



KATHLEEN CONNELL
Controller of the State of California

May 10, 2002

Director of Finance
City of Del Rey Oaks
650 Canyon Del Rey Road
Del Rey Oaks, CA 93940

**SUBJECT: 2000-2001 FISCAL YEAR SINGLE AUDIT REPORT CERTIFICATION AND
AUDIT FINDING RESOLUTION**

We completed a desk review of your single audit report for the fiscal year ended June 30, 2001. We determined that the report meets the requirements of the United States Office of Management and Budget (OMB) Circular A-133. OMB Circular A-133 prescribes the audit and reporting standards for state and local governments that expend federal awards.

OMB Circular A-133 requires federal and state funding agencies to resolve any audit findings cited in the report that may affect federal award programs. Attachment A to this letter identifies those findings that require resolution. The findings are referenced by enclosure (EN) and page number (PAGE).

State agencies should resolve those findings listed in Attachment A. OMB policies require the state to resolve findings that affect federal programs administered by state agencies. The responsible state agency will contact you to resolve the audit findings listed.

The State Controller's Office (SCO) is responsible for resolving most cross-cutting findings or audit leads. A cross-cutting finding is one that affects the programs of more than one agency. Our office will contact you about those findings later. An audit lead is a specific issue identified in your report that may require additional investigation by federal or state agencies. Federal or state agencies may ask you to provide additional information related to the audit lead.

Your audit report may also contain general internal control findings not referenced in Attachment A. These findings do not appear to affect the federal award programs. Therefore, we have not identified them for resolution action; however, you should ensure your audit report for the 2001-2002 fiscal year addresses these findings.

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250
SACRAMENTO 300 Capitol Mall, Suite 1850, Sacramento, CA 95814 (916) 445-2636
LOS ANGELES 600 Corporate Pointe, Suite 1150, Culver City, CA 90230 (310) 342-5678

Your audit satisfies all financial and compliance audit requirements under individual federal award programs. This does not preclude state and federal agencies from making any additional audits that are necessary to carry out their responsibilities under federal laws and regulations. State and federal agencies may contact you to arrange for additional audits.

If you have any questions regarding this letter and its attachment, please contact a member of my Single Audits staff at (916) 324-6442.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cassandra Moore-Hudnall".

Cassandra Moore-Hudnall, Chief
Financial Audits Bureau
Division of Audits

CMH:ms

Attachment

cc: State Funding Agencies

ATTACHMENT A
AUDIT REPORT FINDINGS – STATE AGENCIES
City of Del Rey Oaks
2000-2001 Fiscal Year

<u>AGENCY NAME</u>	<u>PROGRAM NAME</u>	<u>FEDERAL CATALOG</u>	<u>PAGE</u>	<u>EN</u>
State Department of Housing and Community Development	Community Development Block Grants (Finding 01-1)	14.228	34	1

**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS**

RETURN TO: Federal Audit Clearinghouse, 1201 E. 10th Street, Jeffersonville, IN 47132

Form SF-SAC(3-20-2001)

OMB #0348-0057

Report ID : 23717

12/10/01

Part I: GENERAL INFORMATION	
1. Fiscal year ending date for this submission (mm/dd/yyyy) 06/30/2001	2. Type of A-133 audit <input checked="" type="radio"/> Single audit
3. Audit period covered <input checked="" type="radio"/> Annual	CENSUS USE ONLY 4. Date received by clearinghouse
5. Employer Identification Number (EIN) a. Auditee EIN 946019186	b. Are multiple EINS covered in this report? <input checked="" type="radio"/> No
6. AUDITEE INFORMATION	7. AUDITOR INFORMATION
a. Auditee name CITY OF DEL REY OAKS	a. Auditor name HAYASHI & WAYLAND
b. Auditee address (Number and street) 650 CANYON DEL REY ROAD	b. Auditor address (Number and street) 1188 PADRE DRIVE, STE. 101
City DEL REY OAKS	City SALINAS
State Zip Code CA 93940 -	State Zip Code CA 93901 -
c. Auditee contact Name RONALD LANGFORD	c. Auditor contact Name CECIL ROBBINS
Title ACTING INTERIM CITY MANAGER	Title PARTNER
d. Auditee contact telephone (831) 394 - 8511	d. Auditor contact telephone (831) 759 - 6300
e. Auditee contact FAX (Optional) (831) 394 - 6421	e. Auditor contact FAX (Optional) (831) 759 - 6380
f. Auditee contact E-mail (Optional)	f. Auditor contact E-mail (Optional)
g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct. Signature of certifying official _____ Date _____ CLIENT'S COPY Name/Title of certifying official _____	g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 9, 10, and 11, was transferred from the auditor's report (s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The Auditor has not performed any auditing procedures since the date of the auditor's report (s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report (s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form. Signature of auditor _____ Date _____

