



**CITY OF IRVINE, CALIFORNIA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2012**

**Lance Soll & Lunghard, LLP**

203 North Brea Blvd  
Suite 203  
Brea, CA 92821

41185 Golden Gate Circle  
Suite 103  
Murrieta, CA 92562

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**CITY OF IRVINE**

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP  
*A Professional Corporation*
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

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

To the Honorable Mayor and Members of the City Council  
City of Irvine, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Irvine, California, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 25, 2012. 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 City of Irvine, California, 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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Honorable Mayor and Members of the City Council  
City of Irvine, California

This report is intended solely for the information and use of management, the audit committee, the 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.

*Lance, Solt & Lingham, LLP*

Brea, California  
October 25, 2012



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INDEPENDENT AUDITORS' 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

To the Honorable Mayor and Members of the City Council  
City of Irvine, California

Compliance

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

In our opinion, the City of Irvine, California, 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. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item 2012-1.

Internal Control over Compliance

Management of the City of Irvine, California, 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 Irvine, California'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



To the Honorable Mayor and Members of the City Council  
City of Irvine, California

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 Irvine, California'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 Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Irvine, California, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The City of Irvine, California's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Irvine, California'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, others within the entity, 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.

*Lance, Soll & Loughard, LLP*

Brea, California  
October 25, 2012

CITY OF IRVINE

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

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's<br/>Number</u> | <u>Expenditures</u> |
|---|------------------------------------|--|---------------------|
| <u>U.S. Department of Housing and Urban Development</u>   |                                    |  |                     |
| Direct Programs:  |                                    |  |                     |
| Community Development Block Grant   | 14.218                             | B-10-MC-06-0557                              | \$ 451,322          |
|   |                                    | B-11-MC-06-0557                              | 272,806             |
|   |                                    | Program income                               | 77,947              |
| Home Investment Partnership Program (HOME) *  | 14.239                             | M-09-MC-06-0561                              | 331,146             |
|   |                                    | M-10-MC-06-0561                              | 396,653             |
|   |                                    | Program income                               | 11                  |
| Economic Development Initiative - Special Project,<br>Neighborhood Initiative and Miscellaneous Grant | 14.251                             | B-09-SP-CA-0359                              | 55,622              |
| ARRA - Homeless Prevention Rapid Re-Housing Program   | 14.262                             | S-09-MY-06-0557                              | 61,598              |
| <b>Total U.S. Department of Housing<br/>and Urban Development</b>                                     |                                    |  | <b>1,647,105</b>    |
| <u>U.S. Department of Justice</u>   |                                    |  |                     |
| Direct Programs:  |                                    |  |                     |
| Bulletproof Vest Partnership Program  | 16.607                             | 2010   | 10,760              |
| Equitable Sharing Program   | 16.922                             | CA0302600                                    | 34,939              |
| Passed through County of Orange:  |                                    |  |                     |
| Edward Byrne Memorial Justice Assistance Grant  | 16.738                             | 2010-DJ-BX-0324                              | 1,757               |
|   |                                    | 2011-DJ-BX-2532                              | 7,752               |
| <b>Total U.S. Department of Justice</b>   |                                    |  | <b>55,208</b>       |
| <u>U.S. Department of Transportation</u>  |                                    |  |                     |
| Passed through the State of California:   |                                    |  |                     |
| Department of Transportation:   |                                    |  |                     |
| Highway Planning and Construction   | 20.205                             | HSIPL-5410(066)                              | 10,664              |
|   |                                    | RSTP-5410(047)                               | 13,404              |
|   |                                    | RPSTPLE-5410(063)                            | 43,833              |
|   |                                    | STPL-5410(074)                               | 1,161,829           |
| Passed through OCTA:  |                                    |  |                     |
| Highway Planning and Construction   | 20.205                             | C-0-1511                                     | 1,366,877           |
| Passed through the City of Anaheim:   |                                    |  |                     |
| State and Community Highway Safety - Avoid the 26   | 20.600                             | AL1325                                       | 12,720              |
|   |                                    | AL1178                                       | 9,799               |

