CITY OF INGLEWOOD
Inglewood, California

Single Audit Report on
Federal Awards

For the Fiscal Year ended September 30, 2009
CITY OF INGLEWOOD

Single Audit Report on Federal Awards

Year ended September 30, 2009

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Honorable Mayor and City Council
City of Inglewood
Inglewood, California

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

We have audited the financial statements of the governmental activities and each major fund and
the aggregate remaining fund information of the City of Inglewood, California, (the City) as of
and for the year ended September 30, 2009, which collectively comprise the City's basic financial
statements and have issued our report thereon dated March 24, 2010. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s 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 testing disclosed no instances of
noncompliance that are required to be reported under Government Auditing Standards.

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.

A control deficiency 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
misstatements on a timely basis. A significant deficiency is a control deficiency, or combination
of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process,
or report financial data reliably in accordance with generally accepted accounting principles such
that there is more than a remote likelihood that a misstatement of the City's financial statements
that is more than inconsequential will not be prevented or detected by the City's internal control.
We consider items 2009-01 through 2009-10 as described in the accompanying Schedule of
Findings and Questioned Costs to be significant deficiencies in internal control.
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the significant deficiencies described in items 2009-01, 2009-02, 2009-03 and 2009-4 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, as defined above.

We noted certain matters we reported to the management of the City of Inglewood in a separate letter dated March 24, 2010.

The City’s written response to the material weaknesses and significant deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than those specified parties.

Irvine, California
March 24, 2010
Honorable Mayor and City Council
City of Inglewood
Inglewood, California

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of Inglewood, California, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended September 30, 2009. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are 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 on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity’s internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City’s internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City’s internal control that might be significant deficiencies or material weaknesses. We noted no deficiencies in internal control over compliance that were considered to be a material weakness.

Schedule of Federal Awards

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended September 30, 2009, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 24, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and supplementary Schedule of Expenditures of Los Angeles County Grants are presented for purposes of additional analysis in accordance with the requirements of OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the City Council, management, 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.

Irvine, California
March 24, 2010
## Federal Grantor/Pass-Through Grantor Program Title

<table>
<thead>
<tr>
<th>Federal Domestic Assistance Number</th>
<th>Program Identification Number</th>
<th>Program Expenditures</th>
<th>Amounts Provided to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Housing and Urban Development</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Direct Assistance:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 8 Housing Choice Vouchers</td>
<td>14.871</td>
<td>CA082VO</td>
<td>$6,143,408</td>
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<tr>
<td>Community Development Block Grants/Entitlement Grants</td>
<td>14.218</td>
<td>B03MC06520</td>
<td>1,697,310</td>
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<tr>
<td>Emergency Shelter Grants Program</td>
<td>14.231</td>
<td>S03MC060520</td>
<td>98,437</td>
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<tr>
<td>Home Investment Partnerships Program</td>
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<td>M03MC060516</td>
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<td><strong>Subtotal</strong></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>$8,731,492</td>
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<tr>
<td><strong>U.S. Department of Justice</strong></td>
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<tr>
<td>Direct Assistance:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Asset Forfeiture</td>
<td>16.000</td>
<td>n/a</td>
<td>141,981</td>
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<td>Community Oriented Policing Technology Grants</td>
<td>16.710</td>
<td>2008CKWX0511</td>
<td>104,281</td>
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<tr>
<td>Edward Byrne Memorial Justice Assistance Grant Program</td>
<td>16.738</td>
<td>2005DJBX1071, 2006DJBK0360</td>
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<td><strong>Subtotal</strong></td>
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<td>$375,894</td>
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<td><strong>U.S. Department of Transportation</strong></td>
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<tr>
<td>Direct Assistance:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Airport Improvement Program</td>
<td>20.106</td>
<td>3-06-0139-30, 3-06-0139-33, 3-06-0139-38</td>
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<tr>
<td><strong>Small Business Administration</strong></td>
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<td>Direct Assistance:</td>
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<tr>
<td>Grow Inglewood Loan Program</td>
<td>59.011</td>
<td>SBAHQ-08-I-0100</td>
<td>500,000</td>
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<td><strong>U.S. Department of Health and Human Services</strong></td>
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<tr>
<td>Pass-through from the County of Los Angeles:</td>
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</tr>
<tr>
<td>Special Programs for the Aging Title III</td>
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<tr>
<td>Part B Grants for Supportive Services and Senior Centers</td>
<td>93.044</td>
<td>n/a</td>
<td>55,992</td>
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<tr>
<td>Home Delivered Meals, Congregate Nutrition, Title III</td>
<td>93.045</td>
<td>n/a</td>
<td>538,684</td>
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<tr>
<td>Nutrition Services Incentive Program</td>
<td>93.053</td>
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<td>71,651</td>
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<td><strong>Subtotal</strong></td>
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<tr>
<td>National Family Caregiver Support, Title III, Part E</td>
<td>93.052</td>
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<td>15,724</td>
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<tr>
<td><strong>Subtotal</strong></td>
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<td>$682,051</td>
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<tr>
<td><strong>U.S. Department of Homeland Security</strong></td>
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<tr>
<td>Pass-through from the City of Los Angeles:</td>
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<td></td>
</tr>
<tr>
<td>Urban Areas Security Initiative</td>
<td>97.008</td>
<td>n/a</td>
<td>18,192</td>
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<tr>
<td><strong>Total federal expenditures</strong></td>
<td></td>
<td></td>
<td>$23,991,887</td>
</tr>
</tbody>
</table>

