CITY OF CONCORD

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

SINGLE AUDIT REPORT
For The Year Ended June 30, 2012

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CITY OF CONCORD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2012

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: _______ Unqualified _______

Internal control over financial reporting:
  • Material weakness(es) identified? _______ Yes _______ No
  • Significant deficiency(ies) identified? _______ Yes _______ X _______ Reported

Noncompliance material to financial statements noted?
  _______ Yes _______ X _______ No

Federal Awards

Type of auditor’s report issued on compliance for major programs:
  _______ Qualified _______

Internal control over major programs:

  • Material weakness(es) identified? _______ Yes _______ No
  • Significant deficiency(ies) identified? _______ X _______ Yes _______ None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?
  _______ X _______ Yes _______ No

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA#(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.804 &amp; 16.738</td>
<td>ARRA - Department of Justice – Justice Assistance Grant Program Cluster</td>
</tr>
<tr>
<td>14.218</td>
<td>Department of Housing and Urban Development – Community Development Block Grants</td>
</tr>
<tr>
<td>20.205</td>
<td>ARRA - Department of Transportation – Highway Planning and Construction</td>
</tr>
<tr>
<td>20.600</td>
<td>Department of Transportation – State and Community Highway Safety</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee?
  _______ Yes _______ X _______ No
SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed a material weakness but no instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated February 5, 2013 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

Finding SA 2012-01: Accurate Preparation of the Schedule of Expenditures of Federal Awards

CFDA Number: 16.738, 16.804
CFDA Title: Edward Byrne Memorial Justice Assistance Grant Program
ARRA – Edward Byrne Memorial Justice Assistance Grant Program
Name of Federal Agency: U.S. Department of Justice
Name of pass-through Entity: Contra Costa County Sheriff’s Department (For CFDA#16.738 & 16.804)

Criteria: OMB Circular A-133, Audits of States, Local Governments and Non-profit Organizations governs single audits and outlines responsibilities of the City and auditor. Subpart B, Section .310 of Circular A-133 requires the City to prepare the Schedule of Expenditures of Federal Awards.

Condition: Staff’s draft of the Schedule of Expenditures of Federal Awards (SEFA) did not include expenditures for the 2009 ARRA-Edward Byrne Memorial Justice Assistance Grant Program and 2009 & 2010 Edward Byrne Memorial Justice Assistance Grant Programs on the SEFA for fiscal years 2010 and 2011.

Effect: The City is not in compliance with the requirements of OMB Circular A-133 by omitting program expenditures or including incorrect expenditures in the SEFA.

Cause: The City did not perform a careful review of the SEFA before providing it to audit staff.

Recommendation: The City should develop proper review procedures to ensure that expenditures for all federal grants are accurately reported on the SEFA.

View of Responsible Officials and Planned Corrective Actions:

- Name of Contact Person: Carole Wilson, Financial Operations Manager
- Corrective Action Plan: The City concurs with the Auditor’s recommendation and will work to develop procedures to ensure that all Federal grants are accurately reported.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA 2012-02: Timely Submittal of Required Reports

CFDA Number: 16.738, 16.804
CFDA Title: Edward Byrne Memorial Justice Assistance Grant Program, ARRA Edward Byrne Memorial Justice Assistance Grant Program
Name of Federal Agency: U.S. Department of Justice
Name of pass-through Entity: Contra Costa County Sheriff’s Department

Criteria: Section 8 Reporting Requirements of the grant agreements require the City to submit Status Reports on the first day of the first month of each calendar quarter.

Condition: During our testing of Status Reports (reimbursement requests) we noted the following:

- For the 2009 Grant, the reports for the quarters ended December 2010 were submitted on May 9, 2011, which was 221 days after the required filing date of October 1, 2010. For the quarter ended March 31, 2011, the City does not have documentation to show the date on which the reports were submitted.
- For the 2009 ARRA Grant, the reports for the quarters ended December 31, 2009, June 30, 2010, September 30, 2010, March 31, 2011, and June 30, 2012 were all submitted after the required filing dates of the first day of the corresponding quarters.
- For the 2010 Grant, the reports for the quarters ended June 30, 2011 and March 31, 2012 were all submitted after the required filing dates of the first day of the corresponding quarters.