Form SF-SAC(3-20-2001) OMB #0348-0057

Report ID : 23717

Part I: GENERAL INFORMATION - Continued		
8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? <i>(Mark (x) one box)</i>		
<input checked="" type="radio"/> No - SKIP to Part II, Item 1		
9. Indicate which Federal awarding agency provided the predominant amount of direct funding in fiscal year 2000. <i>(Mark (x) one box) However, if cognizance has been reassigned, see instructions</i>		
Part II: FINANCIAL STATEMENTS (To be completed by auditor)		
1. Type of audit report <i>(Mark (x) one box)</i>		
<input checked="" type="radio"/> Unqualified opinion		
2. Is a "going concern" explanatory paragraph included in the audit report?		
<input checked="" type="radio"/> No		
3. Is a reportable condition disclosed?		
<input checked="" type="radio"/> No - SKIP to Item 5		
4. Is any reportable condition reported as a material weakness?		
5. Is a material noncompliance disclosed?		
<input checked="" type="radio"/> No		
Part III: FEDERAL PROGRAMS (To be completed by auditor)		
1. Type of audit report on major program compliance		
<input checked="" type="checkbox"/> Unqualified opinion		
2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10)		
<input checked="" type="radio"/> No		
3. What is the dollar threshold to distinguish Type A and Type B programs? (§ .520(b)) Round to the nearest dollar.		
\$300000.00		
4. Did the auditee qualify as a low-risk auditee? (§ .530)		
<input checked="" type="radio"/> No		
5. Is a reportable condition disclosed for any major program? (§ .510(a)(1))		
<input checked="" type="radio"/> Yes		
6. Is any reportable condition reported as a material weakness? (§ .510(a)(1))		
<input checked="" type="radio"/> No		
7. Are any known questioned costs reported? (§ .510(a)(3) or (4))		
<input checked="" type="radio"/> Yes		
8. Was a Summary Schedule of Prior Audit Findings prepared? (§ .315(b))		
<input checked="" type="radio"/> Yes		
9. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings, as shown in the Summary Schedule of Prior Audit Findings, related to direct funding. <i>(Mark (x) all that apply.) Each agency identified is required to receive a copy of the reporting package.</i>		
14	<input checked="" type="checkbox"/>	Department of Housing and Urban Development
<i>In addition, one copy each of the reporting package is required for:</i>		
1	the Federal Audit Clearinghouse archives
0	and, if not marked above, the cognizant agency (if identified in Part I, Item 9)
2	Total number of reporting packages to be submitted

Form SF-SAC(3-20-2001) OMB #0348-0057

Report ID : 23717

Part III: FEDERAL PROGRAMS Continued									
10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR							11. AUDIT FINDINGS		
Row	10a. CFDA Number		10b. Research and development	10c. Name of Federal Program	10d. Amount expended in Whole Numbers	10e. Direct Award	10f. Major program	11a. Type of compliance requirement (3)	11b. Audit finding reference # (s) (4)
	Federal Agency Prefix (1)	Extension (2)							
1	14.	228	<input checked="" type="checkbox"/> N	COMMUNITY DEVELOPMENT BLOCK GRANT	\$ 465000 .00	<input checked="" type="checkbox"/> Y	<input checked="" type="checkbox"/> Y	A	01-1
Computer Generated Total Federal Awards Expended:				\$ 465000					
TOTAL FEDERAL AWARDS EXPENDED				\$465000					

*Footnotes for Part 3 - Item 10 and Item 11

1. See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.
2. Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.
3. Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weakness), questioned costs, fraud, and other items reported under § .510 (a)) reported for each Federal program.