* Major program
n/a - not available

See accompanying notes to the schedule of expenditures of federal awards
### Federal Grantor/Pass-Through Grantor Program Title

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor Program Title</th>
<th>Federal Domestic Assistance Award Amount Number</th>
<th>Contract</th>
<th>Period</th>
<th>Award Contracted</th>
<th>Amount Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Older Americans Act:</strong></td>
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<tr>
<td>NSIP/USDA Title III C1</td>
<td>93.053</td>
<td>40291</td>
<td>2008-2009</td>
<td>$33,701</td>
<td>$33,701</td>
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<tr>
<td>NSIP/USDA Title III C2</td>
<td>93.053</td>
<td>40291</td>
<td>2008-2009</td>
<td>$38,333</td>
<td>$38,333</td>
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<td><strong>Subtotal - Older Americans Act (Nutritional Services Incentive Program)</strong></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>72,034</td>
<td>72,034</td>
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<tr>
<td><strong>Integrated Care Management Services (State of California):</strong></td>
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<td></td>
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<tr>
<td>Linkages-California State General Funds</td>
<td>40128</td>
<td>2008-2009</td>
<td></td>
<td>26,394</td>
<td>26,394</td>
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<tr>
<td>Linkages-Parking Fees Funds</td>
<td>40128</td>
<td>2008-2009</td>
<td></td>
<td>11,305</td>
<td>11,305</td>
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<td><strong>Subtotal - Integrated Care Management Services (State of California)</strong></td>
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<td></td>
<td>37,699</td>
<td>37,699</td>
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<tr>
<td><strong>Department of Health and Human Services:</strong></td>
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<tr>
<td>Title III C1 Congregate Nutrition</td>
<td>93.045</td>
<td>40291</td>
<td>2008-2009</td>
<td>270,231</td>
<td>270,231</td>
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<tr>
<td>Title III C 2 Home Delivered Meals</td>
<td>93.045</td>
<td>40291</td>
<td>2008-2009</td>
<td>268,280</td>
<td>268,280</td>
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<td>Title III Part B - Special Programs for the Aging -</td>
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<tr>
<td>Grants for Supportive Services and Senior Centers</td>
<td>93.044</td>
<td>40291</td>
<td>2008-2009</td>
<td>4,499</td>
<td>4,499</td>
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<td>Grants for Supportive Services for Aging</td>
<td>93.044</td>
<td>40218</td>
<td>2008-2009</td>
<td>75,719</td>
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<td>Title III Part E - National Family Caregiver Support Program</td>
<td>93.052</td>
<td>40218</td>
<td>2008-2009</td>
<td>20,298</td>
<td>20,298</td>
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<td><strong>Subtotal - Department of Health and Human Services</strong></td>
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<td>639,027</td>
<td>639,027</td>
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<tr>
<td><strong>Total - LA County Contracts 40291 and 40128</strong></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td></td>
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<td>$748,760</td>
<td>$748,760</td>
</tr>
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### Federal Funds - Reconciliation to Schedule of Expenditures of Federal Awards

