

City of Rosemead, California  
Single Audit Report on Federal Awards  
Year Ended June 30, 2013

City of Rosemead  
Single Audit Report on Federal Awards  
Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	11
Corrective Action Plan	12



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100  
San Bernardino, CA 92408  
909 889 0871 T  
909 889 5361 F  
ramscpa.net

PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Kirk A. Franks, CPA  
Matthew B. Wilson, CPA, MSA, CGMA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Bradferd A. Welebir, CPA, MBA  
Jenny Liu, CPA, MST  
Papa Matar Thiaw, CPA, MBA  
Maya S. Ivanova, CPA, MBA  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Yiann Fang, CPA  
Daniel T. Turner, CPA, MSA  
David D. Henwood, CPA  
Nathan Statham, CPA, MBA  
Brigitta Bartha, CPA  
Gardenya Duran, CPA

MEMBERS

American Institute of  
Certified Public Accountants

PCPS The AICPA Alliance  
for CPA Firms

Governmental Audit  
Quality Center

California Society of  
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 City Council  
City of Rosemead, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Rosemead (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 8, 2014.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

*Rogers Anderson Maloney & Scott, LLP*

San Bernardino, CA  
January 8, 2014



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100  
San Bernardino, CA 92408  
909 889 0871 T  
909 889 5361 F  
ramscpa.net

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

### PARTNERS

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Kirk A. Franks, CPA  
Matthew B. Wilson, CPA, MSA, CGMA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

### MANAGERS / STAFF

Bradford A. Welebir, CPA, MBA  
Jenny Liu, CPA, MST  
Papa Matar Thiaw, CPA, MBA  
Maya S. Ivanova, CPA, MBA  
Seong-Hyea Lee, CPA, MBA  
Charles De Simoni, CPA  
Yiann Fang, CPA  
Daniel T. Turner, CPA, MSA  
David D. Henwood, CPA  
Nathan Statham, CPA, MBA  
Brigitta Barthä, CPA  
Gardenya Duran, CPA

To the Honorable City Council  
City of Rosemead, California

### Report on Compliance for Each Major Federal Program

We have audited the City of Rosemead's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

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

### MEMBERS

American Institute of  
Certified Public Accountants

PCPS The AICPA Alliance  
for CPA Firms

Governmental Audit  
Quality Center

California Society of  
Certified Public Accountants

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

### ***Opinion on Each Major Federal Program***

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2, that we consider to be significant deficiencies.

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

We have audited the 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 June 30, 2013, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated January 8, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

*Rogers Anderson Maloney & Scott, LLP*

San Bernardino, CA

March 5, 2014 (except for the Schedule of Expenditures of Federal Awards, as to which the date is January 8, 2014)

City of Rosemead  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Program Identification Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct Assistance:</i>				
Community Development Block Grant*	14.218	B-09-MC-06-0580	\$ 251,506	\$ -
Community Development Block Grant*	14.218	B-10-MC-06-0580	200,000	-
Community Development Block Grant*	14.218	B-12-MC-06-0580	799,356	88,334
<b>Total CFDA 14.218</b>			<u>1,250,862</u>	<u>88,334</u>
HOME Investment Partnerships Program	14.239	M-12-MC-06-0553	174,324	-
<b>Total CFDA 14.239</b>			<u>174,324</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,425,186</u>	<u>88,334</u>
<u>U.S. Department of Justice</u>				
<i>Passed through the City of Los Angeles:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0896	15,622	-
<b>Total CFDA 16.738</b>			<u>15,622</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<u>15,622</u>	<u>-</u>
<u>U.S. Department of Energy</u>				
<i>Direct Assistance:</i>				
Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002066	156,158	-
<b>Total CFDA 81.128</b>			<u>156,158</u>	<u>-</u>
<b>Total U.S. Department of Energy</b>			<u>156,158</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,596,966</u>	<u>\$ 88,334</u>

\* - Major Program

See accompanying notes to schedule of expenditure of federal awards.

City of Rosemead  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

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

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Rosemead, California, that are reimbursable under federal programs of federal awards. For the purposes of this schedule, federal awards include both federal awards received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds are 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 City 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.

(2) Sub-recipients

Of the federal expenditures presented in the schedule, the City provided federal awards to sub-recipients for the Community Development Block Grant (CFDA No. 14.218) in the amount of \$88,334.

City of Rosemead  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

**I. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness identified?	_____	Yes	_____X_____	No
Significant deficiencies 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 identified?	_____	Yes	_____X_____	No
Significant deficiencies identified that are not considered to be material weaknesses?	_____X_____	Yes	_____	None Reported

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

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

Identification of major programs:

CFDA Number  
14.218

Name of Federal Program  
Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
---	------------------

Auditee qualified as low-risk auditee?	_____	Yes	_____X_____	No
--	-------	-----	-------------	----

City of Rosemead  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

No matters to be reported.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Community Development Block Grant – CFDA No. 14.218

Grant No. B-12-MC-06-0580

2013-1 *Criteria:* 29 CFR Section 99.400(d)(1) requires pass-through entities to “identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency.”

*Condition:* The City of Rosemead has not informed all subrecipients of the *Catalog of Federal Domestic Assistance* (CFDA) number for the above grant.