- | | | |
|---|--|---------------------------------|
| A. Activities allowed or unallowed | G. Matching, level of effort, earmarking | L. Reporting |
| B. Allowable costs/cost principles | H. Period of availability of funds | M. Subrecipient monitoring |
| C. Cash management | I. Procurement | N. Special tests and provisions |
| D. Davis-Bacon Act | J. Program income | O. None |
| E. Eligibility | K. Real property acquisition and relocation assistance | P. Other |
| F. Equipment and real property management | | |

4. N/A for None.

ROBERT R. WELLINGTON
KENNETH D. BUCHERT
ROBERT W. RATHIE

LAW OFFICES OF
ROBERT R. WELLINGTON
857 CASS STREET, SUITE D
MONTEREY, CALIFORNIA 93940
(831) 373-8733

FACSIMILE
(831) 373-7106

COPY VIA FACSIMILE
758-8323

November 27, 2001

Hayashi & Wayland
Accountancy Corporation
Post Office Box 883
76 Stephanie Drive
Salinas, California 93902

Re: 2000-2001 Audit for City of Del Rey Oaks;
Status of Litigation and Claims

Dear Sir or Madam:

By letter dated October 29, 2001, Acting City Manager Ronald Langford, on behalf of the City of Del Rey Oaks, has requested that I furnish you with certain information in connection with your annual examination of the books and records of the City regarding matters that existed as of and for the fiscal year ending June 30, 2001, and for the period from that date to the date of this letter.

The City has advised me that, by making the request set forth in its letter, it does not intend to waive the attorney-client privilege with respect to any information which the City has furnished to this office. Moreover, please be advised that our response to you should not be construed in any way to constitute a waiver of the protection of the attorney-work-product privilege with respect to any of our files involving the City.

This response is limited by, and is in accordance with, the American Bar Association Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (December 1975) as amended to this date and its accompanying Commentary (the "Statement"). Without limiting the generality of the foregoing, the limitations set forth in this Statement on the scope and use of this response (Paragraphs 2 and 7) are specifically incorporated herein. The term "loss contingencies" and the other terms used in quotation marks in this letter have the meanings and qualifications given to them in the Statement. A copy of the Statement will be furnished by this office to the City on request.

In the preparation of this letter response, we have inquired of all four lawyers currently in this office who have performed services for the City since July 1, 2000 (the commencement date of the fiscal year in question) whether such services involved "substantive attention" concerning "loss contingencies," but beyond that, no external or independent review has been made for the purpose of identifying "loss contingencies."

Subject to the qualifications set forth in this letter, I advise you that since July 1, 2000, we have not been engaged to give "substantive attention" to, or represent the City in connection with, any material "loss contingencies" comprising "threatened or pending litigation," except as follows:

With respect to the "Unasserted Claims and Assessments" that the City's audit inquiry letter specifically identifies and upon which the City has specifically requested comment, we advise you, subject to the qualifications set forth in this letter, we are not now, nor were we during the period in question, aware of any asserted or unasserted "Claims and Assessments" made against the City, and thus we make no comment as to any such items.

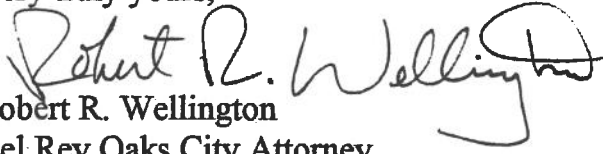
Pursuant to the City's request, we confirm to you that whenever, in the course of performing legal services for the City with respect to a matter recognized to involve an "Unasserted Claim and Assessment" that may call for financial statement disclosure, we have formed a professional conclusion that the City must disclose or consider disclosure concerning such possible claim or assessment, as a matter of professional responsibility to the City, we will so advise the City and will consult with the City concerning the question of such disclosure and the applicable requirements of Statement of Financial Accounting Standards No. 5.

For the purpose of this letter, we have considered any item of less than \$5,000.00 to be immaterial and outside of the scope of this response.

The information provided in this letter response is as of this date. We disclaim any undertaking to advise you of any changes which thereafter may be brought to our attention. This information is furnished to you at the request of the City to assist you in auditing the City's accounts. This information is not to be copied, quoted or distributed to any person without the prior written consent of this office.

If you need further information regarding any of the above, please let me know.

Very truly yours,


Robert R. Wellington
Del Rey Oaks City Attorney

RRW:pb

cc: Acting City Manager Langford