Effect: The City is not in compliance with the grant agreement. Lack of compliance with the agreement could have a potential impact on future funding sources.

Cause: The City stated that the City’s contact with the County lapsed with the turn-over of the grantor’s staff. It took several months to re-establish the appropriate Grant manager contact within the County to properly meet the filing requirements.

Recommendation: The City should develop proper procedures to comply with all the reporting requirements of the federal grant and maintain evidence of submission accordingly.

View of Responsible Officials and Planned Corrective Actions:

- Name of Contact Person: Carole Wilson, Financial Operations Manager, and Cheryl Owens, Police Department Administrative Services Manager

- Corrective Action Plan: The City concurs with this recommendation. Direct contact with the County Grant Manager has been re-established and the City and County are working to close the grant in question. Currently, the City receives direct JAG grant awards and the reporting requirements are monitored by the on-line grant management system, which currently confirms that all required reports have been filed on time.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA 2012-03: Maintaining Complete and Fully Executed Grant Agreements

CFDA Number: 16.738
CFDA Title: Edward Byrne Memorial Justice Assistance Grant Program
Name of Federal Agency: U.S. Department of Justice
Name of pass-through Entity: Contra Costa County Sheriff's Department

Criteria: The City should obtain and maintain complete and fully executed copies of grant agreements on file.

Condition: During our testing of grant agreements we were informed the City did not have a fully executed copy of both the 2009 and 2010 Regular Edward Byrne Memorial Justice Assistance Grant Program Memorandum of Understanding with Contra Costa County. The copy provided did not have either the County’s or the City’s authorizing signatures.

Although the City later provided the fully executed copies of the grant agreements, it appeared that City staff did not maintain such signed copies on hand during grant administration period.

Effect: Without a complete and fully executed Grant Agreement during the grant administration period, City staff can not be assured that they are aware of all grant requirements and limitations.

Cause: The City did not obtain copies of fully executed grant agreements from the County on a timely basis.

Recommendation: The staff administering the grant should ensure that the completed and fully executed copies of grant agreements are obtained and retained in the grant files.

View of Responsible Officials and Planned Corrective Actions:

- **Name of Contact Person:** Carole Wilson, Financial Operations Manager, and Cheryl Owens, Police Department Administrative Services Manager

- **Corrective Action Plan:** The City concurs with the Auditor’s recommendation. The City staff responsible for administering the grant will ensure that fully executed copies of the grant agreements will be obtained before expenditures are incurred.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA 2012-04: Proper Authorization of Employee Timecards

CFDA Number: 20.600
CFDA Title: State and Community Highway Safety
Name of Federal Agency: U.S. Department of Transportation
Name of pass-through Entity: California Office of Traffic Safety
Department of Transportation

Criteria: Timesheets should be signed off by the employee charging to the pay period and properly approved by supervisory level staff to ensure accuracy and authorization.

Condition: We selected 12 payroll samples for our testing and noted the following:

- For pay period ending 12/16/11 one employee did not sign off on his time card.
- For pay period ending 6/1/12, the same employee did not sign off on his time card. There was no evidence of supervisory level approval either.

Questioned Costs: The sampled non-supported payroll cost totaled $12,346, which is 21% of the total payroll samples. The total payroll cost charged to the grant amounted to $193,393, the extrapolated questioned, non-supported payroll cost could potentially amount to $40,380. This amount represents 20% of the total costs charged to the grant.

Effect: Without proper control of time being charged to the grant, the City increases the risk of over or under charging payroll cost to the grants.

Cause: The employee and/or manager were not able to sign the time card in question during the payroll processing period.

Recommendation: The City should ensure that time cards are properly signed off by both the employee charging to the payroll and the supervisory level staff upon review.

