

City of Glendale, California

Compliance Report
Year Ended June 30, 2013

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City of Glendale, California

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-through Los Angeles County Department of Community and Senior Citizens Services:			
Food Distribution Program	10.570	AAA-ENP2-0809-009	\$ 27,258
Total U.S. Department of Agriculture			27,258
U.S. Department of Housing and Urban Development			
Direct Programs:			
Community Development Block Grant - Entitlement Grants Cluster:			
Community Development Block Grant Entitlement Program	14.218*	B-12-MC-06-0518	2,475,291
ARRA: Community Development Block Grant Entitlement Program			
CDBG-R Administration	ARRA-14.253*	B-09-MY-06-0518	5,827
Carr Park Security Gates	ARRA-14.253*	B-09-MY-06-0518	85,903
Subtotal			2,567,021
Emergency Solutions Grants Program	14.231	E-12-MC-06-0518	305,253
Supportive Housing Program:			
2004 Chester Street Permanent Supportive Housing	14.235	CA0948B9D121001	34,642
2004 Chester Street Permanent Supportive Housing	14.235	CA0948B9D121102	40,997
SHP renewal project - Scattered Site Family Transitional Housing	14.235	CA0730B9D121003	37,144
SHP renewal project - Scattered Site Family Transitional Housing	14.235	CA0730B9D121104	134,135
SHP renewal project - Hamilton Court Transitional Housing Project	14.235	CA0729B9D121003	63,256
SHP renewal project - Hamilton Court Transitional Housing Project	14.235	CA0729B9D121104	116,102
SHP renewal project - PATH Achieve SSO	14.235	CA0732B9D121003	113,798
SHP renewal project - Ascencia Glendale Supportive Services	14.235	CA0732B9D121104	596,049
SHP renewal project - HMIS	14.235	CA0728B9D121003	23,442
SHP renewal project - HMIS	14.235	CA0728B9D121104	72,600
Childcare for Homeless Families, The Salvation Army	14.235	CA0727B9D121003	8,740
Childcare for Homeless Families, The Salvation Army	14.235	CA0727B9D121104	13,071
Glendale Next Step Permanent Supportive Housing Program	14.235	CA0731B9D121104	153,559
Glendale Next Step Permanent Supportive Housing Program	14.235	CA0731L9D121205	5,550
PATH Ventures Chronic Lease Program	14.235	CA0733B9D121104	316,114
PATH Ventures Chronic Lease Program	14.235	CA0733L9D121205	36,255
Subtotal			1,765,454
Shelter Plus Care:			
2005 S+C Chronic Homeless Program	14.238	CA1057C9D121101	32,938
Special Needs Assistance - 1998 Renewal Shelter Plus Care Grant	14.238	CA0724C9D121104	184,925
Special Needs Assistance - 1998 Renewal Shelter Plus Care Grant	14.238	CA0724L9D121205	54,248
2001 Shelter Plus Care Program	14.238	CA0726C9D121003	46,783
2001 Shelter Plus Care Program	14.238	CA0726C9D121104	54,010
1998 and 1999 Consolidated S+C	14.238	CA0882C9D120900	16,088
2010 Shelter Plus Care Chronic	14.238	CA1028C9D121000	24,901
2011 Shelter Plus Care Chronically Homeless	14.238	CA1144C9D121100	11,881
Subtotal			425,774

(Continued)

City of Glendale, California

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Number	Federal Expenditures
Home Investment Partnerships Program	14.239*	M-12-MC-06-0512	\$ 1,688,220
ARRA: Homeless Prevention and Rapid Re-housing Program:			
HPRP Administration	ARRA-14.257	S09-MY-06-0518	3,473
HPRP Financial Assistance Program	ARRA-14.257	S09-MY-06-0518	10,378
Rapid Re-Housing Program	ARRA-14.257	S09-MY-06-0518	17,828
Subtotal			31,679
Section 8 – Housing Choice Vouchers – Housing Assistance Program	14.871*	CA114V	15,202,109
Pass-through Other Housing Authorities:			
Section 8 – Housing Choice Vouchers – Portable Voucher Program	14.871*	CA114V	14,544,502
Subtotal			29,746,611
Total U.S. Department of Housing and Urban Development			36,530,012
U.S. Department of the Interior Bureau of Reclamation			
Direct Programs:			
WaterSMART - Hexavalent Chromium Study	15.507	R11AP35318	400,000
Total U.S. Department of the Interior			400,000
U.S. Department of Justice			
Pass-through California Emergency Management Agency:			
2011-12 Project Safe Neighborhoods	16.609	US110 46 763	14,348
Direct Programs:			
LA Impact	16.000	N/A	70,609
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0933	14,565
Equitable Sharing Program	16.922	CAD195300	475,689
Total U.S. Department of Justice			575,211
U.S. Department of Labor			
Pass-through State of California Employment Development Department (EDD):			
Workforce Investment Act Cluster:			
WIA Adult	17.258	K282515	199,792
WIA Adult	17.258	K386336	790,559
WIA Youth	17.259	K282515	144,389
WIA Youth	17.259	K386336	677,609
WIA Dislocated Worker	17.278	K282515	237,385
WIA Dislocated Worker	17.278	K386336	841,514
WIA Rapid Response	17.278	K386336	374,658
CDEI WIA Adult	17.258	K282515	193,478
15% Veteran's EAP	17.258	K178699	186,537
WIA Dislocated Worker	17.278	K282515	205,916
CDEI Wagner Peyser - Assistive Technology	17.207	K285818	42,981
CDEI Wagner Peyser	17.207	K285818	113,613
Subtotal			4,008,431

