

**CITY OF SEASIDE**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2012**

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BROWN  
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# BROWN ARMSTRONG

*Certified Public Accountants*

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

The Honorable City Council  
of the City of Seaside, California

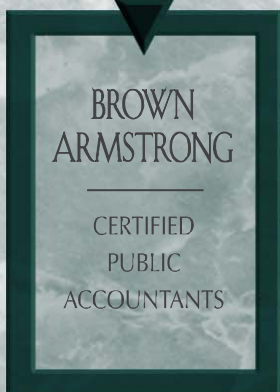
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Seaside, California, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with 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.

### Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs as Finding 12-01 to be a material weakness.



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Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 12-02 through 12-04.

We noted certain matters that we reported to management of the City in a separate letter dated March 29, 2013.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City Council, management, others within the City, and the City's federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
March 29, 2013

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CERTIFIED  
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ACCOUNTANTS

BROWN ARMSTRONG

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133, AND THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS COMPLIANCE**

The Honorable City Council  
of the City of Seaside, California

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Compliance

We have audited the City of Seaside, California's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 12-02 in the accompanying schedule of findings and questioned costs, the City did not comply, in all instances, with requirements regarding reporting that are applicable to its Energy Efficiency and Conservation Block Grant (CFDA 81.128). Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

As described in item 12-03 in the accompanying schedule of findings and questioned costs, the City did not comply, in all instances, with requirements regarding reporting that are applicable to its Byrne Memorial Grant Program – ARRA (CFDA 16.803). Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.



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As described in item 12-04 in the accompanying schedule of findings and questioned costs, the City did not comply, in all instances, with requirements regarding reporting that are applicable to its Staffing for Adequate Fire and Emergency Response (CFDA 97.083). Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraphs, the City complied, in all material respects, with the 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, 2012.

#### Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and which are described in the accompanying schedule of findings and questioned costs as items 12-02 through 12-04. 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated March 29, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the City Council, management, others within the City, and the City's federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
March 29, 2013

**CITY OF SEASIDE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Financial Assistance Expenditures
<b>U.S. Department of Army:</b>			
<i>Passed Through the City of Monterey, California:</i>			
Presidio of Monterey Base Operation and Maintenance Contract	99.Unknown *	DABT67-97-R-0015	\$ 1,395,215
<b>U.S. Department of Housing and Urban Development (HUD):</b>			
<i>Direct Program:</i>			
Community Development Block Grant / Entitlement Grants	14.218	B-10-MC-06-0006	246,053
<b>U.S. Department of Commerce:</b>			
Economic Development Administration: Economic Adjustment Assistance	11.307	07-79-06502	426,451
<b>U.S. Department of Energy:</b>			
<i>Passed Through the California Energy Commission:</i>			
Energy Efficiency and Conservation Block Grant Program - Assistance ARRA	81.128 *	CBG-09-036	181,871
Energy Efficiency and Conservation Block Grant Program - SEP Loan Recovery - ARRA	81.041	023-09-ECE-ARRA	<u>59,404</u>
Total U.S. Department of Energy			<u>241,275</u>
<b>U.S. Department of Homeland Security:</b>			
<i>Direct Program:</i>			
Staffing for Adequate Fire and Emergency Response (SAFER Act)	97.083 *	EMW-2010-FH-00607	314,127
<b>U.S. Department of Justice:</b>			
<i>Passed Through the County of Monterey, California:</i>			
Byrne Memorial Discretionary Grant Program	16.580	2009-D1-BX-0103	50,248
<i>Passed Through the California Emergency Management Agency:</i>			
Byrne Memorial Grant Program - ARRA	16.803 ^*	Recovery Act - State	<u>132,955</u>
Total U.S. Department of Justice			<u>183,203</u>
Total Federal Expenditures			<u><u>\$ 2,806,324</u></u>

\* A major program

^ City is a subrecipient of funds passing through from the County of Monterey Sheriff Department.

See accompanying note to the schedule of expenditures of federal awards.

**CITY OF SEASIDE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. General

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of federal award programs of the City of Seaside, California (City). The City's reporting entity is defined in Note 1 A of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the City are included in 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.

C. Relationship to the Basic Financial Statements

The Schedule presented is prepared from only the accounts of the grant programs and therefore does not present the financial position or results of operations of the City. Monies received under various grant programs have been recorded within special revenue funds of the City.

D. Deferred Loans Receivable

Funded by Community Development Block Grants/Entitlement Grants, the City issues loans to various recipients. At June 30, 2012, the outstanding balance of these loans was \$406,707, which does not have continuing compliance requirements and is not reported on the Schedule. No new loans were issued in during the fiscal year ended June 30, 2012.

**CITY OF SEASIDE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Section I – Summary of Audit Results**

***Financial Statements:***

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

***Federal Awards:***

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

CFDA No. 81.128	Energy Efficiency and Conservation Block Grant Program - ARRA
CFDA No. 99.Unknown	Presidio of Monterey Base Operations and Maintenance Contract
CFDA No. 16.803	Byrne Memorial Grant Program - ARRA
CFDA No. 97.083	Staffing for Adequate Fire and Emergency Response (SAFER act)

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

**CITY OF SEASIDE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2012**

**Section II – Financial Statement Findings**

***Finding 12-01***

**Criteria:**

Cash balances should be considered prior to encumbering expenses. Any interfund loan that is not to be repaid “within a reasonable period of time,” should be reclassified as a transfer.

