

CITY OF SAN BRUNO  
Single Audit Report on Federal Awards  
Year ended June 30, 2008

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Year ended June 30, 2008

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Honorable Mayor and City Council  
City of San Bruno  
San Bruno, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City San Bruno, California, as of and for the year ended June 30, 2008, which collectively comprise the City of San Bruno's basic financial statements and have issued our report thereon dated December 16, 2008. 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 of San Bruno'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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of San Bruno'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 San Bruno's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City San Bruno'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

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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.

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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We reported other matters involving internal control over financial reporting that we have reported to the management of the City of San Bruno in a separate letter dated December 16, 2008.

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

*Mayer Hoffman McCann P.C.*

San Jose, California  
December 16, 2008



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**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 San Bruno, California, 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 each of its major federal programs for the year ended June 30, 2008. The City of San Bruno'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 is the responsibility of the City of San Bruno's management. Our responsibility is to express an opinion on the City of San Bruno'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 San Bruno'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 San Bruno's compliance with those requirements.

In our opinion, the City of San Bruno complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of San Bruno 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 San Bruno's internal control over compliance with requirements that could have

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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 San Bruno'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 the 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 internal control that might be 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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Bruno as of and for the year ended June 30, 2008, and have issued our report thereon dated December 16, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of San Bruno's basic 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 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 for the information and use of the City Council, management of the City of San Bruno, 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.

*Mayer Hoffman Mc Cann P.C.*

San Jose, California  
December 16, 2008

CITY OF SAN BRUNO

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

	Federal Domestic Assistance Number	Program Identification Number	Program Expenditures
	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
U.S. Department of Justice			
Direct Assistance:			
Office of Justice Programs, Bureau of Justice Assistance			
Justice Assistance Grant	16.738	n/a	\$ <u>12,238</u>
U.S. Department of Transportation			
Direct Assistance:			
Airport Improvement Program	20.106	3-06-0221-29	24,201
Pass-through from the State of California:			
Highway Planning and Administration	20.205	STPL-5226 (014)	<u>1,891,552</u> *
Subtotal U.S. Department of Transportation			<u>1,915,753</u>
U.S. Department of Health and Human Services			
Pass-through San Mateo County Probation Department			
Supportive Services	93.044	n/a	18,000
Nutrition Services	93.045	n/a	<u>55,500</u>
Subtotal U.S. Department of Health and Human Services			<u>73,500</u>
Total expenditures of federal awards			<u>\$ 2,001,491</u>

\* Major program  
n/a - Not available

See accompanying notes to the schedule of expenditures of federal awards

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(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 San Bruno that are reimbursable under programs of federal agencies providing financial awards. For the purposes of this schedule, financial awards includes federal awards received directly from a federal agency and federal funds received indirectly by the City of San Bruno from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized and the portion of the program expenditures that were funded with other 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 accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when incurred. Expenditures reported would include any property or equipment acquisitions incurred under the federal program.

(c) Direct and Pass-through Programs

Direct programs represent programs where the grantor federal agency remits federal funds directly to the City. Pass-through programs represent programs where the grantor federal agency remits funds to another government agency and that agency enters into a sub recipient agreement with the City and then reimburses the City with federal grant funds.

CITY OF SAN BRUNO  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. The results of our audit disclosed no significant deficiencies internal control over financial reporting. There were no 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 material weaknesses or significant deficiencies in internal control over the major program of the auditee.
5. An unqualified report was issued by auditors on compliance for the major program.
6. The audit disclosed no audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major program of the auditee was the U.S. Department of Transportation, Highway Planning & Administration, CFDA #20.205.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee was considered a low risk auditee for the year ended June 30, 2008 for purposes of major program determination.

CITY OF SAN BRUNO

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

(Continued)

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

There were no auditors' findings required to be reported in accordance with GAGAS.

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

There were no auditors' findings required to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

CITY OF SAN BRUNO

Summary Schedule of Prior Audit Findings

Year ended June 30, 2008

2007-1 Timely completion of the audit of the City's Financial Statements

Observation: During the 2007 audit we noted an apparent lack of sufficient skills and experience in the finance department to effectively evaluate and determine the appropriate accounting for non-routine and/or complex accounting transactions consistent with accounting principles generally accepted in the United States, in order to facilitate an accurate and timely year-end closing process.

Resolution: Management has taken responsibility to train and develop staff members in all areas necessary to perform monthly and annual accounting practices. The Department continues to utilize budgeted accounting consulting services to provide expert advice on handling complex/non-routine accounting matters.

2007-2 Non-filing of prior years Single Audit Data Collection Forms

Observation: The City is required to file a data collection form with the Federal Audit Clearinghouse within nine months of year end if they are subject to the Single Audit reporting requirements.

Resolution: Data collection forms have been submitted to the Federal Audit Clearinghouse for all fiscal years through June 30, 2007. Upon acceptance of the Single Audit by the City Council, the data collection form will be submitted timely for the year ended June 30, 2008.