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor Program Title</th>
<th>Federal Domestic Assistance Award Amount Number</th>
<th>Contract</th>
<th>Period</th>
<th>Award Contracted</th>
<th>Amount Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Older Americans Act (Department of Agriculture) Fiscal Year Ended 6/30/09</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: July through September 2008 Expenditures</td>
<td></td>
<td></td>
<td></td>
<td>(18,440)</td>
<td>(18,440)</td>
</tr>
<tr>
<td>Add: July through September 2009 Expenditures (40291)</td>
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<td></td>
<td></td>
<td>18,057</td>
<td>18,057</td>
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<tr>
<td>Older Americans Act (Nutritional Services Incentive Program) Fiscal Year Ended 9/30/09</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$71,651</td>
<td></td>
</tr>
<tr>
<td>Department of Health and Human Services Fiscal Year Ended 6/30/09</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: July Through September 2008 Expenditures</td>
<td></td>
<td></td>
<td></td>
<td>(180,067)</td>
<td>(180,067)</td>
</tr>
<tr>
<td>Add: July through September 2009 Expenditures (40291/40128)</td>
<td></td>
<td></td>
<td></td>
<td>151,440</td>
<td>151,440</td>
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<td>Department of Health and Human Services Fiscal Year Ended 9/30/09</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>$610,400</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to the schedule of expenditures of federal awards
CITY OF INGLEWOOD

Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year ended September 30, 2009

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Inglewood that are reimbursable by agencies providing federal assistance. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly 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 recognized when the agency becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) Subrecipient Expenditures

Payments to subrecipients totaled $136,309 for the Community Development Block Grant and $194,084 for the Home Investment Partnerships Program for the fiscal year ended September 30, 2009.
CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

(A) Summary of Auditors’ Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.

2. The audit disclosed ten significant deficiencies of which four were considered to be material weaknesses in internal control over financial reporting.

3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.

4. There were no significant deficiencies in internal control over the major programs of the auditee.

5. An unqualified opinion was issued by the auditors on compliance for major programs.

6. The audit disclosed no audit finding required to be reported under paragraph .510(a) of OMB Circular A-133.

7. The major programs of the auditee were U.S. Department of Housing and Urban Development, Section 8 Housing Choice Vouchers, CFDA No. 14.871; U.S. Department of Health and Human Services, Aging Cluster, CFDA Nos. 93.044, 93.045, and 93.053; U.S. Department of Health and Human Services, National Family Caregiver Support, Title III, Part E, CFDA No. 93.052; and U.S. Department of Transportation, Federal Aviation Administration, CFDA No. 20.106.

