

CITY OF AZUSA, CALIFORNIA
SINGLE AUDIT REPORT
JUNE 30, 2015

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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*

To the Honorable Mayor and Members of the City Council
City of Azusa, 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 Azusa, California, (the City) as of and for the year ended June 30, 2015, 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 29, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. As described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-004 to be material weaknesses and 2015-005 through 2015-007 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





CPAs AND ADVISORS

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

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*.

City's Response to Findings

The City's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. Refer to Appendix A for a copy of the City's Corrective Action Plan for the year ended June 30, 2015

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.

A handwritten signature in black ink that reads "Lance, Solt & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
February 9, 2016



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

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

Report on Compliance for Each Major Federal Program

We have audited the 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 major federal programs of the City of Azusa, California (the City), for the year ended June 30, 2015. 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 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, 2015.



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

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.

Report on the 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 of Azusa, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 29, 2016, which contained a qualified opinion 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 the 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.



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

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.

Lance, Solt & Loughard, LLP

Brea, California
February 9, 2016

CITY OF AZUSA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance (CFDA) Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the County of Los Angeles: Community Development Block Grant / Entitlement Grants	14.218	Contract# 70713	\$ 324,369
Total U.S. Department of Housing and Urban Development			<u>324,369</u>
<u>U.S. Department of Justice</u>			
Passed through the City of Los Angeles: Edward Byrnes Memorial Justice Assistance Grant	16.738	2014-DJ-BX-0277	11,673
Direct Program: Bureau of Justice Assistance: Equitable Sharing Program*	16.922	CA0190500	497,929
Total U.S. Department of Justice			<u>509,602</u>
<u>U.S. Department of Transportation</u>			
Passed through the State of California, Department of Transportation: Highway Planning and Construction*	20.205	SRTSLNI-5112(015)	92,162
Highway Planning and Construction*	20.205	HPLUL-5112(013)	505,078
Subtotal Highway Planning and Construction			<u>597,240</u>
Passed through the State of California, Office of Traffic Safety: State and Community Highway Safety	20.600	SC14 026	4,521
State and Community Highway Safety	20.600	PT1449	18,527
State and Community Highway Safety	20.600	SC13 026	28,657
Subtotal State and Community Highway Safety			<u>51,705</u>
Total U.S. Department of Transportation			<u>648,945</u>
<u>Institute of Museum and Library Services</u>			
Passed through the State of California: Grants to States	45.310	40-8418	50,699
Grants to States	45.310	40-8576	543
Total Institute of Museum and Library Services			<u>51,242</u>
<u>U.S. Department of Education</u>			
Passed through the State of California, Department of Education: Adult Education - Basic Grants to States	84.002	V002A140005	33,818
Total U.S. Department of Education			<u>33,818</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the County of Los Angeles: Department of Community and Senior Services Special Programs for Aging-Title III, Part C-Nutrition Services	93.045	AAA-ENP-1216-002	167,453
Total U.S. Department of Health and Human Services			<u>167,453</u>
Total Federal Expenditures			<u>\$ 1,735,429</u>

* Major Program

Note A: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note B: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note C: Total amount provided to subrecipients during the year was \$19,996.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED JUNE 30, 2015**

Note 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 Azusa, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance 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 is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

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

CITY OF AZUSA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Qualified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? yes no
- Material weaknesses identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? yes no
- Material weaknesses identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.922	Equitable Sharing Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B program \$300,000

Auditee qualified as low-risk auditee? yes no

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS

**Finding 2015-001: LA County Cities Excess Funding Grant
Material Weakness**

In performing our audit procedures, it was noted that the LA County Cities Excess Funding Grant is a cost-reimbursement grant, however, there have not been any reimbursement requests sent from the Recreation Center. The Finance Department has not received the request nor the support to book the entry. There have been expenditures of \$263,359 incurred but no request for reimbursement has been submitted nor accrued for in the financial statements.

