

**CITY OF LA HABRA**  
**Single Audit Report**  
**Year Ended June 30, 2013**



**CITY OF LA HABRA**  
**Year Ended June 30, 2013**

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**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 La Habra, 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 La Habra, 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 June 27, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City in a separate letter dated June 27, 2014.

## **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.

*Macias Jini & O'Connell LLP*

Newport Beach, California  
June 27, 2014

**Independent Auditor’s Report On Compliance  
For Each Major 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 La Habra, CA

**Report on Compliance for Each Major Federal Program**

We have audited the City of La Habra, 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.

## **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 June 27, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Macias Fini & O'Connell LLP*

Newport Beach, California  
June 27, 2014

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**CITY OF LA HABRA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
<b>U.S. Department of Agriculture:</b>			
<b>Passed through State of California Department of Education:</b>			
Child and Adult Care Food Program	10.558*	04320-CACFP-30-GM-CS	\$ 253,161
Child and Adult Care Food Program	10.558*	04320-CACFP-30-GM-DCH	1,507,448
Total Child and Adult Care Food Program Grant			<u>1,760,609</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>1,760,609</u></b>
<b>U.S. Department of Energy</b>			
<b>Direct Program:</b>			
ARRA: Energy Efficiency and Conservation Block Grant Program (EECBG)	ARRA-81.128	SC0002176	66,316
<b>Total U.S. Department of Energy</b>			<b><u>66,316</u></b>
<b>U.S. Department of Education</b>			
<b>Direct Program:</b>			
Young at Art (K-2)	84.351D	U351D090026	113,695
<b>Total U.S. Department of Education</b>			<b><u>113,695</u></b>
<b>U.S. Department of Health and Human Services</b>			
<b>Passed through California State Department of Education:</b>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CCTR-2166	501,662
Child Care and Development Fund	93.575	CCTR-2166	264,979
California State Preschool Programs	93.596	CSPP-2324	79,536
California State Preschool Programs	93.575	CSPP-2324	37,865
Child Care & Development Block Grant (CPRM-0074 Facilities Renovation and Rep)	93.713	CRPM-0074	63,662
Total Child Care and Development Fund Cluster			<u>947,704</u>
<b>Passed through Orange County Head Start:</b>			
Head Start	93.600	09-CH007-32	1,518,336
<b>Total U.S. Department of Health and Human Services</b>			<b><u>2,466,040</u></b>
<b>U.S. Department of Homeland Security</b>			
<b>Passed through California Emergency Management Agency:</b>			
Emergency Operations Center	97.052	2010-EO-MX-0016	13,870
<b>Passed through California Governor's Office of Emergency Services:</b>			
FY10 Urban Area Security Initiative Grant	97.067	2009-0019	2,064
<b>Total U.S. Department of Homeland Security</b>			<u>15,934</u>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Direct Program:</b>			
Community Development Block Grants/Entitlement Grants Cluster	14.218*	B-11-MC-06-0582	268,548
Community Development Block Grants/Entitlement Grants Cluster	14.218*	B-12-MC-06-0582	625,536
Total Community Development Block Grants/Entitlement Grants Cluster			<u>894,084</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>894,084</u></b>
<b>U.S. Department of Justice</b>			
<b>Direct Programs:</b>			
Bulletproof Vest Partnership Program	16.607	2012BUBX12061336	5,111
Equitable Sharing Program	16.922*	CA0301200	996,013
<b>Total U.S. Department of Justice</b>			<b><u>1,001,124</u></b>

\* Denotes major program or cluster

See notes to Schedule of Expenditures of Federal Awards.