8. The dollar threshold used to distinguish Type A and Type B programs was $719,757.

9. The auditee did not qualify as a low risk auditee, as defined by OMB Circular A-133, paragraph .530, for the year ended September 30, 2009 for the purpose of determining major programs.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2009-01) Need for Enhanced Controls Over Citywide Cash and Investment Reconciliation

We noted that the monthly bank reconciliations of the City’s cash and investment accounts have not been completed in a timely manner. The September 30, 2009 bank reconciliation was completed by the City in February, 2010.
(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS. (Continued)

(2009-01) Need for Enhanced Controls Over Citywide Cash and Investment Reconciliation. (Continued)

In addition to the reconciliation issues noted above, we also identified a liability account used by the City to track stale and outdated checks. These amounts should be included as outstanding checks in the monthly reconciliation until the point that the City has gone through the proper escheating procedures rather than as a liability of the General fund. Furthermore, the City should take the necessary steps to clean up these stale and outdated checks and review these items on a more regular basis.

Accurate and timely completion of monthly bank reconciliations are important internal controls that help the City identify any potential fraudulent activity and accurately state the financial position of the City’s funds.

Recommendation

We recommend that monthly bank reconciliations be completed in a timely manner to ensure that all activity has been properly reconciled to the accounting records. Furthermore, the City should take the necessary steps to process and monitor uncleared items on a regular basis.

Management’s Response Regarding Corrective Action Taken or Planned

The City recognizes the importance of preparing the bank reconciliations on a monthly basis to ensure proper accountability of funds and to accurately state the City’s financial position as well as help identify any potential fraudulent activity. The City also recognizes the need for proper monitoring of stale dated checks and will be taking the necessary steps to review the items in the liability account to ascertain the status of each payment and proceed with the escheating process when necessary.

(2009-02) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans

The “First Time Homebuyer Mortgage Assistance Loan Program” and the “Home Rehabilitation Loan Program” had a balance of approximately $6.0 million of non-interest bearing loans to qualified participants as of September 30, 2009. Of the total loans, $2.2 million were funded by HUD from HOME/CDBG grants to the City and the remaining $3.8 million were funded by the Inglewood Redevelopment Agency (RDA) from the 20% property tax set-aside in other Low and Moderate Income Housing Fund. Repayment of the loans is required if the title of the assisted property changes during the term of the loan.
CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS. (Continued)

(2009-02) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans. (Continued)

The City began a process of analyzing the status and collectability of these loans, and based on this process, the City has established an allowance for certain loans where the City no longer expects repayment.

Recommendation

We recommend that the City develop and implement a tracking system to properly monitor the accuracy of the outstanding loan portfolio and payments of the loan balances for both the First Time Homebuyers and the Rehabilitation loan programs to prevent a loss in revenue to the City. The City should ensure that all outstanding loans be titled to the City as beneficiary and trustee. We also recommend that the City and the RDA properly monitor its contracts with all outside contracted entities to prevent possible defalcation, abuse or fraud in the accounting for these loans and to perform all of their fiduciary duties under the terms of the grant agreements, OMB requirements and City internal control policies and procedures.

Management’s Response Regarding Corrective Action Taken or Planned

The City has completed a review of the entire loan portfolio in its possession funded through the U.S. Department of Housing and Urban Development (HUD) under the HOME Investment Partnerships Act (HOME) Program and the Community Development Block Grant (CDBG) Program, and created a database of all outstanding homeowners and loan balances. Outstanding loans were identified by property liability profiles as listing the City as the beneficiary and trustee on silent second Mortgage Assistance First Time Home Buyer trust deeds and Housing Rehabilitation deferred payment loan trust deeds. Loan payoff demands require contact with the City and follow-up for loan payoffs to the City. The CDBG Division is responsible for processing the payments through the Finance Department and preparing loan payoff documentation on behalf of the homeowner, for submission to the responsible escrow company for filing with the Office of the County Recorder.

The CDBG Division requires that contracted agencies submit quarterly performance reports and conducts quarterly desk monitoring reviews of the reports. The CDBG Division also conducts annual on-site monitoring visits to assure adherence to all applicable laws and regulations under the terms of the grant agreements.