(Continued)

City of Glendale, California

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Number	Federal Expenditures
Pass-through South Bay Workforce Investment Board, Inc. from EDD: Workforce Investment Act Cluster:			
25% WIA Dislocated Worker Additional Assistance (South Bay)	17.278	13-WO-70	\$ 59,998
Subtotal			59,998
Total U.S. Department of Labor			4,068,429
U.S. Department of Transportation			
Pass-through State Department of Transportation: Highway Planning and Construction Cluster:			
ARRA: CalTrans Tier I Projects			
Street Repair & Rehabilitation Project, Phase I	ARRA-20.205	ESPL-5144(051)	9,999
Pass-through Los Angeles County Metropolitan Transportation Authority: Federal Transit Capital Investment Grant	20.500	CA-04-0085-01	385,344
Total U.S. Department of Transportation			395,343
U.S. Department of Treasury			
Direct Programs:			
Asset Forfeiture	21.000	CAD195300	20,156
Total U.S. Department of Treasury			20,156
Institute of Museum and Library Services			
Pass-through California State Library:			
Grants to States - Public Library Staff Education Program 2010-2011	45.310	40-7648	225
Grants to States - Local History Digital Resource	45.310	40-7906	106
Total Institute of Museum and Library Services			331
U.S. Small Business Administration			
Direct Programs:			
Small Business Administration	59.000	SBAHQ-09-I-0022	34,311
Total U.S. Small Business Administration			34,311
U.S. Department of Energy			
Direct Programs:			
ARRA: Electricity Delivery and Energy Reliability, Research, Development and Analysis	ARRA-81.122	DE-OE0000248	12,000
Total U.S. Department of Energy			12,000
U.S. Department of Education			
Pass-through California State Library:			
Adult Education - Basic Grants to States	84.002	12-14508-2382-00	3,204
Total U.S. Department of Education			3,204

(Continued)

City of Glendale, California

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ Grant Number	Federal Expenditures
U.S. Department of Health and Human Services			
Pass-through Los Angeles County Department of Community and Senior Citizens Services:			
Aging Cluster:			
Special Programs for the Aging – Title III, Part B	93.044	AAA-ENP2-0809-009	\$ 1,000
Special Programs for the Aging – Title III, Part C	93.045	AAA-ENP2-0809-009	217,533
Total Aging Cluster			218,533
Pass-through Los Angeles County Department of Community and Senior Citizens Services:			
Temporary Assistance for Needy Families - Youth Employment Program	93.558	IA1106	71,033
Total U.S. Department of Health and Human Services			289,566
Department of Homeland Security			
Homeland Security Cluster:			
Pass-through Los Angeles County:			
Homeland Security Grant Program			
FY 2007 State Homeland Security Grant	97.067	2007-2008	623,967
FY 2009 State Homeland Security Grant	97.067	2009-019	2,070,200
FY 2010 State Homeland Security Grant	97.067	2010-0085	1,296,975
FY 2011 State Homeland Security Grant	97.067	2011-SS-0077	167,587
Subtotal			4,158,729
Pass-through City of Los Angeles:			
Homeland Security Grant Program			
FY 2011 Urban Area Security Initiative - Homeland Security Grant	97.067	2011-SS-0007	1,500,203
Subtotal			1,500,203
Pass-through City of Los Angeles:			
Homeland Security Grant Program			
FY 2010 Urban Area Security Initiative - Homeland Security Grant	97.008	2010-0085	668,604
Total Homeland Security Cluster			6,327,536
Pass-through FEMA State Office:			
FY 2009 Regional Assistance to Firefighters Grant	97.044	EMW-2010-FR-00502	267,282
FY 2010 Regional Assistance to Firefighters Grant	97.044	EMW-2010-FR-00181	1,462
			268,744
Total Department of Homeland Security			6,596,280
Total Expenditures of Federal Awards			\$ 48,952,101

CFDA - Catalog of Federal Domestic Assistance

* Denotes major program or cluster

N/A - Not available

See Notes to Schedule of Expenditures of Federal Awards.

