accrual basis of accounting. In accordance with generally accepted accounting principles, capital assets purchased in such funds are capitalized at the fund level and depreciated over their estimated useful lives. We noted that in the Equipment Reserve Fund, Helicopter Depreciation Fund, Tech Equipment Fund and Application Software Replacement Fund, the City is expensing capital assets when purchased and capitalizing the assets at the government-wide level, a method inconsistent with generally accepted accounting principles. This treatment results in an understatement of net assets for each of the internal service funds noted. We also noted the related depreciation expense is not recorded in these funds.

**Context:**

The condition was noted during our year-end audit procedures.

**Effect:**

As a result of the above, we noted a misstatement of net assets.

City of Glendale

Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2008

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**I. Financial Statement Findings, Continued**

**Recommendation:**

We recommend that the City implement procedures to ensure the financial statements are in accordance with generally accepted accounting principles.

**Views of Responsible Officials and Planned Corrective Action:**

The internal service funds mentioned above are established to accumulate cash for replacement of future assets for General fund departments. These funds are governmental funds in nature. As such, at the end of the year all of these funds' activities are allocated to governmental activities at the government wide statements where depreciation expense and capitalization takes place by departments. These internal service funds have no operating activities because all the assets are put in operation in the respective general fund departments. Therefore, it defeats the purpose to record depreciation expense in these funds where measurements of economic resources are not necessary. The City understands that the accounting treatment of these internal service funds is unusual; however, we need to see the bigger picture of how these funds are utilized. We respectively disagree with the auditors on this recommendation.

**Current Year Status:**

Partially corrected. The City recognizes that it is not in strict compliance with generally accepted accounting principles. To remedy this deficiency, the City will be moving the mechanical maintenance operations into the Internal Service Funds. With the operations, as well as the equipment replacement, accounted for in the Internal Service Funds, the appropriate accounting for capitalized assets and related depreciation will occur within the Internal Service Funds.

**# 2007-03 Cash and Investments with Fiscal Agent**

**Criteria or Specific Requirement:**

Cash and investments are valued in accordance with the provisions of Government Accounting Standards Board Statement No. 31.

**Condition:**

As of June 30, 2007, the City has cash held with Southern California Public Power Authority (SCPPA) to be utilized for future capital projects with SCPPA. It was noted that a portion of the amount held with SCPPA was not recorded as an asset on the City's balance sheet. In FY 2006, the City recorded an initial deposit with SCPPA, but did not record additional amounts for refunds or interest payments subsequent to the initial deposit.

**Context:**

The condition was noted during our testing of cash and investment balances.

City of Glendale

Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2008

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**I. Financial Statement Findings, Continued**

**Effect:**

As a result of the above, we noted an understatement of cash.

**Recommendation:**

We recommend that the City implement procedures to ensure that all cash balances held with fiscal agents are properly accounted for on a timely basis and reported in the financial statements. We further recommend that the City Treasurer act as the fiduciary agent of all cash held with third-party fiscal agents, to ensure a full accounting of the City's cash and investments with fiscal agents are accounted for on a timely basis.

**Views of Responsible Officials and Planned Corrective Action:**

The City agrees with this recommendation. We have already requested SCPA to carbon copy the Finance department a statement each month. We will be booking the adjusting entry shortly.

**Current Year Status:**

Fully corrected.