

CITY OF DOWNEY, CALIFORNIA
SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS

JUNE 30, 2013

CITY OF DOWNEY

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and
Members of City Council
City of Downey
Downey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Downey (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 December 30, 2013.

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 City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies identified as Finding Numbers 2013-01, 2013-02 and 2013-03.

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*.

We noted certain other matters that we reported to the City and management in a separate letter dated December 30, 2013.

City of Downey's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
December 30, 2013

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

The Honorable Mayor and
Members of City Council
City of Downey
Downey, California

Report on Compliance for Each Major Federal Program

We have audited the City of Downey'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 auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the 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 an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding Number 2013-04. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2013, 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.

White Nelson Dick Evans LLP

Irvine, California

March 20, 2014, except to the date for the Schedule of Expenditures of Federal Awards, to which the date is December 30, 2013.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF DOWNEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

Federal Grantor / Pass - Through / Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Financial Award Amount	Expenditures
<u>United States Department of Housing and Urban Development</u>				
Community Development Block Grants Cluster:				
Community Development Block Grant/ Entitlement Grant				
	14.218	B-12-MC-06-0516	\$ 1,042,443	
		B-11-MC-06-0516	1,348,503	\$ 1,107,540
 ARRA - Community Development Block Grant - Entitlement Grant				
	14.253	B-09-MY-06-0516	400,180	229,935
Total CDBG - Entitlement Grants Cluster				<u>1,337,475</u>
 HOME Investment Partnership Act Program				
	14.239	M-11-MC-06-0541	700,654	
		M-06-MC-06-0541	742,443	
		M-12-MC-06-0541	344,337	<u>615,796</u>
Total United States Department of Housing and Urban Development				<u>1,953,271</u>
 <u>United States Department of Justice</u>				
Edward Byrne Memorial Justice Assistance Grant				
	16.378	2010-DJ-BX-1085	51,484	
		2011-DJ-BX-0003	42,678	43,886
 Federal Asset Forfeiture				
	16.922	(1)	N/A	<u>2,068,539</u>
Total United States Department of Justice				<u>2,112,425</u>

(1) Program identification numbers are not available.

(Continued)

See Accompanying Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 to 5) and Notes to Schedule of Expenditures of Federal Awards (pages 8 to 9).

CITY OF DOWNEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2013

Federal Grantor / Pass - Through / Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Financial Award Amount	Expenditures
<u>United States Department of Transportation</u>				
Passed through California				
Department of Transportation:				
Highway Planning and				
Construction Program				
	20.205	HSIPL-5334(039)	\$ 135,000	
		HSIPL-5334(040)	180,180	
		HSIPL-5334(041)	153,000	\$ 144,210
Passed through University of California, Berkeley:				
State and Community Highway Safety				
	20.600	SC21117	38,120	
		SC13117	48,300	<u>43,968</u>
Total United States Department of Transportation				<u>188,178</u>
<u>Department of Homeland Security</u>				
Direct Assistance:				
Assistance to Firefighters Grant Program				
	97.044	EMW-2011-FO-06931	196,491	196,491
Passed through County of Los Angeles:				
State Homeland Security Grant Program				
	97.067	2011	34,646	
		2010	140,600	
		2009	81,601	80,213
Direct Assistance:				
Staffing for Adequate Fire and Emergency Response				
	97.083	EMW-2012-FH-00448	1,886,954	<u>164,212</u>
Total Department of Homeland Security				<u>440,916</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 4,694,790</u>

See Accompanying Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 to 5) and Notes to Schedule of Expenditures of Federal Awards (pages 8 to 9).

CITY OF DOWNEY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

1. GENERAL:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Downey (the City). The City's reporting entity is defined in note 1 of the notes to the City's financial statements. All financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies to the City is included in the accompanying schedule.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in the Note 1 of the notes to the City's financial statements.

3. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the City's Comprehensive Annual Financial Report.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with amounts reported in federal financial reports.

5. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

See Accompanying Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 to 5) and Schedule of Expenditures of Federal Awards (pages 6 to 7).

CITY OF DOWNEY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

For the year ended June 30, 2013

6. FEDERALLY FUNDED LOANS:

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs:

<u>Federal Programs</u>	<u>Loans Expended During the Year Ended June 30, 2013</u>	<u>Loans Outstanding as of June 30, 2013</u>
Community Development Block Grant/Entitlement Grant -CFDA #14.218	\$ -	\$ 695,726
HOME Investment Partnership Act Program CFDA #14.239	\$ -	\$ 5,516,135

7. SUBRECIPIENTS:

During the fiscal year ended June 30, 2013, the City disbursed federal funds to the following subrecipients under the Community Development Block Grant/Entitlement Grant program (CFDA #14.218):

	<u>Amount Disbursed</u>
ARC of Southeast Los Angeles County	\$ 5,971
Downey Unified School District	21,100
Fair Housing Foundation	<u>9,000</u>
	<u>\$ 36,071</u>

See Accompanying Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 to 5) and Schedule of Expenditures of Federal Awards (pages 6 to 7).

CITY OF DOWNEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

2. FINDINGS - FINANCIAL STATEMENT AUDIT:

SIGNIFICANT DEFICIENCIES

Finding Number 2013-01 - Bank Reconciliations

Criteria

An important element of internal control over cash is the reconciliation process which enables City staff to identify differences between the bank and general ledger balances and resolve such differences in a timely manner.

