

CITY OF BEVERLY HILLS
Beverly Hills, California

Single Audit Report on Expenditures of Federal Awards

Year Ended June 30, 2010

CITY OF BEVERLY HILLS

Single Audit Report on Expenditures of Federal Awards

Year Ended June 30, 2010

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The Honorable Mayor and City Council
City of Beverly Hills
Beverly Hills, 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, the business-type activities, each major fund and the aggregate remaining fund information of the City of Beverly Hills (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2011. 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'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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The Honorable Mayor and City Council
City of Beverly Hills
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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 identify all the deficiencies in the internal control 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.

We have reported other matters relating to internal controls to the Honorable Mayor and City Council in a letter dated January 19, 2011.

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

Nayer Hoffman McClann P.C.

Irvine, California
January 19, 2011



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Beverly Hills, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON 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 of Beverly Hills (the "City"), California, with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB*) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each its major federal program for the year ended June 30, 2010. The City's major federal program is 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 program is the responsibility of the 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 on the City's compliance with those requirements.

In our opinion, the City of Beverly Hills complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the City Beverly Hills is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have 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's internal control over compliance.

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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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, as of and for the year ended June 30, 2010, and have issued our report thereon dated January 19, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City'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 solely for the information and use of the City Council, City's management, 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.

Nayer Hoffman McClann P.C.

Irvine, California
January 19, 2011

CITY OF BEVERLY HILLS
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Award Expenditures	Payments to Subrecipients
U.S. Department of Housing and Urban Development:				
Passed through the County of Los Angeles:				
Community Development Block Grant				
Handyman Service:				
Single Unit	14.218	D96095	\$ 62,413	62,413
Multiple Units	14.218	D99102	36,054	36,054
Services for Seniors	14.218	D96097	38,941	38,941
CDBG Program Management	14.218	D96096	25,838	-
ARRA - Community Development Block Grant	14.253	REC043-09	884	884
Subtotal			<u>164,130</u>	<u>138,292</u>
U.S. Department of Justice:				
Direct assistance:				
Asset Forfeiture	16.000	CA0191000	366,440 *	-
Bullet Proof Vest Partnership	16.607	N/A	1,121	-
Unified Network of Interoperable Technology Enhancements	16.738	2008-DD-BX-0202	241,571	-
Subtotal			<u>609,132</u>	<u>-</u>
U.S. Department of Homeland Security:				
Direct assistance:				
Urban Area Security Initiative	97.067	C-112570	33,554	-
Assistance to Firefighters	97.044	N/A	61,205	-
Subtotal			<u>94,759</u>	<u>-</u>
U.S. Department of Transportation:				
Passed through the California Department of Transportation				
ARRA - Highway Planning and Construction	20.205	07-5221R	440,093 *	-
National Endowment for the Humanities:				
Direct assistance:				
Family Place Library Grant	45.310	N/A	14,645	-
Total expenditures of federal awards			<u>\$ 1,322,759</u>	<u>138,292</u>

* Major program

See accompanying notes to schedule of expenditures of federal awards.

CITY OF BEVERLY HILLS

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

(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 Beverly Hills (the "City") that are reimbursable under federal programs of federal financial assistance. For 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 non-federal organizations. 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 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. Expenditures reported include any property or equipment acquisitions incurred under the Federal program.

(c) Subrecipient Expenditures

During the fiscal year ended June 30, 2010, the City disbursed \$138,292 to subrecipients, utilizing funds provided by the U.S. Department of Housing and Urban Development Community Development Block Grant.

CITY OF BEVERLY HILLS
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. No material weaknesses in internal control were reported for the period under audit.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses in internal control over the major program of the auditee.
5. An unqualified report was issued by the 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 following:
 - U.S. Department of Justice – Asset Forfeiture CFDA No. 16.000.
 - U.S. Department of Transportation – ARRA - Highway Planning and Construction CFDA No. 20.205.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee was not considered to be a low risk auditee for the year ended June 30, 2010 for purposes of major program determination, as defined by OMB Circular A-133 paragraph .530.

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

There are 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) at OMB Circular A-133

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

CITY OF BEVERLY HILLS
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

There were no audit findings for the year ended June 30, 2009 that required follow-up during the year ended June 30, 2010.