Recommendation: We recommend the City develop and implement a comprehensive policy and procedures to create list of grants to track all expenditures and revenues and account for each appropriately in the general ledger, and timely submit reimbursement requests.

Management's Response:

We agree that a reimbursement was not requested by the Recreation and Family Services Department nor was an accrual recorded. The Los Angeles County Regional Parks and Open Space District's Cities and Specified Excess Funds Grant Program requires a Youth Employment Plan to be adopted before the District reimburses any costs incurred by the Grantee. On December 7, 2015, the City Council adopted Resolution 2015-C64 approving the adoption of a Youth Employment Plan. The Recreation Department is compiling the respective costs for each of the four projects covered under the Grant and will submit to the County. Copies of respective billings were not presented to Finance thus an entry was not prepared. Finance staff will ensure that departments provide a reconciliation of the grant program expenditures by year-end.

**Finding 2015-002: Capital Asset Reconciliation
Material Weakness**

In performing our audit procedures, it was noted that the City recorded additions in the amount of \$353,738 to the Water Fund Infrastructure and also double recorded these same additions as Construction in progress in the capital assets reconciliation. Additionally, there was a correction to capital asset classification from internal service funds to the City's capital assets in the amount of \$992,955 shown as a restatement in the internal service fund.

Recommendation: We recommend the City reconcile general ledger fixed asset accounts to the detailed records on a monthly basis.

Management's Response:

We agree with the auditors that the general ledger fixed asset accounts need to be reconciled with the detailed records on a monthly basis. However, due to staffing reduction, such reconciliation is done semi-annually. With large number capital asset transactions from the Utility and Public Works departments, maintaining the City's fixed asset subledger is a huge task involving Bitech and multiple spreadsheets. However, an analysis of the department staffing needs is being developed to determine whether a reorganization of personnel responsibilities is required or if additional personnel resources are needed.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding 2015-003: Long-Term Debt Reconciliation
Material Weakness**

It was noted that the City did not record all necessary entries to record all payments on principal for the 2003 PFA COP Bond, discounts/premiums or the unamortized loss on defeasance for the Business-Type bonds.

Recommendation: We recommend the City review debt transactions and properly track and record in the general ledger at least semi-annually.

Management's Response:

We agree with the finding. The 2003 PFA COP bond principal and interest installment due August 2014 was inadvertently paid by the Successor Agency directly to the Trustee. The City should have paid the installment and the Successor Agency reimburses the City for this outflow. The City has setup a schedule to define where and when payments are due to the respective parties. Entries to record the defeasance of business-type bonds will be recorded timely into the City's general ledger. This includes the amortization of bond discounts and premiums associated with business-type bond installment payments.

**Finding 2015-004: GASB 68 Reports
Material Weakness**

During the year-end audit fieldwork, it was noted that the City had not ordered the proper valuation reports for GASB 68 for PERS or PARS net pension liability.

Recommendation: We recommend the City staff attend training for new accounting pronouncements that affect the City reporting to be more properly prepared for new guidance implementation.

Management's Response:

We agree with the finding that the reports were not ordered in a timely manner. The Finance Department will provide training for appropriate staff to determine what new pronouncements will affect City reporting. We will utilize resources such as the Government Finance Officers Association to be better informed.

**Finding 2015-005: Cash and Investments Reconciliation
Significant Deficiency**

In performing our audit procedures, it was noted that the City's cash and investments were not properly balanced to the general ledger in a timely manner. The City made adjustments of \$109,683 in order to properly reconcile. The design of internal control should be improved upon to include a formalized procedure to properly balance and reconcile all of the City's cash and investments as reported in the City's financial statements.

Recommendation: We recommend that the City ensure all items included on the bank statements also be included in the cash balance and maintain the appropriate oversight of the bank reconciliation and journal entry processes. While the city may have certain accounts reconciled, the reconciliation should include all accounts.