Condition

During our review of bank reconciliations, we noted the following:

- Bank reconciliations were not prepared or reviewed in a timely manner, which resulted in monthly reconciling items to be carried forward from month to month instead of posted to the general ledger. This created variances from the general ledger on monthly basis. All the reconciling items were posted by yearend and all variances were resolved by June 30, 2013.
- Outstanding checks listing include checks that have been outstanding for over one year.

Recommendation

We recommend that:

- The bank reconciliation process be completed and reviewed on a timely basis. Adjustments to the general ledger should be made as necessary. This should be documented by the preparer and reviewer by signing off on the date the reconciliation was prepared and reviewed.
- The City should investigate old outstanding checks and determine why they have remained outstanding for so long. Based on this investigation, the City should take the appropriate action with regards to these outstanding checks (i.e. void the check; void and reissue the check; or, keep the check listed as outstanding)

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 to 5).

CITY OF DOWNEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

2. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED):

SIGNIFICANT DEFICIENCIES (CONTINUED)

Finding Number 2013-01 - Bank Reconciliations (Continued)

Management's Response:

During the 2012-13 and the preceding fiscal year the department had two accountant positions that were vacant due the early retirement incentive and high staff turnover resulting in department being highly short staffed. These vacancies created huge back log of accounting functions to be performed and one of the function was monthly bank reconciliations. Most recently (January 2014) these positions were recruited and we expect that bank reconciliations will be performed timely.

Finding Number 2013-02 - Journal Entries

Criteria

One of the basic elements of internal accounting control involves the segregation of duties in such a manner that the work of one employee is checked by others, and the responsibilities for custody of assets is not placed with the same employee that maintains the accounting records.

Condition

During the fiscal year, the finance department experienced high staff turnover, and there were times where the department was short staffed. As result, we noted that several journal entries were prepared and posted without being properly reviewed for accuracy by somebody else other than the preparer. We noted several journal entries required corrections and several accounts required adjustments to properly correct the year-end balances. Obtaining a final complete general ledger was delayed that resulted in a time consuming and challenging audit process.

Recommendation

We recommend that all journal entries be reviewed and approved by somebody other than the preparer before they are posted to the general ledger.

Management's Response:

With current recent recruitments of accounting staff the department has adequate staffing for Journal Entries to be reviewed and posted by somebody else than the preparer.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 to 5).

CITY OF DOWNEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

2. FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED):

SIGNIFICANT DEFICIENCIES (CONTINUED)

Finding Number 2013-03 - Communication Between Departments

Criteria

An important element of internal control over cash disbursements is that authorization of the disbursements should only be made on amounts that are due.

Auditors' Comment

During our review of capital assets, we noted that the City entered into a capital lease agreement to acquire several capital assets. We noted that due to miscommunication between departments, a check was cut and sent to the vendor for the purchase price. The vendor contacted the City and the check was subsequently voided.

Recommendation

We recommend that City establish proper communication procedures between the finance department and other departments to ensure accurate information is forwarded to the finance department.

Management's Response

This was an isolated incident created by multiple factors. Sufficient safeguards have been implemented so that incidents such as this do not repeat.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 to 5).

CITY OF DOWNEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

3. FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDIT:

Finding Number 2013-04

Major Program

United States Department of Housing and Urban Development - Community Development Block Grants; CFDA No. 14.218; Grant Identification No. B-12-MC-06-0516.

Criteria

Compliance with the OMB Circular A-133 compliance requirement of subrecipient monitoring requires that pass-through entities through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition and Content

Out of the 2 subrecipients sampled, we noted that the required quarterly Program Accomplishment Reports from one subrecipient were not received and there was no indication of the City's efforts to obtain the reports.

Questioned Costs

None

Cause

Lack of tracking mechanisms built into the City's internal controls to ensure that reports required to be submitted to them are received.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 to 5).

CITY OF DOWNEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

For the year ended June 30, 2013

3. FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDIT (CONTINUED):

Finding Number 2013-04 (Continued)

Effect

Performance goals of the subrecipient may not be reached.

View of Responsible Officials and Planned Corrective Actions

While the submission of the quarterly reports was initially overlooked by the City staff, no federal grant funds were disbursed to either Subrecipient until each had submitted to the City: 1) a reimbursement request, and 2) the required "Demographic and Statistical Report" for the pertaining period. The Housing staff will monitor subrecipient's performance and ensure their quarterly and annual reports filed on timely manner. As of Feb. 21,2014, these quarterly reports have been received by the City and reviewed by the Housing Division.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 to 5).

CITY OF DOWNEY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2013

Financial Statement Findings

Finding Number 2012-01

Criteria

An important element of internal control over cash is the reconciliation process which enables City staff to identify differences between the bank and general ledger balances and resolve such differences in a timely manner.

Condition

During our testing of bank reconciliations, we noted several instances in which the monthly bank reconciliation process was not completed and reviewed timely.

Recommendation

We recommend that the monthly bank reconciliation process be completed and reviewed in a timely basis.

Current Status

See Finding Number 2013-01.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 to 5).

CITY OF DOWNEY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(CONTINUED)

For the year ended June 30, 2013

Federal Award Findings

Finding Number 2012-02

Major Program

United States Department of Housing and Urban Development - HOME Investment Partnership Act Program; CFDA No. 14.239; Grant Identification Nos. M-10-MC-06-0541 and M-11-MC-06-0541.

Condition

We noted that information related to HOME included in the CAPER did not agree with the City's internal accounting records.

Recommendation

We recommend that the City establish procedures to ensure information included in reports submitted to HUD is accurate and agrees to City's internal accounting records.

Current Status

This finding has been corrected.

See Accompanying Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 to 5).