CITY OF IRVINE

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

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's<br/>Number</u> | <u>Expenditures</u> |
|---|------------------------------------|--|---------------------|
| <u>U.S. Department of Transportation (Continued)</u>  |                                    |  |                     |
| Passed through the State of California Office of Traffic Safety<br>Selective Traffic Enforcement Program                              | 20.600                             | 20863  | 72,911              |
| Passed through California Highway Patrol:<br>Alcohol Impaired Driving Countermeasures Incentive Grants I                              | 20.601                             | 11CO61070                                    | 8,868               |
| National Highway Traffic Safety Administration (NHTSA)<br>Discretionary Safety Grants - Sobriety Checkpoint                           | 20.608                             | SC11194                                      | 6,380               |
| Passed through OCTA:<br>Federal Transit Formula Grants<br>Congestion Mitigation and Air Quality Improvement *                         | 20.507                             | CA-95-X175                                   | 1,308,372           |
| <b>Total U.S. Department of Transportation</b>  |                                    |  | <b>4,015,657</b>    |
| <u>U.S. Department of Treasury</u>  |                                    |  |                     |
| Direct Program:<br>Asset Forfeiture   | 21.000                             | CA0302600                                    | 10,681              |
| <b>Total U.S. Department of Treasury</b>  |                                    |  | <b>10,681</b>       |
| <u>U.S. Department of Energy</u>  |                                    |  |                     |
| Passed through Energy Solutions:<br>State Energy Program<br>ARRA - ETAP ITC Parking Lighting  | 81.041                             | None   | 67,976              |
| Direct Program:<br>ARRA - Energy Efficiency and Conservation Block Grant *  | 81.128                             | DE-EE-0000865                                | 125,698             |
| <b>Total U.S. Department of Energy</b>  |                                    |  | <b>193,674</b>      |
| <u>U.S. Department of Health and Human Services</u>   |                                    |  |                     |
| Passed through the County of Orange Area Agency on Aging:<br>Special Programs for the Aging_ Title III, Part C_ Nutrition<br>Services | 93.044                             | AP-1011-22                                   | 38,750              |
| CSA Senior Services Title II C Nutrition Services   | 93.045                             | AP-1011-22                                   | 164,516             |
| Nutrition Services Incentive Program  | 93.053                             | AP-1011-22                                   | 46,499              |
| <b>Total U.S. Department of Health and Human Services</b>   |                                    |  | <b>249,765</b>      |
| <u>U.S. Department of Homeland Security</u>   |                                    |  |                     |
| Passed through the California Emergency Management Agency:<br><br>Homeland Security Grant Program                                     | 97.036                             | FEMA-1952-DR-<br>CA - CAL EMA-<br>0539-36770 | 5,571               |
| Passed through the City of Santa Ana:<br>Urban Area Security Initiative - 2009  | 97.067                             | 2009-0019                                    | 38,617              |

CITY OF IRVINE

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

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's<br/>Number</u> | <u>Expenditures</u> |
|--|------------------------------------|--|---------------------|
| <u>U.S. Department of Homeland Security (Continued)</u>  |                                    |  |                     |
| Passed through the City of Anaheim:<br>Urban Area Security Initiative - 2010   | 97.067                             | 2010   | 53,324              |
| <b>Total U.S. Department of Homeland Security</b>  |                                    |  | <b>97,512</b>       |
| <b>Total Federal Expenditures</b>  |                                    |  | <b>\$ 6,269,602</b> |
| <u>Selected State Award</u>  |                                    |  |                     |
| California Department of Aging<br>Passed through the County of Orange:<br>Area Agency on Aging Nutrition Program for the Elderly | N/A                                | AP-1011-22                                   | <b>\$ 19,368</b>    |

\* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year from the Community Development Block Grant was \$161,887.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

**a. Scope of Presentation**

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

**CITY OF IRVINE**

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

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?  yes  no
- Significant deficiencies identified that are considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?

yes  no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?  yes  no
- Significant deficiencies identified that are considered to be material weaknesses?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes  no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.239  
20.507  
81.128

Home Investment Partnership Program (HOME)  
Federal Transit \_ Formula Grants  
ARRA - Energy Efficiency and Conservation Block Grant

Dollar threshold used to distinguish between type A and type B program

\$300,000

Auditee qualified as low-risk auditee?

yes  no

**CITY OF IRVINE**

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

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding Number 2012-1**

Federal Program

CFDA Number: 81.128  
Title: ARRA Energy Efficiency and Conservation Block Grant  
Federal Grantor: Department of Energy  
Grant Number: DE-EE-000865

Criteria or Specific Requirement

The City is required to file quarterly Section 1512 ARRA reports on the FederalReporting.gov website.

Condition

Management indicated they are aware of the compliance requirement. However, the employee that was responsible for filing the quarterly ARRA reports left the City without giving adequate notice to management.

Questioned Costs

None. All costs were adequately reported in the subsequent quarterly report.

Effect

The City was unable to meet the applicable deadline to file the second quarter Section 1512 ARRA report for the 2011-12 fiscal year.

Prevalence and Consequence

This appears to be an isolated situation which only occurred due to the untimely departure of a City employee. The information applicable to the second quarter was subsequently provided in the third quarter report.

Recommendation

The City should develop procedures or train another employee to ensure there is more than one person that is able to file the Section 1512 ARRA reports in the event that one of the employees were to leave the City.

Management's Response

The Department has reorganized the Environmental Programs section to provide clear roles and responsibilities in the event an employee is absent from work and tasks need to be completed on time by another staff member. In addition, the reporting dates are included in the Administrator's calendar and communication of all section deadlines, including EECBG, are reviewed in biweekly staff meetings.

**CITY OF IRVINE**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.