View of Responsible Officials and Planned Corrective Actions:

- Name of Contact Person: Carole Wilson, Financial Operations Manager, and Cheryl Owens, Police Department Administrative Services Manager

- Corrective Action Plan: The City concurs with this recommendation and will work with staff to sign time cards on a timely basis. However, there is a separate control to ensure that time being charged to the grant is appropriate. The City’s Grant Manager reviews and approves all grant charges, including staff time, to ensure the proper costs are reported. Therefore, the City does not concur with the extrapolation.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA 2012-05: Review of Reimbursement Requests

CFDA Number: 16.738, 16.804
CFDA Title: Edward Byrne Memorial Justice Assistance Grant Program
ARRA – Edward Byrne Memorial Justice Assistance Grant Program
Name of Federal Agency: U.S. Department of Justice
Name of pass-through Entity: Contra Costa County Sheriff's Department

Criteria: Each grant reimbursement request should be properly reviewed by a person other than the preparer to ensure that requested amounts are accurate and eligible.

Condition: Based on our testing of reimbursement requests, we noted that the City did not have a review process in place for this particular grant.

Effect: Without a proper review, City is subject to a higher risk of charging ineligible or incorrect expenditures to the grants.

Cause: The Police Department Administrative Services Manager stated that the shortage of staff did not allow for an adequate review process.

Recommendation: The City should ensure that its procedures for preparation of reimbursement requests include a proper review of the reimbursement request.

View of Responsible Officials and Planned Corrective Actions:

- Name of Contact Person: Cheryl Owens, Police Department Administrative Services Manager
- Corrective Action Plan: The City concurs with this finding and the Grant Manager has established procedures for a preparer and a reviewer to allow for an adequate review process.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA 2012-06: Accurate Preparation of Reimbursement Requests

CFDA Number: 16.738, 16.804
CFDA Title: Edward Byrne Memorial Justice Assistance Grant Program
ARRA – Edward Byrne Memorial Justice Assistance Grant Program
Name of Federal Agency: U.S. Department of Justice
Name of pass-through Entity: Contra Costa County Sheriff’s Department

Criteria: The City should verify the accuracy of the reimbursement requests submitted to the awarding agency. The U.S. Department of Justice requires that reimbursement requests include cumulative data for each grant, so that grant draw downs are only requested for the change in cumulative federal expenditures.

Condition: Based on our testing of reimbursement requests, we noted the following:
- For the 2009 Edward Byrne Memorial Justice Assistance Grant Program, the City requested reimbursement for the administrative fee of $5,860 charged by the County of Contra Costa. According to the grant agreement, the administrative fee portion should be charged and obtained by the County of Contra Costa. The City did not charge the fee to the grant on its general ledger as it is considered the County’s expenditures. Therefore, the City should not include such amount in its reimbursement request. This amount should be returned to the County and represents questioned costs of $5,860.
- For the 2009 ARRA Edward Byrne Memorial Justice Assistance Grant Program, we noted that in the reimbursement request for the quarter ended June 30, 2011, the previous work days and previous hours reported as part of the Recovery Act Performance Measures did not agree with final amounts reported on the reimbursement request for the previous quarter ended March 31, 2011.

Effect: Incorrect or inaccurate reporting would result in the request of ineligible expenditure reimbursement and potential future denial of the grant funding from the awarding agency.

Cause: The Police Department Administrative Services Manager stated that the shortage of staff did not allow for an adequate review process.

Recommendation: The City should ensure that its reimbursement requests are prepared correctly and are accurate.

View of Responsible Officials and Planned Corrective Actions:

- **Name of Contact Person:** Carole Wilson, Financial Operations Manager, and Cheryl Owens, Police Department Administrative Services Manager
- **Corrective Action Plan:** The City concurs with the recommendation to ensure that reimbursement requests be prepared correctly and accurately in accordance with direction provided by the Grantor. In regard to the Administrative Fee condition, the City has received full reimbursement for costs incurred from the 2009 JAG pass-through program from the County. Inception to date costs on this program, excluding the County’s Administrative Fee totals $52,759 and preliminary reconciliations indicate reimbursements received total $54,928. The City is currently working with the County to reconcile final billings and collections on all three of the JAG grants, which when combined, indicate a net $191,600 is due to the City. In regards to the inaccurate reporting of prior period information, the current reporting format is web-based, which ensures proper carry forward of prior period information.
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding SA 2012-07: Record for Donated Vehicle

CFDA Number: 12.700
CFDA Title: Donations/Loans of Obsolete DOD Property
Name of Federal Agency: U.S. Department of Defense
Name of pass-through Entity: California Office of Emergency Services

Criteria: OMB Circular A-133 states that the donated property should be recorded in the City’s general ledger when received. The value of the property received should equal to the fair value at the time of receipt, or the assessed value provided by the federal agency.

