



CITY OF LONG BEACH, CALIFORNIA
Single Audit Reports
Year ended September 30, 2009
(With Independent Auditors' Report Thereon)

CITY OF LONG BEACH, CALIFORNIA

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**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***

The Honorable Mayor and City Council
City of Long Beach, California:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2010. Our report was modified to include a reference to another auditor and the City's adoption of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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. Other auditors audited the financial statements of the Long Beach Transportation Company (a discretely presented component unit of the City) as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

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 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 over financial reporting 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 over financial reporting, 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. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and that are described in the accompanying schedule of findings and questioned costs as items FS-09-01 and FS-09-02. A significant deficiency is a



deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

We noted certain matters that we reported to management of the City in a separate letter dated June 30, 2010.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and accordingly, we express no opinion on them.

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

KPMG LLP

June 30, 2010



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Irvine, CA 92618-3391

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

The Honorable Mayor and City Council
City of Long Beach, California:

Compliance

We have audited the compliance of the City of Long Beach, California (the City), 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 September 30, 2009. The City'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 each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include operations of the Long Beach Transportation Company (a discretely presented component unit), which received \$22,781,832 in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2009. Our audit, described below, did not include the operations of the Long Beach Transportation Company because the component unit engaged another auditor to perform an audit in accordance with OMB Circular A-133.

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'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's compliance with those requirements.

In our opinion, the City 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 September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items F-09-01 through F-09-03.

Internal Control over Compliance

The management of the City 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's internal control over compliance with the 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 entity'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 entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-09-01 through F-09-03 to be significant deficiencies.

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 entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2009, and have issued our report thereon dated June 30, 2010. Our audit was performed for the purpose of forming 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and accordingly, we express no opinion on it.

The supplementary information included in Exhibit 2 is presented for purposes of additional analysis and is not a required part of the City's basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.



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

KPMG LLP

June 30, 2010

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2009

Exhibit I

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance number | Award or pass-through identification number | Federal disbursements/ expenditures |
|---|---|---|--|
| Department of Agriculture: | | | |
| State Department of Health Services: | | | |
| Women, Infants, and Children | 10.557 | 05-45766 | \$ (57,651) |
| Women, Infants, and Children | 10.557 | 08-85418 ADO | 3,721,237 |
| Total | 10.557 | | 3,663,586 |
| Children Nutrition Network | 10.561 | 08-85135 | 468,115 |
| State Department of Education: | | | |
| Summer Food Service | 10.559 | 19-81908V | 273,202 |
| Total Department of Agriculture | | | 4,404,903 |
| Department of Commerce: | | | |
| Economic Development Act | 11.307 | 07-49-05046 | 1,141,655 |
| Total Department of Commerce | | | 1,141,655 |
| Department of Housing and Urban Development: | | | |
| Housing Assistance Program – Housing Choice Vouchers | 14.871 | CA068VO | 62,482,322 |
| Housing Assistance Program – Disaster Vouchers | 14.DVP | CA068DVP | 32,605 |
| Housing Assistance Program – VASH | 14.VSH | CA068VASH | 1,001,795 |
| Total Housing Assistance Program Expenditures | | | 63,516,722 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-07-MC-06-0522 | 3,953,644 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-08-MC-06-0522 | 6,259,129 |
| | | | 10,212,773 |
| Neighborhood Stabilization Program | 14.218 | B-08-MN-06-0511 | 1,379,773 |
| Total | 14.218 | | 11,592,546 |
| Emergency Shelter Grants Program | 14.231 | S07-MC-06-0522 | 133,109 |
| Emergency Shelter Grants Program | 14.231 | S08-MC-06-0522 | 283,653 |
| Total | 14.231 | | 416,762 |
| Homeless Supportive Housing SHP02 | 14.235 | CA16B206 | (5,445) |
| Homeless Supportive Housing SHP03 | 14.235 | CA16B306 | (1,454) |
| Homeless Supportive Housing SHP04 | 14.235 | CA16B406 | 301,316 |
| Homeless Supportive Housing SHP06 | 14.235 | CA16B606 | 32,421 |
| Homeless Supportive Housing SHP07 | 14.235 | CA16B706 | 2,776,646 |
| Homeless Supportive Housing SHP08 | 14.235 | CA16B806 | 1,282,331 |
| Total | 14.235 | | 4,385,815 |
| Shelter Plus Care | 14.238 | CA16C006-001 | 16,660 |
| Shelter Plus Care | 14.238 | CA16C506-001 | 106,961 |
| Shelter Plus Care | 14.238 | CA16C706-028 | 15,666 |
| Shelter Plus Care | 14.238 | CA16C706-029 | 40,437 |
| Shelter Plus Care | 14.238 | CA16C706-030 | 155,993 |
| Shelter Plus Care | 14.238 | CA16C706-031 | 80,171 |
| Shelter Plus Care | 14.238 | CA0646C9D060801 | 74,210 |
| Shelter Plus Care | 14.238 | CA0647C9D060801 | 23,770 |
| Shelter Plus Care | 14.238 | CA0648C9D060801 | 23,350 |
| Total | 14.238 | | 537,218 |
| HOME Investment Partnership Program | 14.239 | M-06-MC-06-0518 | 3,215,612 |
| HOME Investment Partnership Program | 14.239 | M-07-MC-06-0518 | 4,669,041 |
| HOME Investment Partnership Program | 14.239 | M-08-MC-06-0518 | 3,942,891 |
| Total | 14.239 | | 11,827,544 |
| ARRA-Community Development Block Grant Entitlement Grants | 14.253 | B-09-MY-06-0522 | 328,132 |
| ARRA-2009 Recovery Act Lead Hazard Control | 14.907 | CALHB408-08 | 152,071 |
| ARRA-2009 Recovery Act Lead Healthy Home: | 14.908 | CALHH188-08 | 78,853 |
| City of Los Angeles: | | | |
| HOPWA | 14.241 | 98,256 | 574,933 |
| Total Department of Housing and Urban Development | | | 93,410,596 |