The Redevelopment Agency concurs with the audit recommendation to upgrade, develop and implement a tracking system to effectively monitor the accuracy of the Agency’s outstanding loan portfolio and payments of the loan balances for the First Time Home Buyer program. In 2010, the Agency will be issuing a Request for Proposal for a Program Administrator (Mortgage Company, escrow or bank etc.) to implement/manage FTHB Program. That contract will include portfolio management.
CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS. (Continued)

(2009-02) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans. (Continued)

and monitoring. The audit recommendation will be incorporated in the new program policies and procedures.

(2009-03) Adjustments Detected Through the Audit Process

Paragraph 19 of Statement on Auditing Standards No. 112 requires that the auditor include in the report of significant control deficiencies any material adjustments detected by the audit process. For the year ended September 30, 2009, material adjustments detected by the audit process were as follows:

- To adjust revenues in the amount of $1,721,547 for cash receipts collected for Proposition 1B that were deferred.
- To record current year expenditures in the amount of $3,900,000 for court deposits used to purchase property.
- To reduce transfers from the Sanitation Fund to the General Fund in the amount of $999,996 for services which were charged in excess to the Sanitation Fund.

Recommendation

We recommend that the City develop and implement procedures to assist Finance Department staff in the process of closing the accounting records at the end of each fiscal year to ensure all material accounting entries have been prepared prior to the auditors conducting the audit. These procedures could involve checklists of processes to be completed and accounts to be reviewed and/or analyzed.

Management’s Response Regarding Corrective Action Taken or Planned

The City recognizes that the general ledger accounts need to be reviewed and/or analyzed and audit preparation needs to be performed at the end of each fiscal year prior to the arrival of the auditors upon the commencement of the final audit. The management of the Finance Department will create a checklist with strict adherence to timelines of balance sheet accounts and other pertinent accounts to be reviewed and/or analyzed by finance department staff with management of the Finance Department reviewing such work performed to ensure that the accounts in the general ledger are not materially misstated.
(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS. (Continued)

(2009-04) Need for Improved Controls over Monitoring of Grants and Grant Reimbursements

The City receives grant funding from various agencies on a cost reimbursement basis. Under the terms of the grant funding agreements, the City incurs costs in advance and then requests reimbursement from granting agencies. During our test work performed over grant receivables we noted one particular grant where expenses were incurred from 2008-2009 which the City considers to be fully reimbursable and was recorded as a grant receivable. Upon further inquiry with the Finance Department, it was noted that the status of this reimbursement was unknown. Therefore, an allowance for uncollectible accounts for the entire amount of the grant receivable was recorded as of September 30, 2009.

There is a lack of inter-department communications and reconciliation with to the grant receivable process which has caused grant eligible reimbursements to go unreported for extended periods of time.

Recommendation

We recommend that reimbursements be submitted to granting agencies on at least a quarterly basis in order to maximize the investment income of the City, reduce the cash flow impacts of delayed reimbursements, and to ensure that such reimbursements are fully collectible and prepared properly.

We also recommend that the City develop controls to properly track outstanding receivables and to follow-up with stale receivables in a timely manner. Known uncollectible receivables should also be completely written off from the City’s general ledger.

Management’s Response Regarding Corrective Action Taken or Planned

The Administration Department is drafting a new Grant Management Policies and Procedures section for the City of Inglewood Administrative Manual. The development and implementation of this section will ensure proper management of all grants including timely and accurate reporting. In addition, the Administration Department has instructed the ITC Department to develop a web-based, grant management tickler system. This system will track grant reporting deadlines and will notify staff when a deadline is approaching, giving adequate time to develop reports and submit for approval, with final submittal to the granting entity. The Grant Management Policies and Procedures section of the Administrative Manual will be completed by 2010. The web-based, grant management tickler system will be completed in the first quarter of calendar year 2010.
(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS. (Continued)

(2009-04) Need for Improved Controls over Monitoring of Grants and Grant Reimbursements. (Continued)

In addition to the Grant Management Policies and Procedures addressing grants monitoring, reimbursements, and timely reporting, the Finance Department will also be monitoring and reconciling the receivables at least annually and writing off any known uncollectible receivables.