**Condition:**

The City manages cash by total cash balance instead of by fund. The City also pays most expenses from its pooled cash based on a budget appropriation without taking into consideration the availability of cash in a particular fund. During our audit, we noted that the Laguna Grande Project and the Storm Water special revenue funds had deficit fund balances of \$363,237 and \$1,492,966, respectively. In addition, these funds had significant cash flow loans from other funds. Interfund loans are intended to be short-term in nature and should be repaid within one year, though the revenue streams in these special revenue funds do not appear adequate enough to repay the interfund loans. In substance, such a transaction is not an interfund loan, but a transfer of resources from one fund to another. Accordingly accounting principles generally accepted in the United States of America require that any portion of an interfund loan that is not to be repaid “within a reasonable period of time” be reclassified as a transfer.

**Effect:**

The cash flow loans may be incorrectly stated.

**Recommendation:**

We recommend that the City develop a plan to cure the fund deficits through transfers and re-designation of discretionary funds and/or identify sustainable revenue sources to fund these activities.

**Management Response/Corrective Action Plan:**

1. Laguna Grande Project Fund: The Laguna Grande Project reconciliation will be undertaken during fiscal year 2012-13. If a deficit balance remains after the analysis and corrections are made, a transfer of funds will be made from the appropriate fund.
2. Storm Water Fund: The Storm Water Fund was established to capture all the costs the City has incurred to meet the requirements of Federal and State storm water mandates. The City has hired an outside consulting firm to prepare a revenue study. The results of the study will recommend implementing a fee to recover costs and future ongoing storm water expenditures.

Contact information of responsible official:

Lisa Saldana  
Telephone: (831) 899-6721  
Email: [lsaldana@ci.seaside.ca.us](mailto:lsaldana@ci.seaside.ca.us)

**CITY OF SEASIDE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2012**

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

***Finding 12-02 Noncompliance with Reporting Requirements***

<b>CFDA Title and Number:</b>	<b>Energy Efficiency and Conservation Block Grant Program – 81.128</b>
<b>Federal Agency:</b>	<b>U.S. Department of Energy, including ARRA Grant</b>
<b>Pass-Through:</b>	<b>California Energy Commission</b>
<b>Award Year:</b>	<b>June 30, 2012</b>

**Criteria:**

The Grant Agreement for the Energy Efficiency and Conservation Block Grant Program requires monthly progress reports be submitted by the 3rd day of each month until final submission of the final report. OMB Circular A-133 Reporting Requirements require progress reports to be submitted with accurate and complete data.

**Condition:**

We selected the months of January, March, and June 2012 progress reports to test timely submission. We noted during our testing that the January 2012 progress report was not submitted until March 12, 2012.

Also, during our testing of the progress reports, we were unable to verify the accuracy or completeness of the FTE calculation for the three months selected.

**Effect:**

The City is not in compliance with the grant agreement requirement. Failure to comply with the reporting requirements outlined in the grant agreement is considered a material noncompliance with the terms of the agreement. Noncompliance can result in withholding of future payments, suspension, or termination of the current award, and withholding of future awards.

**Questioned Costs:**

N/A

**Systematic or Isolated:**

Systematic.

**Recommendation:**

We recommend the City implement formal procedures requiring timely submission of progress reports and to designate a responsible official to oversee the report is submitted timely, accurately, and completely.

**CITY OF SEASIDE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2012**

**Management Response/Corrective Action Plan:**

The City will implement a formal procedure requiring the submission of monthly progress reports. The City will create electronic reminders for the project manager and the responsible official to assure proper reporting and grant compliance. The responsible official will be Tim O'Halloran, City Engineer/Public Works Services Manager.

Contact information of responsible official:

Lisa Saldana  
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***Finding 12-03 Noncompliance with Reporting Requirements***

<b>CFDA Title and Number:</b>	<b>Byrne Memorial Grant Program – ARRA – 16.803</b>
<b>Federal Agency:</b>	<b>U.S. Department of Justice, including ARRA Grant</b>
<b>Pass-Through:</b>	<b>California Emergency Management Agency</b>
<b>Award Year:</b>	<b>June 30, 2012</b>

**Criteria:**

The City is a sub-recipient to the County of Monterey for the program. Under the agreement, the City is required to submit monthly the "JAGS Jobs Data Collection Sheet" to the County of Monterey for reporting ARRA federal funds.

**Condition:**

During our testing of the reports, we noted the City did not submit the required "JAGS Jobs Data Collection Sheet" to the County of Monterey.

**Effect:**

Noncompliance can result in withholding of future payments, suspension, or termination of the current award, and withholding of future awards.

**Questioned Costs:**

N/A

**Systematic or Isolated:**

Systematic.