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2009

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance number | Award or pass-through identification number | Federal disbursements/expenditures |
|--|---|---|------------------------------------|
| Department of the Interior: | | | |
| ARRA-Desalination Research and Development | 15.504 | R09AC35R11 | \$ 298,903 |
| Desalination Research and Development | 15.506 | 02-FC-35-0053 | 1,200,000 |
| State Parks Department: | | | |
| Seaside Park Development | 15.916 | 06-01554 | 138,181 |
| River View Shore Trail | 15.916 | 06-01626 | 4,272 |
| Total | 15.916 | | 142,453 |
| Total Department of the Interior | | | 1,641,356 |
| Department of Justice: | | | |
| Asset Forfeiture | 16.000 | N/A | 440,257 |
| Police Earmark Program | 16.541 | 2006-DJ-FX-0164 | 104,296 |
| Police Earmark Program | 16.541 | 2008-JL-FX-0010 | 2,372 |
| Total | 16.541 | | 106,668 |
| Solving Cold Cases with DNA | 16.560 | 2008DNBXXK412 | 86,562 |
| CCDO Weed and Seed Communities Competitive Program | 16.595 | 2007-WS-Q7-0267 | 51,622 |
| CCDO Weed and Seed Communities Competitive Program | 16.595 | 2008-WS-QX-0088 | 150,000 |
| CCDO Weed and Seed Communities Competitive Program | 16.595 | 2009-WS-QX-0050 | 1,139 |
| Total | 16.595 | | 202,761 |
| Bulletproof Vest Partnership | 16.607 | N/A | 91,424 |
| Bulletproof Vest Partnership | 16.607 | N/A | 23,548 |
| Total | 16.607 | | 114,972 |
| Edward Bryne Justice Assistance Grant | 16.738 | 2005-DJ-BX-1190 | 56,370 |
| Edward Bryne Justice Assistance Grant | 16.738 | 2007-DJ-BX-0617 | 138,119 |
| Edward Bryne Justice Assistance Grant | 16.738 | 2008-DJ-BX-0229 | 34,122 |
| Total | 16.738 | | 228,611 |
| State Office of Emergency Services: | | | |
| Paul Coverdell Forensic Science Improvement | 16.742 | CQ07057240 | 12,242 |
| Paul Coverdell Forensic Science Improvement | 16.742 | CQ08067240 | 13,657 |
| Total | 16.742 | | 25,899 |
| Total Department of Justice | | | 1,205,730 |
| Department of Labor: | | | |
| State of Employment Development Dept: | | | |
| Long Beach Community College: | | | |
| Wagner Peyser Const Apparent Pathways | 17.207 | R492684/CN 99637.6 | (690) |
| State of Employment Development Dept: | | | |
| Workforce Investment Act (WIA) Title I Adult Formul | 17.258 | R865464 | 332 |
| Workforce Investment Act (WIA) Title I Adult Formul | 17.258 | R970542 | 2,613,700 |
| Workforce Investment Act (WIA) Title I Adult Formul | 17.258 | K074146 | 1,402,124 |
| Total | | | 4,016,156 |
| Workforce Investment Act (WIA) Port Opportunity 2 | 17.258 | R760328 | 239,400 |
| ARRA-Workforce Investment Act (WIA) Title I Adult Formul | 17.258 | R970542/AA-17110-08-55-A-6 | 292,369 |
| City of Los Angeles: | | | |
| Workforce Investment Act (WIA) CA Economic Downturn Harbor Adult | 17.258 | 115,347 | 30,808 |
| Workforce Investment Act (WIA) Harbor Worksource Ctr Adult | 17.258 | C-113002 | (1,695) |
| Workforce Investment Act (WIA) Harbor Worksource Ctr Adult | 17.258 | C-114516 | 282,853 |
| Workforce Investment Act (WIA) Harbor Worksource Ctr Adult | 17.258 | C-115843 | 104,991 |
| Total | | | 386,149 |
| ARRA-Workforce Investment Act (WIA) Harbor Worksource Ctr Adult | 17.258 | 115,839 | 220 |
| County of Orange: | | | |
| OCWIB - Vet Assistance Employment Program | 17.258 | V1-V-09 | 39,975 |
| South Bay Center for Counseling: | | | |
| SBCC - VET Assistance Employment Program | 17.258 | N/A | 21,519 |