(2009-05) Need to Develop Written Policies and Procedures for Information Technology

General controls are the policies and procedures that apply to all or a large segment of an entity’s information systems and help ensure their proper operation. Examples of primary objectives for general controls are to safeguard data, protect business process application programs, and ensure continued computer operations in case of unexpected interruptions. The effectiveness of general controls is a significant factor in determining the effectiveness of business process application controls. Without effective general controls, business process application controls can generally be rendered ineffective by circumvention or modification. For example, automated edits designed to preclude users from entering unreasonably large dollar amounts in a payment processing system can be an effective application control. However, this control can not be relied on if the general controls permit unauthorized program modifications that might allow some payments to be exempted from the edits or unauthorized changes to be made to data files after the edit is performed. The entity should be aware of these risks and should develop appropriate policies and procedures to respond to any IT system issues that might occur.

During our review of IT general controls we noted the City does not have formal policies and procedures for most general control areas. Examples of policies and procedures the City should formalize include:

1. Information Security
2. Software Development Methodology
3. Change and Problem Management
4. System and Network Monitoring
5. Data Backup and Recovery
6. Records Management and Data Retention
7. Disaster Recovery and Business Continuity Planning

We understand the City is currently documenting policies for Disaster Recovery Preparedness and Records Management / Data Retention.

Recommendation

We recommend the City develop written policies and procedures for information technology general controls.
CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS. (Continued)

(2009-05) Need to Develop Written Policies and Procedures for Information Technology. (Continued)

Management’s Response Regarding Corrective Action Taken or Planned

The ITC Department has launched an internal project to compile and formalize policies and procedures for computer operations based upon best practices to include data backup and recovery, problem management, system monitoring and error handling, network monitoring, information security, software development methodology, records management and data retention and disaster recovery and business continuity planning. This project has been assigned resources, and it is anticipated that a first draft of the policies and procedures manual will be completed during 2010.

(2009-06) Need for Enhanced Security Controls over Information Technology Systems

Access controls limit or detect inappropriate access to computer resources, thereby protecting them from unauthorized modification, loss, and disclosure. Logical access controls require users to authenticate themselves (through the use of secret passwords or other identifiers) and limit the files and other resources that authenticated users can access and the actions that they can execute. Without adequate access controls, unauthorized individuals, including outside intruders and former employees, can surreptitiously read and copy sensitive data and make undetected changes or deletions for malicious purposes or personal gain. In addition, authorized users can intentionally or unintentionally read, add, delete, modify, or execute changes that are outside their span of authority. Inadequate access controls diminish the reliability of computerized data and increase the risk of destruction or inappropriate disclosure of data.

During our review of security controls and password settings, we noted that certain procedures could be upgraded to be more inline with certain industry standards. For example, we noted the City does not employ password complexity requirements on the Windows Active Directory system. The Windows AD system is also used to provide users single sign-on to Eden, the Enterprise Resource Planning tool used by the City. The following are industry standard user account policies that, if implemented, should provide for increased security over system resources:

- Individual users should be uniquely identified rather than having users within a group share the same ID or password; generic user IDs and passwords should not be used.
- Passwords should be required to be changed periodically, between 30 to 90 days.
- Passwords should be required to contain both alphanumeric and special characters.
CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS. (Continued)

(2009-06) Need for Enhanced Security Controls over Information Technology Systems. (Continued)

- A minimum character length, at least 8 characters, should be required for passwords.
- Use of old passwords (for example, within 6 generations) should be prohibited.
- Unsuccessful attempts to login should be limited to between 3 and 5 attempts.

In addition, the City does not conduct periodic reviews of users’ access to the network and Eden to ensure user access is appropriate.