CITY OF LA HABRA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures
<b>U.S. Department of Labor</b>			
<b>Passed through County of Orange Community Services Agency:</b>			
WIA Youth Activities (Out-of-School Youth) - Northern Region	17.259	55-20-13	218,075
WIA Youth Activities (In-School Youth) - Northern Region	17.259	55-21-13	150,459
Total WIA Youth Activities Program-non-ARRA			<u>368,534</u>
<b>Total U.S. Department of Labor</b>			<u><b>368,534</b></u>
<b>U.S. Department of Transportation</b>			
<b>Passed through University of California at Berkeley:</b>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - Sobriety Checkpoint Mini-Grant Program 2012-13	20.608	SC13202	40,641
<b>Passed through Anaheim Police Department:</b>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - AVOID the 26 DUI Campaign	20.608	20656	6,826
<b>Passed through California Office of Traffic Safety:</b>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated - Selective Traffic Enforcement Program	20.608	20062	60,917
State Traffic System Information Grants - Traffic Collision Database Analysis and Mapping System	20.610	TR1311	12,200
<b>Total U.S. Department of Transportation</b>			<u><b>120,584</b></u>
<b>Institute of Museum and Library Services</b>			
<b>Direct Program:</b>			
Museums for America	45.301	MA-04-11-0258-11	10,372
<b>Total Institute of Museum and Library Services</b>			<u><b>10,372</b></u>
<b>U.S. Department of Treasury:</b>			
<b>Direct Program:</b>			
Equitable Sharing Program	21.000	CA0301200	295,164
<b>Total U.S. Department of Treasury</b>			<u>295,164</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 7,112,456</b></u>

\* Denotes major program or cluster

See notes to Schedule of Expenditures of Federal Awards.

**CITY OF LA HABRA**  
**Notes to the Schedule of Expenditures of Federal Awards**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal activity of all federal award programs of the City of La Habra, 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.

**(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.

**(3) Subrecipients**

Of the Federal expenditures presented in the schedule, the City provided Federal awards to subrecipients as follows:

<b>Program Title Provided</b>	<b>Federal CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
<b>U.S Department of Agriculture</b>		
Child and Adult Care Food Program	10.558	\$ 1,301,369
<b>Total U.S. Department of Agriculture</b>		<b>\$ 1,301,369</b>
 <b>U.S. Department of Housing and Urban Development</b>		
Community Development Block Grants/Entitlements Grants Cluster	14.218	52,225
<b>Total U.S. Department of Housing and Urban Development</b>		<b>52,225</b>
 <b>U.S. Department of Health and Human Services</b>		
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	173,656
Child Care and Development Block Grant	93.575	94,721
<b>Total U.S. Department of Health and Human Services</b>		<b>268,377</b>
<b>Total Amount Provided to Subrecipients</b>		<b>\$ 1,621,971</b>

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**CITY OF LA HABRA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2013**

**Section I – Summary of Independent Auditor’s Results**

***Financial Statements:***

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
<ul style="list-style-type: none"> <li>• Material weakness (es) identified?</li> <li>• Significant deficiency (ies) identified that are not considered to be material weaknesses?</li> <li>• Noncompliance material to financial statements noted?</li> </ul>	<p>No</p> <p>None reported</p> <p>No</p>

***Federal Awards:***

Internal control over major programs:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiency(ies) identified that are not considered to be material weaknesses?</li> </ul>	<p>No</p> <p>None reported</p>
Type of auditor’s report issued on compliance for major programs:	Unmodified
<ul style="list-style-type: none"> <li>• Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?</li> </ul>	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program
14.218	Community Development Block Grants/Entitlement Grants Cluster
16.922	Equitable Sharing Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

**CITY OF LA HABRA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2013**

**Section II – Financial Statement Findings**

**A. Internal Control**

None reported.

**B. Compliance Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

**A. Internal Control**

None reported.

**B. Compliance Findings**

None reported.



**CITY OF LA HABRA**  
**Summary Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2013**

**Prior Year Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>2012-1</b>
<b>Federal Program Title</b>	<b>Community Development Block Grant/Entitlement Grants (CDBG)</b>
<b>Federal Catalog Number:</b>	<b>14.218 and 14.253</b>
<b>Federal Agency</b>	<b>Department of Housing and Urban Development (HUD)</b>
<b>Federal Award Number and Year</b>	<b>B-06-MC-06-0582, B-07-MC-06-0582, B-09-MC-06-0582, B-10-MC-06-0582, B-11-MC-06-0582, B-09-MY-06-0582</b>
<b>Category of Finding</b>	<b>Reporting</b>

***Condition:***

During our audit of the reporting requirements, we noted that the CAPER was submitted in a timely manner; however, the financial information reported in the IDIS Report – C04PR26 was incorrect, such as *total available, total expenditures, total public service obligations, and total planning and administration*. The City department responsible for the report is the Community Development Department.