Management's Response:

We agree with the finding. The entries made were due to market value adjustments and not due to

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

unrecognized cash and investments. Because of staff reductions, only the City's general account is reconciled monthly. Transactions on all other trustee accounts are recorded quarterly or semi-annually. In years past with adequate staffing, we have been able to reconcile monthly. Nevertheless, an analysis of the department staffing needs is being developed to determine whether a reorganization of personnel responsibilities is required or if additional personnel resources are needed.

**Finding 2015-006: Journal Entry Posting
Significant Deficiency**

During our internal control review, it was noted that the computer system does not prohibit a preparer to be different from the employee who posts or reviews the entry. Management has the capability of preparing and posting journal entries to override existing transactions. Journal entries is an area most susceptible to management override of controls and manipulation of financial measures.

Recommendation: We recommend the design of internal control be improved upon to include a formalized segregation of duties and correlating computer controls.

Management's Response:

We agree with the finding. We have been working with the Information Technology department to restrict the same staff from preparing and posting a journal entry. The duties have been segregated so that staff is not able of prepare and post transactions.

**Finding 2015-007: Insurance Claims and Judgment
Significant Deficiency**

In performing our audit procedures, there were adjusting entries recorded by the auditing staff to report account balances accurately for the insurance liability. Additionally, entries were not posted to adjust the liability from the prior year so the general ledger was adjusted materially to reconcile the insurance liability.

Recommendation: We recommend quarterly and annually reconciliations of complex accounting areas such as insurance reserves to the supporting documentation and general ledger prior to the audit.

Management's Response:

We agree with the finding. The Finance department will work quarterly with the Human Resources department to account for the insurance liability to ensure timely entries.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters noted.

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2014**

SECTION II - FINANCIAL STATEMENT FINDINGS

**Finding 2014-001: Excessive Post Audit Entries
Material Weakness**

In the prior year it was brought to your attention that many account balances required extensive reconciliation to finalize financial information. During our audit in the current year this weakness still existed. In performing our audit procedures, there were adjusting entries recorded by the auditing staff to report account balances accurately. Material journal entries were recommended and adjustments were made relating to capitalized construction projects, insurance liability, restatements, and debt in the Successor Agency.

Recommendation: We recommend quarterly and annually reconciliations of complex accounting areas, such as capital assets, insurance reserves and debt reporting to the supporting documentation and general ledger prior to the audit.

Management's Response:

Reassignment of duties and responsibilities have been revised to provide efficiency. Management will continue to closely monitor that entries are recorded timely.

2015 Update:

There were several adjustments made in specific audit areas as of and for the year ended June 30, 2015. The City is in agreement and will be working quarterly to reconcile accounting activities noted as findings.

**Finding 2014-002: Cash and Investments
Material Weakness**

In the prior year it was brought to your attention that cash required extensive reconciliation to finalize financial information. During our audit in the current year, this weakness still existed. During our test work it was noted that the City's cash and investment were not properly balanced to the general ledger in a timely manner. The design of internal control should be improved upon to include a formalized procedure to properly balance and reconcile all of the City's cash and investments as reported in the City's financial statements.

Recommendation: We recommend that the City ensure all items included on the bank statements also be included in the cash balance and maintain the appropriate oversight of the bank reconciliation and journal entry processes. While the city may have certain accounts reconciled, the reconciliation should include all accounts.

Management's Response:

Internal control procedures are in the process of being developed formally which should contribute to timely reconciliations. In addition, we have new staff who are being trained to assist in the reconciliations.

2015 Update:

The finding was repeated for the fiscal year ended June 30, 2015 as Finding 2015-005 significant deficiency. The City is in agreement and an analysis of the department staffing needs is being developed to determine whether a reorganization of personnel responsibilities is required or if additional personnel resources are needed.