We understand the City IT & Communication Department is in the process of updating these controls. The City is planning to implement stronger password controls for the Windows Active Directory and Eden software in December 2009.

Recommendations

We recommend the City continue making efforts to enhance user access security controls to be in-line with industry best practices, as described above. In addition, we recommend the City implement a periodic (i.e., semi-annual) review of user access to system resources to ensure user access is appropriate.

Management’s Response Regarding Corrective Action Taken or Planned

The ITC Department has launched an internal project to compile and formalize policies and procedures based upon best practices as they relate to information security.

The ITC Department instituted a new password policy. All passwords, including initial passwords, will be constructed and implemented according to the following rules:

a. Users will be required to change their password at least every 90 days.
b. The minimum age of a password will be 30 days.
c. There will be a password history of 5 passwords to prevent the immediate reuse of a password. This means that a previously used password cannot be reused until it expires (e.g., falls off the password history list).
d. Passwords will adhere to a minimum length of eight (8) characters.
e. Passwords will be comprised of a combination of capital and lowercase alpha characters, as well as numeric and special (e.g., non-alphabetic) characters.
f. That comprise a strong password, which is defined as containing at least 3 of the following 4 components:
   i. English uppercase characters (A through Z)
   ii. English lowercase characters (a through z)
   iii. Numeric digits (0 through 9)
CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS, (Continued)

(2009-06) Need for Enhanced Security Controls over Information Technology Systems, (Continued)

iv. Non-alphabetic characters such as !, $, #, %, and &.
g. Passwords will not be anything that can easily tied back to the account owner such as: user name, social security number, nickname, relative’s names, birth date, etc.
h. Passwords should not be dictionary words or acronyms.
i. Security tokens (e.g., Smartcards) if applicable will be returned upon demand or upon termination of the relationship with the City of Inglewood.
j. If the security of a password is in doubt, the password will be changed immediately.
k. Administrators will not circumvent the Password Policy for the sake of ease of use.
l. Before being left unattended, computing devices are to be logged off, or the password-protected screensaver is to be enabled.

(2009-07) Need for Enhanced Physical Security Controls in the Information Technology Environment

Adequate physical security controls should be established that are commensurate with the risks of physical damage. Physical security controls restrict physical access to computer resources and protect them from intentional or unintentional loss or impairment. Physical controls also include environmental controls, such as smoke detectors, fire alarms, extinguishers, and uninterruptible power supplies.

During our review of physical security controls we noted the City does not require visitors to the computer room to sign-in.

Recommendations

We recommend the City require visitors to the computer room sign-in to create an audit trail of guests. The sign-in log should periodically be reviewed to ensure only appropriate personnel are accessing computer resources.

Management’s Response Regarding Corrective Action Taken or Planned

The ITC Department has launched an internal project to compile and formalize policies and procedures based upon best practices as they relate to information security. This project was completed in February 2010.
CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS, (Continued)

(2009-08) Need for Improvements in Utility Billing Cash Receipts

During our review and testing of internal controls over utility billing cash receipts, we noted that the City currently has a process in place to review voided transactions relating to utility payments, however, adequate documentation to support these adjustments is not maintained by the City to support the voided transactions. Due to the lack of supporting documentation, it is possible for inappropriate transactions to be processed and not be detected through the City’s review procedures.

Recommendation

We recommend that an individual without access to create or void utility payments review and approve all voided transactions upon the review of appropriate documentation to insure they are properly supported and authorized.

Management’s Response Regarding Corrective Action Taken or Planned

The Customer Service division of the Finance Department is currently using the “Daily Journal” tape to review all voids. A more thorough review will be performed by the Cashier Supervisor on a daily basis using the “Void Listing Report” to ensure all cashier voids are accurate and justified.