City of Glendale, California

Notes to Schedule of Expenditures of Federal Awards

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, California (the 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.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting for those grants that were recorded in governmental funds, and on the accrual basis of accounting for those grants that were recorded in proprietary funds. Expenditures are recognized following the cost principles contained in Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 3. Workforce Investment Act

The City, along with the cities of Burbank and La Cañada Flintridge, established a joint powers agreement on December 14, 1999, named the Verdugo Consortium (the 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, as 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 and disbursement of, and accounting for, all WIA program and matching funds.

Note 4. Section 108 Loans

The City has one Section 108 loan outstanding at June 30, 2013. The City has pledged current and future Community Development Block Grant (CDBG) funds as principal security for the loan. In November 2011, the City entered into Section 108 Series 2011-A loan with an original loan amount of \$2,000,000 and remaining principal amounts ranging from \$161,000 to \$242,000. The Series 2011-A loan payment is budgeted as a CDBG project each year based on the payment schedule. There was one principal payment as of June 30, 2013. Interest payments on the loan totaled \$30,000 for the year ended June 30, 2013. As of June 30, 2013, \$1,839,000 of the loan balance was outstanding.

City of Glendale, California

Notes to Schedule of Expenditures of Federal Awards

Note 5. Subrecipients

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

Program Title Provided	Federal CFDA Number	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services		
Youth Employment Program	93.558	\$ 67,423
Total U.S. Department of Health and Human Services		<u>67,423</u>
U.S. Department of Housing and Urban Development		
Community Development Block Grant	14.218	706,739
Emergency Shelter Grant	14.231	166,495
Supportive Housing Program	14.235	1,622,500
Total U.S. Department of Housing and Urban Development		<u>2,495,734</u>
U.S. Department of Labor		
Workforce Investment Act Cluster-WIA Adult Activities	17.258	178,476
Workforce Investment Act Cluster-WIA Dislocated Worker Activities	17.278	18,014
Workforce Investment Act Cluster-WIA Rapid Response Activities	17.278	22,021
Workforce Investment Act Cluster-WIA Youth Activities	17.259	395,711
Total U.S. Department of Labor		<u>614,222</u>
Total Amount Provided to Subrecipients		<u><u>\$ 3,177,379</u></u>

Note 6. California Emergency Management Agency (CalEMA) Disclosures

The following schedule represents the detail of expenditures related to a federal program passed through CalEMA (CFDA #16.609 in the Schedule) for the year ended June 30, 2013:

	Federal/State Match	Local Match	Total
Project Safe Neighborhoods			
Grant Award Number US100 36 763 and US100 46 763:			
Personal Services	\$ -	\$ -	\$ -
Operating Expenses	14,348	-	14,348
Equipment	-	-	-
	<u>\$ 14,348</u>	<u>\$ -</u>	<u>\$ 14,348</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 Government Auditing Standards

To the Honorable Members of the City Council
City of Glendale, CA

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 Glendale, California (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 5, 2013, except for Note IV.J, as to which the date is February 19, 2014. Our opinion also included an Emphasis of Matter paragraph regarding a restatement of certain financial information.

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. 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 as items #2013-1 and #2013-2, that we consider to be significant deficiencies.

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*.

The City'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 them.

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.

McGladrey LLP

Los Angeles, CA
December 5, 2013, except for Note IV.J,
as to which the date is February 19, 2014



**Independent Auditor's Report on Compliance for
Each Major Federal Program; Report on Internal Control Over
Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

To the Honorable Members of the City Council
City of Glendale, CA

Report on Compliance for Each Major Federal Program

We have audited the City of Glendale, California'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 Independent 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 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 is described in the accompanying Schedule of Findings and Questioned Costs as item #2013-3. 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.

This report replaces our previously issued report. The updated report corrects an error in the previously issued financial statements and reports an additional significant deficiency. The updated report had no impact on the previously reported Schedule of Expenditures of Federal Awards and related compliance and internal control reports.

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 5, 2013, except for Note IV.J, as to which the date is February 19, 2014, which contained unmodified opinions on those financial statements but did include an emphasis-of-matter paragraph regarding a restatement of certain financial information. 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.