*Questioned Cost:* None noted.

*Effect:* Without knowing the CFDA number, subrecipients cannot properly report expenditures on their Schedule of Expenditures of Federal Awards and may not be able to determine whether an audit in accordance with OMB Circular A-133 is required. Also, without specific information as to the federal funds received, subrecipients cannot establish that federal funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

*Cause:* The City did not have procedures in place to inform subrecipients of the CFDA numbers.

*Auditor Recommendation:* The City should take steps to ensure that subrecipients are timely informed of all required federal information, including CFDA numbers, associated with this program.

*Grantee Response and Corrective Action Plan:* The Grantee's response is reported in the “Corrective Action Plan” and considered as part of this report.

2013-2 *Criteria:* 2 C.F.R. Section 180.300 requires grantees who enter into a covered transaction with another party at the next lower tier to verify that the party with whom they intend to do business is not excluded or disqualified. This can be done by (a) checking the *System for Award Management (SAM)*; (b) collecting certification from that party; or (c) adding a clause or condition to the covered transaction with the party.

City of Rosemead  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)**

*Condition:* During the course of the audit, it was noted that the City of Rosemead is not maintaining sufficient documentation to determine whether or not verification of suspension/debarment status was being checked for vendors/contractors prior to awards being made for the above grants.

*Questioned Cost:* None noted.

*Effect:* Without checking the SAM for vendors paid with Federal funds, the City risks conducting business with irresponsible persons who have been suspended or debarred from doing work on Federal projects.

*Cause:* The City did not have consistently effective procedures in place for the above grants to ensure that all vendors paid with Federal funds were checked against the SAM.

*Auditor Recommendation:* The City must ensure that vendors are not suspended or debarred from doing work on Federal projects *prior* to doing business with that vendor. This can be done in one of three ways: (a) Checking the SAM at [www.sam.gov](http://www.sam.gov); or b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person. Documentation of the selected method of verification must be maintained in the procurement files.

*Grantee Response and Corrective Action Plan:* The Grantee's response is reported in the "Corrective Action Plan" and considered as part of this report.

City of Rosemead  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2013

**CURRENT STATUS OF PRIOR YEAR FINDINGS:**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant – CFDA No. 14.218

Grant No. B-11-MC-06-0580

2012-1      *Criteria:* 24 CFR Section 84.51(b) requires grantees to use the Federal Financial Report (FFR/SF-425) to report the status of funds for all non-construction grants, construction grants, or grants which include both construction and non-construction activities as determined by HUD. HUD requires recipients to submit the form SF-425 no later than 30 days after the end of each specified reporting period for quarterly and semiannual reports and 90 days for annual reports.

*Condition:* During the course of the audit, it was noted that the City of Rosemead did not prepare and submit form SF-425 to HUD.

*Questioned Cost:* None noted.

*Auditor Recommendation:* The City should implement procedures to ensure Federal Financial Reports (FFR/SF-425) are prepared timely and submitted as required.

*Current Status:* The City is currently filing the required form SF-425 to HUD on a timely basis.

MAYOR:  
POLLY LOW

MAYOR PRO TEM:  
WILLIAM ALARCON

COUNCIL MEMBERS:  
SANDRA ARMENTA  
MARGARET CLARK  
JEAN HALL



# City of Rosemead

8838 E. VALLEY BOULEVARD P.O BOX 399  
ROSEMEAD, CALIFORNIA 91770  
TELEPHONE (626) 569-2100  
FAX (626) 307-9218

## CORRECTIVE ACTION PLAN March 5, 2014

U.S. Department of Housing and Urban Development

The City of Rosemead respectfully submits the following corrective action plan for the year ended June 30, 2013.

*Name and address of independent public accounting firm:*

Rogers, Anderson, Malody & Scott, LLP  
735 E. Carnegie Drive, Suite 100  
San Bernardino, California 92408

*Audit period:* Year ended June 30, 2013

### FINDINGS – FEDERAL AWARD PROGRAM AUDIT

#### U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant – CFDA No. 14.218

Grant No. B-12-MC-06-0580

2013-1 *Auditor Recommendation:* The City should take steps to ensure that subrecipients are timely informed of all required federal information, including CFDA numbers, associated with this program

*Action Taken:* The City has modified the Professional Service Agreements sent to the subrecipients to include the CFDA number.

2013-2 *Auditor Recommendation:* The City must ensure that vendors are not suspended or debarred from doing work on Federal projects *prior* to doing business with that vendor. This can be done in one of three ways: (a) Checking the EPLS at [www.epls.gov](http://www.epls.gov); or b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person. Documentation of the selected method of verification must be maintained in the procurement files.

*Action Taken:* The City currently checks the SAM (System for Award Management) to ensure vendors are not suspended or debarred from doing work on Federal projects prior to awards being made.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please call Matthew Hawkesworth, Assistant City Manager/Finance Director, at 626-569-2107.

Sincerely yours,

A handwritten signature in purple ink, appearing to read "Matthew E. Hawkesworth", with a long horizontal flourish extending to the right.

Matthew E. Hawkesworth  
Assistant City Manager/Finance Director