

**CITY OF OXNARD
SINGLE AUDIT REPORT
For the Fiscal Year Ended
June 30, 2012**

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**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**

Independent Auditors' Report

To the Honorable City Council
City of Oxnard, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oxnard as of and for the year ended June 30, 2012, which collectively comprise the City of Oxnard's basic financial statements and have issued our report thereon dated January 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 of Oxnard is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Oxnard'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 of Oxnard's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Oxnard'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 significant deficiencies or material weaknesses and 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

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possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2012-1 and 2012-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oxnard'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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that were reported to management of the City of Oxnard in a separate letter dated January 29, 2013.

The City of Oxnard'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 of Oxnard's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council of the City of Oxnard, others within the entity, 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.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." The signature is written in a cursive, flowing style.

Bakersfield, California
January 29, 2013



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**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**

Independent Auditors' Report

To the Honorable City Council
City of Oxnard, California

Compliance

We have audited the City of Oxnard 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 of Oxnard's major federal programs for the year ended June 30, 2012. The City of Oxnard'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 each of its major federal programs is the responsibility of the City of Oxnard's management. Our responsibility is to express an opinion on the City of Oxnard'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 of Oxnard'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 of Oxnard's compliance with those requirements.

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

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the purpose of expressing our opinion on compliance, 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 of Oxnard's internal control over compliance.

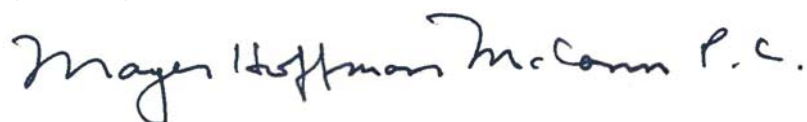
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oxnard as of and for the year ended June 30, 2012, and have issued our report thereon dated January 29, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City of Oxnard's 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 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, such 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 schedule of expenditures of federal awards 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 management, the City Council of the City of Oxnard, others within the entity, 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.



Bakersfield, California
January 29, 2013

CITY OF OXNARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures
Federal Grants			
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-11-MC-060534	\$ 1,741,353
Community Development Block Grant	14.218	B-10-MC-060534	686,876
Community Development Block Grant	14.218	B-08-MC-060534	15,349
Total CDBG			2,443,578
Passed through the Dept of Housing & Community Development, State of California			
Neighborhood Stabilization Program	14.228	09-NSP1-6115	983,975
Total Passed through the Dept of Housing & Community Development, State of California			983,975
Homeless Prevention and Rapid Rehousing Program - ARRA	14.257	S-09-MY-060534	440,444
Total HPRP			440,444
Emergency Shelter Grant	14.231	S-10-MC-060534	6,288
Total Emergency Shelter Grant			6,288
Emergency Solutions Grant	14.231	E-11-MC-060534	149,204
Total Emergency Solutions Grant			149,204
HOME	14.239	M-11-MC-06526	665,717
HOME	14.239	M-10-MC-06526	655,754
HOME	14.239	M-09-MC-06526	297,367
HOME	14.239	M-08-MC-06526	32,498
Total HOME Program			1,651,336
Continuum of Care	14.235	CA0716B9D110803	71,677
Continuum of Care	14.235	CA0717B9D111003	50,167
Continuum of Care	14.235	CA0716B9D110804	26,526
Continuum of Care	14.235	CA0947B9D111102	5,353
Continuum of Care	14.235	CA0947B9D111101	4,497
Total Continuum of Care			158,220
Total Department of Housing and Urban Development			5,833,045

CITY OF OXNARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures
Bureau of Reclamation			
Great - AWPf Project - ARRA	15.504	RIOAC35R12	1,730,947
Water Backbone Phase 1 - ARRA	15.504	RIOAC35R12	1,452,368
Ventura Road Utility Improvement - ARRA	15.504	RIOAC35R12	47,706
Water Backbone Port Hueneme - ARRA	15.504	RIOAC35R12	18,357
Total Bureau of Reclamation			<u>3,249,378</u>
US Department of Justice			
Justice Assistance Grant FY10 - Local	16.738	2010-DJ-BX-0330	129,085
JAG Formula Program - ARRA	16.804	2009-SB-B9-0450	127,765
Justice Assistance Grant FY11 - Local	16.738	2011-DJ-BX-2742	95,400
Justice Assistance Grant - Local Solicitation - FY09	16.738	2009-DJ-BX-0126	16,939
Total JAG			<u>369,189</u>
COPS Other Tech	16.710	2010-CKWX0091	245,190
COPS Technology Program - FY09	16.710	2008-CKWX0483	88,907
Total COPS			<u>334,097</u>
BJA FY11 Second Chance Act Adult Offender Reentry Program	16.812	2011-CZ-BX-0036	4,407
Total BJA			<u>4,407</u>
Passed through the Ventura County Sheriff:			
Federal Equitable Sharing Agreement Recovery Act -Edward Byrne Memorial Justice Assistance Grant Program	16.922	N/A	64,975
Edward Byrne Memorial Justice Assistance Grant Program	16.804	ZA 09 01 0560	47,106
Federal Equitable Sharing Agreement	16.738	DC 11 22 0560	14,016
	16.922	N/A	4,923
Total Passed through the Ventura County Sheriff			<u>131,020</u>
Total Department of Justice			<u>838,713</u>