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2014**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2014-003

Federal Program Title: Equitable Sharing Program
Federal Catalog Number: 16.922
Federal Agency: U.S. Department of Justice
Pass-Through Entity: N/A
Federal Award Number and Year: CA0190500; 2013
Name of Department: Police Department
Category of Finding: Equipment and Real Property Management

Criteria

The *March 2014 Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* requires that physical inventory be taken of property and equipment acquired under Federal awards at least every two (2) years. Equipment obtained under federal awards are required to be added to the property records of the recipient including the following information: description, source, who holds title, acquisition date and cost, percentage of federal participation in the cost, location, condition, disposition data, the date of disposal, and method used to determine current fair market value.

Condition

Instance of Non-Compliance - The Police Department is required to take physical inventory of federal award purchases and ensure any differences between physical inventory and equipment records are resolved. No physical inventory has been taken for equipment purchases of federal asset seizure funds.

Effect

Failure to not take physical inventory of property and equipment obtained under federal awards can result in federal agency disallowing equipment purchases and noncompliance with agreement. Not properly including all purchased and donated equipment and real property including all the required information in the property records can result in the noncompliance with federal regulations regarding federal property and equipment.

Questioned Costs

We identified no questioned costs in our tests of compliance with this requirement.

Context

As a result of our testwork, it was noted that no physical inventory has taken place for equipment purchases of federal asset seizure funds.

Recommendation

We recommend that the Police Department adhere to equipment and real property management policies and procedures set by Department of Justice and take physical inventory of assets every 2 years.

Management Response and Corrective Action

1. Person responsible: Ericka Ceccia, Administrative Analyst; Police Department
2. Corrective action plan: Physical Inventory purchased with Federal Asset Seizure Funds will be conducted every 2 years.
3. Anticipated implementation date: March 25, 2015 (Immediately after learning that it was most likely required by DOJ; We began taking Physical Inventory) Confirmed by DOJ 3/27/15

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2014**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2015 Update

The City took inventory March 2015 and has maintained appropriate records. This is no longer a finding for the audit year ended June 30, 2015.

Finding 2014-004

Federal Program Title: Equitable Sharing Program

Federal Catalog Number: 16.922

Federal Agency: U.S. Department of Justice

Pass-Through Entity: N/A

Federal Award Number and Year: CA0190500; 2013

Name of Department: Police Department

Category of Finding: Reporting

Criteria

The Equitable Sharing Agreement between the City of Azusa and U.S. Department of Justice states that the Equitable Sharing Certification report "must be submitted to aca.submit@usdoj.gov within 60 days of the end of the [City's] fiscal year. This Document must be submitted electronically with the Affidavit/Signature submitted by fax. This will constitute submission to the Department of Justice and the Department of Treasury."

Condition

Instance of Non-Compliance - The Police Department is required to submit the Equitable Sharing Certification report within 60 days after the City's fiscal year end. During our review, it was noted that the Equitable Sharing Certification report was submitted after 60 days of the fiscal year end June 30, 2014. The report was submitted December 22, 2014, 115 days after the deadline.

Effect

Failure to submit the Equitable Sharing Certification report within 60 days of fiscal year end can result in federal agency disallowing participation and funds and/or noncompliance with agreement.

Questioned Costs

We identified no questioned costs in our tests of compliance with this requirement.

Context

The City of Azusa's Police Department failed to submit the Equitable Sharing Certification report timely within 60 days of year end as stipulated in the grant agreement.

Recommendation

We recommend that the Police Department adhere to grant agreement reporting submission deadline set by Department of Justice and submit the Equitable Sharing Certification report timely within 60 days after year end.

Management Response and Corrective Action

1. Person responsible: Ericka Ceccia, Administrative Analyst; Police Department
2. Corrective action plan: Future Reports to be submitted within 60 days of fiscal year end date or written proof of additional time granted by DOJ staff to submit report (per "Guide to Equitable Sharing" pg. 29) (Unfortunately, additional time to comply was granted verbally for fiscal year end 2014, but no proof could be provided)
3. Anticipated implementation date: March 25, 2015

CITY OF AZUSA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR FISCAL YEAR ENDED JUNE 30, 2014**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2015 Update

The City has complied with reporting for the Equitable Sharing Program and has filed in a timely manner for the year ended June 30, 2015.