(2009-09) Need for Independent Review of Check Register

During our review and testing of internal controls over cash disbursements, we noted that the Accounts Payable Supervisor has the ability to post invoices and prepare checks and is currently the only individual responsible for reviewing printed disbursements against the system generated check register. Having one employee with access and the ability to prepare checks in addition to having the responsibility of reviewing the check register for processing may allow that individual to process an inappropriate disbursement and it go undetected by the City.

Best practices recommend that an individual independent of the cash disbursement process review the check register to ensure that each of the checks printed were properly approved, supported by appropriate documentation, and properly recorded in the City’s accounting system.

Recommendation

We recommend that an individual independent of the cash disbursement process review the checks against the check register generated from the City’s accounting system to ensure that there have been no unauthorized checks printed.
CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS, (Continued)

(2009-09) Need for Independent Review of Check Register, (Continued)

Management’s Response Regarding Corrective Action Taken or Planned

Currently, the Accounts Payable Supervisor posts the invoices and prepares the batch for creation of the checks. Although there are sufficient controls in place in regards to the segregation of duties between the employee responsible for creating the check batch and the employee physically placing the blank check stock in the printer, there should be further control over the Accounts Payable Supervisor’s ability to enter and post invoices prior to the creation of the check batch.

An additional control to be implemented will be for a Senior Accountant to obtain a copy of the Invoice Posting Listing prior to the Accounts Payable Supervisor creating the check batch for printing and have the Senior Accountant compare it to the Warrant Register after the printing of the checks. This will ensure that no other invoices will be entered or posted by the Accounts Payable Supervisor prior to the printing of the checks.

(2009-10) Need for Improved Accounting over Land Held for Resale

During our testwork performed over land held for resale we noted the following:

- One property, reported at $307,033 in the City’s general ledger as land held for resale, had been sold in prior years and the City no longer held title to that property as of October 1, 2008. The correct recording of this transaction resulted in an adjustment to beginning fund balance of the Redevelopment Agency Capital Project fund.

- During the current year, the City received proceeds from the sale of a property that had never been recorded in the City’s general ledger.

Recommendation

We recommend that the City develop controls for the Finance Department to properly remove properties that have been sold or converted to Agency projects from the City’s general ledger. Furthermore, we recommend that the Community Development Department communicate these transactions to the Finance Department in a timely manner.

Management’s Response Regarding Corrective Action Taken or Planned

The City recognizes the need for good intercommunications between the Finance Department and other city department staff to ensure the accounting records are complete and accurate and do not contain misstatement. The appropriate staff of the Community Development and Finance Departments will be communicating with one
CITY OF INGLEWOOD

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS, (Continued)

(2009-10) Need for Improved Accounting over Land Held for Resale, (Continued)

another on future transactions and the land held for resale listing to be compared at least annually.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

There were no auditors’ findings to be reported in accordance with paragraph .510(a) at OMB Circular A-133
CITY OF INGLEWOOD

Summary Schedule of Prior Audit Findings

Year ended September 30, 2009

The following is the status of prior audit findings for the year ended September 30, 2008:

(2008-01) Need for Enhanced Controls Over Citywide Cash and Investment Reconciliation

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-01.

(2008-02) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-02.

(2008-03) Adjustments Detected Through the Audit Process

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-03.

(2008-04) Need for Improved Controls over Monitoring of Grants and Grant Reimbursements

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-04.

(2008-05) Need to Develop Written Policies and Procedures for Information Technology

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-05.

(2008-06) Need for Enhanced Security Controls over Information Technology Systems

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-06.


Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-07.

(2008-08) Need for Improved Accounting over Land Held for Resale

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-10
(2008-09) Need for Improvements in Utility Billing Cash Receipts

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-08.

(2008-10) Need for Independent Review of Check Register

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2009-09.

(2008-11) Change in Methodology for Budgeting and Recording Inter-Fund Transfers

Resolved

(2008-12) Investment Income Methodology

Resolved


Resolved

(2008-14) FAA, CDBG and HOME - Reporting

Resolved

(2008-15) CDBG Program Income

Resolved