CITY OF OXNARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures
US Department of Transportation			
Passed through the State of California/CalTrans:			
Rice /Santa Clara @US101	20.205	STPLN-5129(012)	4,313,305
Rice /Santa Clara @US101	20.205	HPLUL-5129(056)	2,012,760
Rice /Santa Clara @US101	20.205	HPLUL-5129(051)	863,588
Rice /Santa Clara @US101	20.205	TILUL-5129(057)	235,798
Rice /Santa Clara @US101	20.205	HPLUL-5129(063)	138,811
Traffic Signal - Intersection of Saviers Road & Hill Street	20.205	HSIPL-5129(064)	115,792
Construct Parking Lot - E. 4th St.	20.205	STPL-5129(045)	84,803
Rice /Santa Clara @US101 - ARRA	20.205	ESPL-5129(058)	30,552
Pedestrian and Bike paths	20.205	CML-5129(029)	20,852
Landscape enhancement Ped & Bike Facilities Drainage	20.205	STPL-5129 (067)	16,084
Construct Sidewalk, Curb Ramps at Various Locations	20.205	SRTSL-5129(061)	13,081
Median Signal - Rose Ave & Pleasant Valley Rd	20.205	HSIPL-5129(071)	6,743
Traffic Signal - Intersection of Ventura Rd & Devonshire	20.205	HSIPL-5129(065)	1,648
Traffic Sig - Vta Rd & 9th St	20.205	HSIPL-5129(072)	1,119
Street Improvement - Bartolo Sq North - ARRA	20.205	ESPL-5129(055)	(3,076)
Total Department of Transportation			<u>7,851,860</u>
Institute of Museum and Library Services			
California State Library			
Public Library Foundation State Fund FY09-10	N/A	State	8,198
Public Library Foundation State Fund FY10-11	N/A	State	4,502
Mixteco Project	45.310	LS-00-10-0005-10	1,611
Family Place Grant - SOBL	45.310	LS-00-10-0005-10	712
Total National Endowment for the Humanities			<u>15,023</u>
US Department of Energy (Office of Energy Efficiency & Renewable Energy)			
Retrofit City Facilities - ARRA	81.128	DE-SC0003264	129,504
Illuminated Street Name Sign - ARRA	81.128	DE-SC0003264	103,084
Construct ITS Management Center - ARRA	81.128	DE-SC0003264	3,889
Total US Department of Energy (Office of Energy Efficiency & Renewable Energy)			<u>236,477</u>
California Department of Aging			
Senior Nutrition Program FY11-12	93.045	3C-005-071112-R4	77,552
Senior Nutrition Program FY10-11	93.045	3C-005-071012-R3	(40,680)
Total California Department of Aging			<u>77,552 - 66,872</u>

CITY OF OXNARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures
Corporation for National and Community Service			
RSVP 31 - FY11-12	94.002	10SRPCA010	58,772
RSVP 31 - FY12-13	94.002	10SRPCA010	22,838
Total Corporation for National and Community Service			<u>81,610</u>
US Department of Homeland Security			
Passed through the Ventura County Sheriff:			
Urban Area Security Grant - FY09	97.008	2009-0019	370,816
Urban Area Security Grant - FY10	97.008	2010-0085	65,664
Homeland Security Grant - FY09	97.073	2009-0019	60,509
Homeland Security Grant - FY10	97.067	2010-0085	53,992
Total Passed through the Ventura County Sheriff			<u>550,981</u>
EMPG Fire Grant FY11	97.042	2011-0048	42,481
Total US Department of Homeland Security			<u>593,462</u>
Total Expenditures of Federal Awards			<u>\$ 18,766,440</u>

CITY OF OXNARD
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

I. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the City of Oxnard under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Oxnard, it is not intended to and does not present the financial position, changes in net assets or cash flows, where applicable, of the City of Oxnard.

II. Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in note 1 of the City's basic financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, State, Local, and Indian Tribal Governments wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

III. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 58,020
Emergency Solutions Grant	14.231	90,000
Emergency Shelter Grant	14.231	6,288
Continuum of Care	14.235	158,114
Homeless Prevention and Rapid Rehousing Program - ARRA	14.257	440,444
Justice Assistance Grant FY10 - Local	16.738	65,168
Justice Assistance Grant - Local Solicitation - FY09	16.738	36,524
JAG Formula Program - ARRA	16.804	129,226
		<u>\$ 983,784</u>

IV. Loans outstanding

The City had the following loan balances outstanding at June 30, 2012. The current year additions related to the loans are included in the Schedule of Federal Awards.

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 2,598,820
HOME	14.239	2,842,571
		<u>\$ 5,441,391</u>

CITY OF OXNARD
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

Section I – Summary of Auditors’ Results

a) Financial Statements

Type of auditors’ report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

b) Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section. 510(a)	No

c) Identification of major programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
CFDA Number 14.239	Home Investment Partnerships Program
CFDA Number 15.504	Water Reclamation and Reuse Program
CFDA Number 16.710	Public Safety Partnership and Community Policing Grants (COPS)
CFDA Number 16.738/16.804	Edward Byrne Memorial Justice Assistance Grant Program
CFDA Number 97.008	Urban Area Security Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$563,000
Auditee qualified as low-risk auditee?	Yes

CITY OF OXNARD
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2012

Section II – Financial Statement Findings

2012-1 Construction in progress – reconciliations

Condition:

During the audit, we determined the Construction project report is not adequately reconciled to the general ledger on a regular basis.

Cause of condition:

It is difficult to determine the exact cause of the condition; however, the City's review process over the Construction in Progress is ineffective.

Recommendation:

We recommend the City evaluate and review their policies and procedures of the City's Construction in Progress, specifically requiring periodic reconciliation at least on a quarterly basis.

Views of Responsible Officials and Planned Corrective Action:

The City's management agrees with the finding and the recommended procedures will be implemented.

2012-2 Construction in progress – closed projects not identified

Condition:

Projects already in use are not identified as closed and reclassified from construction in progress to depreciable asset in a timely manner. At June 30, 2012, management discovered approximately \$311 million of construction in progress that are incorrectly classified.

Cause of condition:

The criteria for determining when construction projects are to be transferred from construction in progress to a depreciable asset was not assessed properly. Currently, Finance transfers projects from construction in progress when informed by Project managers that projects are closed. However, projects are kept open for completion of a "punch list" by contractor, reporting requirements or approvals from Fed and state grantors, etc; although the projects are already in use. By delaying the closing of projects, projects are incorrectly classified and the applicable depreciation expense is not provided in a timely manner.

Recommendation:

Management should review the criteria for determining when the project is "closed" and such criteria should be communicated to both the project managers and Finance.

Views of Responsible Officials and Planned Corrective Action:

The City's management agrees with the finding and the recommended procedures will be implemented.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – A Summary of Prior Year Audit Findings (June 30, 2011) and Current Year Status Follows:

Condition

As part of the City's closing procedures, accounting personnel review unpaid invoices at the balance sheet date and subsequent payments after that date to ensure the completeness of accounts payable at the balance sheet date. However, we noted several large invoices related to capital outlay that should have been included in the current year and were not accrued. During the current year, unrecorded amounts were not deemed to be material enough to misstate the financial statements at the respective opinion units. However, this may not necessary hold true in future years.

In addition while performing our subsequent event audit procedures, we noted a large invoice related to CDC that should have been included in the current year and was not accrued. We suggest that the cutoff procedures continue until the financial statements are issued. This will help ensure that all material expenses and the related liabilities are recorded properly in the City's financial statements as of the balance-sheet date.

Recommendation

We suggest that the cutoff amount for the review be extended up to the date of issuance of the CAFR and reviewed more carefully. This will help ensure that all material expenses and the related liabilities are recorded properly in the City's financial statements as of the balance-sheet date and issuance date.

Current Status

The recommendation was adopted for the 2012 fiscal year. No similar findings were noted in the 2012 audit.

Auditee Contact: Marichu Maramba (805) 385-7468