Condition: The City received a donated armored personnel vehicle to the Special Weapons and Tactics (SWAT) team from the Federal government in October 2011. The City did not record the estimated fair value of the vehicle in its fiscal year 2012 capital asset records.

Effect: The City did not record the estimated fair value of the donated vehicle, $64,600, properly in fiscal year 2012, as required by the OMB Circular A-133.

Cause: The City did not have the estimated value of the vehicle on hand before closing the books.

Recommendation: The City should record the estimated fair value of the donated asset when received.

View of Responsible Officials and Planned Corrective Actions:

- Name of Contact Person: Cheryl Owens, Police Department Administrative Services Manager

- Corrective Action Plan: The City concurs with the Auditor’s recommendation and the Grant Administrator will ensure that the proper documentation related to transfer of ownership and valuation of donated assets are provided to the Finance Department timely to ensure proper recording of assets and safekeeping of ownership records.
SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
Prepared by Management

Financial Statement Prior Year Findings

Our audit did disclose a material weakness but no instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated February 5, 2013 that includes the current status of those material weaknesses, which is an integral part of our audits and should be read in conjunction with this report.

Federal Award Prior Year Findings and Questioned Costs

There were no prior year Federal Award Findings and Questioned Costs reported.
CITY OF CONCORD

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

<table>
<thead>
<tr>
<th>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Identifying Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Housing and Urban Development Direct Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Development Block Grant</td>
<td>14.218</td>
<td></td>
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</tr>
<tr>
<td>Program Expenditures</td>
<td></td>
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<td>$576,444</td>
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<tr>
<td>Loan program cash balance at end of year</td>
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<td>265,883</td>
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<td>Subtotal Department of Housing Department of Housing and Urban Development</td>
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<td>842,327</td>
</tr>
<tr>
<td>Department of Transportation Pass-Through Programs From:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>California Department of Transportation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highway Planning and Construction</td>
<td>20.205</td>
<td>CML-5135(033)</td>
<td>105,098</td>
</tr>
<tr>
<td>Concord Blvd Sidewalk Farm Bureau to Sixth Street</td>
<td></td>
<td>BPMP-5135(039)</td>
<td>119,534</td>
</tr>
<tr>
<td>ARRA - Bridge Preventive Maintenance</td>
<td></td>
<td>STPL-5135(041)</td>
<td>1,236,430</td>
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<tr>
<td>Concord Blvd Pavement Rehab Sixth to Glazier</td>
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<td></td>
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<tr>
<td>Subtotal California Department of Transportation Pass-Through Programs</td>
<td></td>
<td></td>
<td>1,461,062</td>
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<tr>
<td>California Office of Traffic Safety</td>
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<td></td>
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<tr>
<td>State &amp; Community Highway Safety</td>
<td>20.600</td>
<td>AL1191</td>
<td>15,701</td>
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<tr>
<td>DUI Enforcement and Awareness</td>
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<td>20,174</td>
<td>168,518</td>
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<td>DUI Enforcement and Awareness Program</td>
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<td>CT10090</td>
<td>16,568</td>
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<td>Sobriety Checkpoint Mini-Grant Prgm for 2011-12</td>
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<tr>
<td>Subtotal Office of Traffic Safety Pass-Through Programs</td>
<td></td>
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<td>209,787</td>
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<tr>
<td>Total Department of Transportation</td>
<td></td>
<td></td>
<td>1,661,849</td>
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<tr>
<td>Department of Defense Direct Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Economic Adjustment Grant</td>
<td>12.607</td>
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<td>540,998</td>
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<td>Office of Economic Adjustment Grant</td>
<td>12.607</td>
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<td>79,246</td>
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<tr>
<td>Subtotal Department of Defense Direct Programs</td>
<td></td>
<td></td>
<td>620,244</td>
</tr>
<tr>
<td>Department of Defense Pass-Through Programs From:</td>
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<tr>
<td>California Office of Emergency Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations/Loans of Obsolete DOD Property (FMV)</td>
<td>12.700</td>
<td>Not Available</td>
<td>64,600</td>
</tr>
<tr>
<td>Subtotal Department of Defense Pass-Through Programs</td>
<td></td>
<td></td>
<td>64,600</td>
</tr>
<tr>
<td>Total Department of Defense</td>
<td></td>
<td></td>
<td>684,844</td>
</tr>
<tr>
<td>Department of Energy Direct Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ARRA - Energy Efficiency and Conservation Block Grant</strong></td>
<td>81.128</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency Lighting Parking Lots</td>
<td></td>
<td></td>
<td>74,336</td>
</tr>
<tr>
<td>Concord Reuse Project</td>
<td></td>
<td></td>
<td>1,750</td>
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<tr>
<td>Subtotal Department of Energy Direct Programs</td>
<td></td>
<td></td>
<td>76,086</td>
</tr>
<tr>
<td>Department of Homeland Security Pass-Through Programs From:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>California Emergency Management Agency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hilcrest Park Creek Repair</td>
<td>97.030</td>
<td>FEMA-1628-DR/PW# 2082</td>
<td>2,616</td>
</tr>
<tr>
<td>Subtotal Department of Homeland Security Pass-Through Programs</td>
<td></td>
<td></td>
<td>2,616</td>
</tr>
<tr>
<td>Department of Justice Pass-Through Programs From:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bureau of Justice Assistance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program</strong></td>
<td>16.804</td>
<td>Concord Police Dept-Project D</td>
<td>224,676</td>
</tr>
<tr>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG) Program 2009</td>
<td>16.738</td>
<td>Concord Police Dept-Project D</td>
<td>48,537</td>
</tr>
<tr>
<td>Edward Byrne Memorial Justice Assistance Grant (JAG) Program 2010</td>
<td>16.738</td>
<td>Concord Police Dept-Project D</td>
<td>46,695</td>
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<tr>
<td>Subtotal Department of Justice Pass-Through Programs</td>
<td></td>
<td></td>
<td>320,308</td>
</tr>
<tr>
<td>Total Expenditures of Federal Awards</td>
<td></td>
<td></td>
<td>$3,588,030</td>
</tr>
</tbody>
</table>