McGladrey LLP

Los Angeles, CA
December 5, 2013, except for Note IV.J,
as to which the date is February 19, 2014

City of Glendale, California

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

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ 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: 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(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnership Program
14.218 & 14.253	Community Development Block Grant – Entitlement Grants Cluster
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$1,468,563

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

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

II. Financial Statement Findings

A. Internal Control

Finding #2013-1—Impairment of Real Estate

Criteria: Generally accepted accounting principles in the United States of America (U.S. GAAP) for governmental entities require that governmental entities report an impairment of their capital assets when there is a significant, unexpected decline in service utility. Governments generally hold capital assets because of the services the capital assets provide. For assets that are not being used by the City to provide City services, U.S. GAAP requires the government to report assets being held for investment purposes or that are expected to be sold at a later date, to be reported at fair value, or at the lower of cost or fair value if the asset/investment does not meet the definition of an investment under Governmental Accounting Standards Board Statement No. 31.

Condition: During the fiscal year ended June 30, 2008, the City settled a litigation matter whereby the City was required to purchase five residential properties that were deemed uninhabitable due to the failure of an adjacent hillside. As part of the settlement, the City allocated approximately \$9.5 million to the five residential properties and included these properties in their capital assets. The City was not using, and had no plans to use, these five residential properties for any City purpose. During the year ended June 30, 2013, the City sold these five residential properties at auction for approximately \$660,000, for a loss of approximately \$8.847 million.

Effect: The City did not correctly identify these five properties as assets held for resale as of June 30, 2008 and subsequent periods, as it was not the intention of the City to use these to perform City services. In addition, the City should have valued the five residential properties at the lower of the cost or their fair market value as of each year-end, beginning with June 30, 2008. This condition was identified during the June 30, 2013 financial statement audit of the City and resulted in a passed adjustment of the City's entity-wide financial statements.

Recommendation: We recommend that the City perform annual evaluations on all of its assets held for resale to make sure that they are being reported in accordance with U.S. GAAP.

Views of Responsible Officials and Planned Corrective Actions: We do concur that these properties should have been reported as assets held for resale and not as capital assets. The City has a policy to evaluate the fair value on all investment-type assets on an annual basis.

Finding #2013-2—Net Position Classifications in Business-Type Activities and the Water Fund

Criteria: The net position category called "Net Investment in Capital Assets" in proprietary funds consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the calculation of net investment in capital assets.

City of Glendale, California

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

II. Financial Statement Findings (Continued)

Condition: The water enterprise fund opinion unit and Business Type Activities opinion unit financial statements as presented in the City's Comprehensive Annual Financial Report (CAFR), dated December 5, 2013, require revision, as the net investment in capital assets and unrestricted components of net position were understated and overstated, respectively, by \$27,208,000, due to management incorrectly reporting the impact of unspent debt proceeds at the end of the reporting period June 30, 2013.

Cause: The issue was isolated, as a calculation error occurred for the net investment in capital assets, as the City didn't take into account unspent bond proceeds from its newly issued Water Bond.

Effect: The City restated and reissued its June 30, 2013 comprehensive annual financial report.

Recommendation: We recommend implementing review procedures and internal controls to help to ensure the accuracy of the components of net position.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement procedures and internal controls to ensure the accuracy of the components of net position.

B. Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported.

B. Compliance Findings

Finding #2013-3
CFDA #14.218 - Community Development Block Grant Cluster
Federal Agency - U.S. Department of Housing and Urban Development
Federal Award Number - B-12-MC-06-0518
Compliance Requirement - Subaward Reporting Under the Transparency Act

Criteria: The Federal Funding Accountability and Transparency Act of 2006 (FFATA), as amended, applies to all federal awards, including grants and sub-grants. Per FFATA, when entities make subawards of \$25,000 or more in federal funds, the entity must report under Subaward Reporting under the Transparency Act the month following the subaward.

Condition: The City Community Development Block Grant (CDBG) awarded seven subrecipients more than \$25,000 each in federal funds for the fiscal year ended June 30, 2013. The City was late in completing and submitting the reports to the FFATA Subaward Reporting System (FSRS). The reports were completed after the 30-day deadline of the approval of the subrecipient agreements.

City of Glendale, California

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

III. Findings and Questioned Costs for Federal Awards (Continued)

Cause: Management of the City was not aware that this requirement pertained to CDBG subawards.

Questioned Costs: \$0

Effect: Not reporting on subawards provided to subrecipients on a timely basis results in the City not being in compliance with federal regulations.

Recommendation: We recommend that management establish and implement procedures to identify all federal grants that are subject to this reporting requirement and that these reports are submitted timely.

Views of Responsible Officials and Planned Corrective Actions: The City concurs with the auditor's observation. The CDBG section experienced staff shortages due to CDBG administration funding reductions, which resulted in the delay in reporting of the fiscal year 2013 CDBG subawards required under FFATA into the FSRS. The CDBG section has completed the submission for fiscal year 2013 and will implement new procedures and provide sufficient staffing to input the CDBG subaward information into the FSRS for fiscal year 2014 within 30 days of the approval of subawards as required by FFATA.

City of Glendale, California

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

There were no audit findings reported for the year ended June 30, 2012.