**Recommendation:**

We recommend the City implement formal procedures requiring timely submission of progress reports and to designate a responsible official to oversee the report is submitted timely.

**CITY OF SEASIDE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Management Response/Corrective Action Plan:**

The City and the Seaside Police Department lacked coordination between the grant funded detective position and the administration of the grant program with Monterey County. In 2012, an administrative analyst position was added and assigned to the police department to better manage administrative tasks, to include grant management. In addition, the City developed and implemented a Grant Management Policy and Procedure. Any future grant awards for the police department will be managed through the police department's administrative analyst position, in accordance with the City's Grant Management Policy and Procedure, to ensure grant reporting requirements are met, to include the JAGS Jobs Data Collection Sheet.

Contact information of responsible official:

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***Finding 12-04 Noncompliance with Reporting Requirements***

<b>CFDA Title and Number:</b>	<b>Staffing for Adequate Fire and Emergency Response - 97.083</b>
<b>Federal Agency:</b>	<b>U.S. Department of Homeland Security</b>
<b>Award Year:</b>	<b>June 30, 2012</b>

**Criteria:**

Federal Financial Report Instructions require the program to report cumulative amount of actual cash disbursements for direct charges for goods and services, amount of indirect expenses charged to the award, and the amount of cash advances and payments made to contractors.

The Grant Agreement for the Staffing for Adequate Fire and Emergency Response requires monthly performance reports be submitted. OMB Circular A-133 Reporting Requirements require performance reports be submitted with accurate and complete data.

**Condition:**

During our testing of the program's semi-annual Federal Financial Report/SF-425, we noted the cash disbursements were reported on the incorrect basis of accounting. Total disbursements for the report ended December 31, 2011, did not include expenditures from July 1, 2011, through December 31, 2011. The cash disbursements for the period ended June 30, 2012, did not report expenditures from January 13, 2012, to June 30, 2012.

During our testing of the program's quarterly performance report, we were unable to verify the accuracy of the data.

**Effect:**

The City is not in compliance with OMB A-133 requirements. Failure to comply with the reporting requirements is considered a material noncompliance, which can result in withholding of future payments, suspension, or termination of the current award and withholding of future awards.

**CITY OF SEASIDE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2012**

**Questioned Costs:**

For the report period ended December 31, 2011, total cash disbursements were *understated* by approximately \$181,323 per review of the reimbursement detail prepared by the Financial Analyst.

For the reporting period ended June 30, 2012, the cash disbursements omitted amounts expended during January 13, 2012, through April 5, 2012, for approximately \$70,151, and approximately \$81,880 for the period of April 6, 2012, through June 30, 2012.

**Systematic or Isolated:**

Systematic.

**Recommendation:**

We recommend the City implement a policy to require an individual independent of preparation of the required reports to review the reports for accuracy.

**Management Response/Corrective Action Plan:**

The City concurs with the finding. The City hired Shamrock Consulting, LLC, to not only submit the 2010 Staffing for Adequate Fire and Emergency Response grant, but manage the required program's semi-annual Federal Financial Reporting. In the future, the City will review the semi-annual Federal Financial Report/SF-425 for accuracy prior to submission.

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**PRIOR AUDIT FINDINGS**

**CITY OF SEASIDE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

***Finding 11-01***

**Criteria:**

Cash balances should be considered prior to encumbering expenses. Any interfund loan that is not to be repaid "within a reasonable period of time," should be reclassified as a transfer.

**Condition:**

The City manages cash by total cash balance instead of by fund. The City also pays most expenses from its pooled cash based on a budget appropriation without taking into consideration the availability of cash in a particular fund. During our audit, we noted that the Laguna Grande Project and the Storm Water special revenue funds had deficit fund balances of \$377,944 and \$1,171,023, respectively. In addition, these funds had significant cash flow loans from other funds. Interfund loans are intended to be short-term in nature and should be repaid within one year, though the revenue streams in these special revenue funds do not appear adequate enough to repay the interfund loans. In substance, such a transaction is not an interfund loan, but a transfer of resources from one fund to another. Accordingly accounting principles generally accepted in the United States of America require that any portion of an interfund loan that is not to be repaid "within a reasonable period of time" be reclassified as a transfer.

**Effect:**

The cash flow loans may be incorrectly stated.

**Recommendation:**

We recommend that the City develop a plan to cure the fund deficits through transfers and re-designation of discretionary funds and/or identify sustainable revenue sources to fund these activities.

**Management Response/Corrective Action Plan:**

1. Laguna Grande Projects Fund: The City hired a Financial Analyst to reconcile both the Presidio O & M Activities and the Laguna Grande Project Funds. The Presidio O & M Activities reconciliation required more attention than originally projected. The Laguna Grande Project reconciliation will be undertaken and completed by June 30, 2012. If a deficit balance remains after the analysis and corrections are made, a transfer of funds will be made from the appropriate fund.
2. Storm Water Fund: The Storm Water Fund was established in order to capture all the costs the City has incurred to meet the requirements of Federal and State storm water mandates. It has been the City's intention to establish a fee to recover these costs and all future ongoing storm water expenditures.

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**Current Year Status:**

See Finding 12-01.