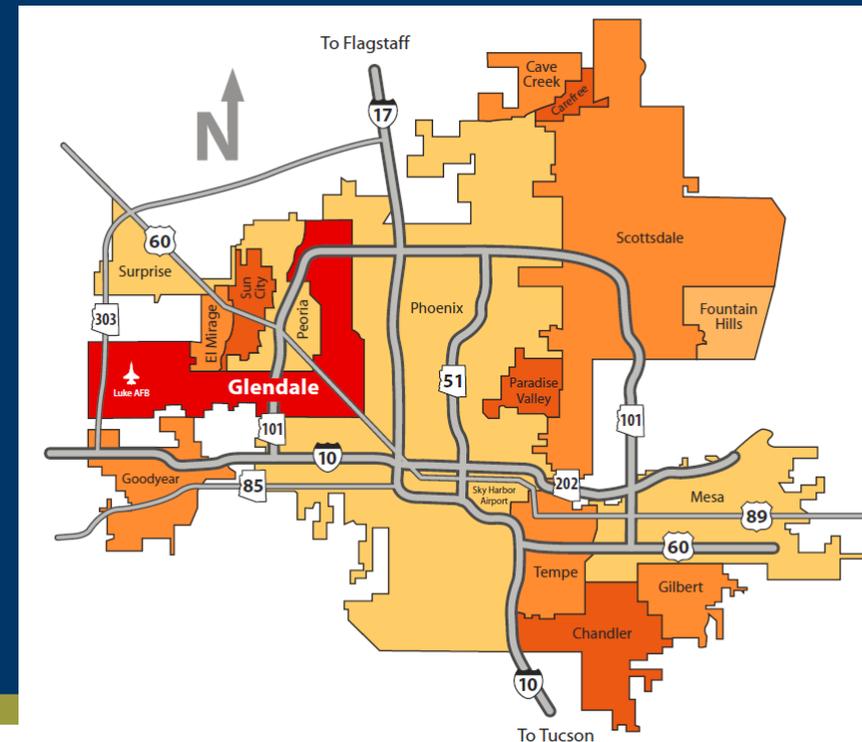


# City of Glendale Financial Audit for the Fiscal Year Ended June 30, 2014

Dennis J. Osuch, CPA  
Partner  
January 20, 2015



# What is an Audit?

Examine and verify management's assertions...provide an opinion

Includes findings & recommendations

Auditors evaluate risk

Auditors work for and should communicate results to the governing board (City Council)

# How do Auditors Determine What to Test?

## Risk based approach

### Apply risk factors to account balances and programs

- Account balances, then financial statement assertions

### Factors based on understanding of the government

- Gained through inquiry
- Gained through observation
- Gained through prior experience
- Gained through test work
- Gained through other factors

# Audit Process

Sign engagement letter

Audit planning by firm

Audit preparation by  
management

# Audit Process

Audit communication with  
governance and management



Audit examination  
(Fieldwork)



Communication of results

# The Reporting Package

1. Communication to Governance

2. Comprehensive Annual Financial Report (CAFR) – Includes audit opinion

3. The Single Audit Report (Federal awards ) – Two reports issued

4. HURF Report

5. Annual Expenditure Limitation Report

6. Landfill Assurance

7. Management Letter

# Comprehensive Annual Financial Report

- Provide an opinion on the basic financial statements
- Provide an in-relation-to opinion on the combining and individual fund financial statements and schedules
- Provide an in-relation-to opinion on the federal data schedule
- Disclaim an opinion on the required supplementary information, introductory, and statistical sections

**We rendered an Unmodified (Clean) Opinion  
on the Financial Statements**

# Single Audit Report/Audit Findings

- Two Reports
  - Report on Internal Control Over Financial Reporting (performed in accordance with *Government Auditing Standards*) – 2 Findings
    - ◇ 1 material weakness in internal controls
    - ◇ 1 significant deficiencies in internal controls
  - Report on Compliance (performed in accordance with the Federal OMB Circular A-133) – Unmodified (Clean) Opinion - 1 Findings
    - ◇ 1 significant deficiencies in internal controls over compliance for major federal programs

# Types of Audit Findings

- Deficiency – either an error occurred or the design of the Organization’s controls may not prevent or detect an error
- Significant Deficiency – a deficiency occurred, but it is not material and in all likelihood would not cause something to be materially misstated, but it’s important enough that it should be reported to governance
- Material Weakness – a deficiency is present and it is either material or it could cause a material misstatement

# Material Weakness

**Condition:** The City's capital asset software does not have the ability to depreciate capital assets; therefore, the management must export the capital assets to Excel to calculate depreciation. In addition, we identified assets recorded in construction progress that were not capitalized and depreciated.

**Recommendation:** The City's capital assets software should be updated to provide an automated calculation of depreciation expense. Additionally, internal controls should be designed to ensure all completed construction is properly capitalized and depreciated.

# Significant Deficiency

**Condition:** A holding account was created and reported as a liability to account for revenues in which the revenue source had not been identified. As a result, liabilities were overstated and revenues were understated by an immaterial amount.

**Recommendation:** Management should design procedures to more timely identify revenue sources in order to recognize revenue in the proper fiscal year.

# Single Audit Compliance

**Condition:** The Low-Income Home Energy Assistance Program (LIHEAP) grant's annual report excluded the month of September 2013 data.

**Recommendation:** Management should review its process for the preparation and review of the annual report and assign a dedicated individual to prepare the annual report and a second individual to perform a review of the annual report prior to submission.

---

# Questions or Comments?

Dennis J. Osuch, CPA, Principal

[Dennis.Osuch@CLAconnect.com](mailto:Dennis.Osuch@CLAconnect.com)