See Accompanying Notes to Schedule of Expenditures of Federal Awards
CITY OF CONCORD

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2012

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Concord, California, and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2-BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the City by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the City. The Schedule includes both of these types of Federal award programs when they occur.

NOTE 4-SUBRECEPIENTS

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

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Program Name</th>
<th>Amount Provided to Subrecipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.218</td>
<td>Department of Housing and Urban Development</td>
<td>$161,408</td>
</tr>
<tr>
<td></td>
<td>Community Development Block Grant</td>
<td></td>
</tr>
</tbody>
</table>
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

Honorable Mayor and City Council
of the City of Concord, California

We have audited the financial statements of the City of Concord as of and for the year ended June 30, 2012, and have issued our report thereon dated February 5, 2013. The report includes reference to a special emphasis paragraph concerning the dissolution of the Redevelopment Agency. We conducted our audit in accordance with generally accepted auditing standards 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 Concord 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 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 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 our separately issued Memorandum on Internal Control dated February 5, 2013, to be material weaknesses: 2012-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about the whether City 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 have also issued a separate Memorandum on Internal Control dated February 5, 2013 which is an integral part of our audits and should be read in conjunction with this report.

The City’s responses to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated February 5, 2013. We did not audit the City’s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of 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 these specified parties.

February 5, 2013
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

Honorable Mayor and City Council
of the City of Concord, California

Compliance

We have audited City of Concord's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 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 grants applicable to each of its major federal programs is the responsibility of 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. 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 SA 2012-04 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding activities allowed that are applicable to its State and Community Highway Safety Program, CFDA #20.600. 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 paragraph, 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. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA 2012-01, SA 2012-02, SA 2012-03, SA 2012-05, SA 2012-06 and SA 2012-07.
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 grants 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 identified Finding SA 2012-04 that we consider to be a material weakness, as defined above. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items SA 2012-01, SA 2012-02, SA 2012-05, SA 2012-06 and SA 2012-07. 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.

Schedule of Expenditures 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 as of and for the year ended June 30, 2012, and have issued our report thereon dated February 5, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City'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, 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 other 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.
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.

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

March 8, 2013