***Corrective Action Taken:***

During this past year [FY 11/12], senior staff in the Community Development Department experienced significant difficulties accessing the Integrated Disbursement Information System to address this issue. This matter was recently resolved by the Washington DC office. Staff is currently working with local HUD representatives to reconcile the reported expenditure differences. It is anticipated this situation will be resolved within the coming months which will include the establishment of procedures to avoid this from occurring in the future.

***Current Year Status:***

Fully corrected.

**CITY OF LA HABRA**  
**Summary Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2013**

<b>Reference Number:</b>	<b>2011-01</b>
<b>Federal Program Titles:</b>	<b>Community Development Block Grant /Entitlement Grants (CDBG) Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)</b>
<b>Federal Catalog Numbers:</b>	<b>14.218 and 14.253</b>
<b>Federal Agency:</b>	<b>Department of Housing and Urban Development (HUD)</b>
<b>Federal Award Numbers and Years:</b>	<b>B-07-MC-06-0582, B-08-MC-06-0582, B-09-MC-06-0582, B-09-MY-06-0582</b>
<b>Category of Finding:</b>	<b>Reporting</b>

***Condition:***

During the fiscal year 2011 audit of the reporting requirements, we noted that the financial information reported in the IDIS Report – C04PR26 was incorrect, such as *the unexpended CDBG funds at end of previous program year, total available, total expenditures, total public service obligations, and total planning and administration*. The City department responsible for these reports is the Community Development Department.

***Corrective Action Taken:***

Unexpended CDBG funds at the end of the previous program year did not match the C04PR26 worksheet because staff inadvertently picked up the incorrect beginning balance from the wrong worksheet. Staff will make a retroactive correction to report form C04PR26 to resolve this issue.

***Current Year Status:***

Fully corrected.

**CITY OF LA HABRA**  
**Summary Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2013**

<b>Reference Number:</b>	<b>2011-02</b>
<b>Federal Program Titles:</b>	<b>Community Development Block Grant /Entitlement Grants (CDBG) Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)</b>
<b>Federal Catalog Numbers:</b>	<b>14.218 and 14.253</b>
<b>Federal Agency:</b>	<b>Department of Housing and Urban Development (HUD)</b>
<b>Federal Award Numbers and Years:</b>	<b>B-03-MC-06-0582, B-08-MC-06-0582, B-09-MC-06-0582, B-10-MC-06-0582, B-09-MY-06-0582</b>
<b>Category of Finding:</b>	<b>Reporting</b>

***Condition:***

During our audit of the reporting requirements, we noted that the City did not prepare and submit form SF-425 to HUD.

***Corrective Action Taken:***

Housing Staff was not aware of the requirement to submit this report. However, staff did complete all SF-272 reports for Fiscal Year 10-11. Evidently, the SF-425 replaces the SF-272 report. Now that staff is aware of the new reporting form, staff will begin reporting and submitting the SF-425 quarterly report for FY 2012 rather than the now obsolete SF-272 report.

***Current Year Status:***

Fully corrected.

**CITY OF LA HABRA**  
**Summary Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2013**

<b>Reference Number:</b>	<b>2011-03</b>
<b>Federal Program Titles:</b>	<b>Community Development Block Grant /Entitlement Grants (CDBG)</b>
<b>Federal Catalog Numbers:</b>	<b>14.218</b>
<b>Federal Agency:</b>	<b>Department of Housing and Urban Development (HUD)</b>
<b>Federal Award Numbers and Years:</b>	<b>B-03-MC-06-0582, B-08-MC-06-0582, B-09-MC-06-0582, B-10-MC-06-0582</b>
<b>Category of Finding:</b>	<b>Subrecipient Monitoring</b>

***Condition:***

During our audit, we noted that three out of 36 quarterly reports were not submitted timely. The City department responsible for monitoring subrecipients for this program is the Community Development Department.

***Corrective Action Taken:***

The person who is responsible for submitting them was out ill during these periods. There was no one else in the office trained to complete these reports. Housing Staff will communicate with the Gary Center Management to provide training to another individual to assure there is sufficient personnel available to prepare and mail quarterly reports in a timely manner.

***Current Year Status:***

Fully corrected.