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2009

Exhibit 1

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance number | Award or pass-through identification number | Federal disbursements/expenditures |
|--|---|---|------------------------------------|
| Department of Labor (continued): | | | |
| Los Angeles County, Department of Public Social Services: | | | |
| City of Hawthorne/South Bay Workforce Investment Board | | | |
| ARRA-Transitional Subsidized Emp Program | 17.258 | 09-H226 | \$ 5,258 |
| Total | 17.258 | | <u>5,031,854</u> |
| State of Employment Development Dept: | | | |
| Workforce Investment Act (WIA) Title I Youth Formul | 17.259 | R865464 | 28,880 |
| Workforce Investment Act (WIA) Title I Youth Formul | 17.259 | R970542 | 1,743,129 |
| Workforce Investment Act (WIA) Title I Youth Formul | 17.259 | K074146 | 705,082 |
| | | | <u>2,477,091</u> |
| ARRA-Workforce Investment Act (WIA) Federal Job Stimulus | 17.259 | R970542/AA-17110-08-55-A-6 | 2,325,623 |
| ARRA-Workforce Investment Act (WIA) CA Green Job | 17.259 | R970542/AA-17110-08-55-A-6 | 19,104 |
| Total | 17.259 | | <u>4,821,818</u> |
| Workforce Investment Act (WIA) Rapid Response | 17.260 | R970542 | 268,871 |
| Workforce Investment Act (WIA) Rapid Response | 17.260 | K074146 | 19,203 |
| | | | <u>288,074</u> |
| ARRA-Workforce Investment Act (WIA) Rapid Response | 17.260 | R970542/AA-17110-08-55-A-6 | 132,508 |
| Workforce Investment Act (WIA) Title I Dislocated Worker | 17.260 | R865464 | 30,471 |
| Workforce Investment Act (WIA) Title I Dislocated Worker | 17.260 | K074146 | 108 |
| | | | <u>30,579</u> |
| ARRA-Workforce Investment Act (WIA) Title I Dislocated Worker | 17.260 | R970542/AA-17110-08-55-A-6 | 144,256 |
| Workforce Investment Act (WIA) Economic Downturn Func | 17.260 | R865464 | 49,666 |
| Workforce Investment Act (WIA) Economic Downturn Func | 17.260 | R970542 | 218,042 |
| | | | <u>267,708</u> |
| Workforce Investment Act (WIA) Performance Incentive | 17.260 | R865464 | 15,627 |
| United Way Workforce Collaborative 2 | 17.260 | R970542 | 1,066 |
| City of Los Angeles: | | | |
| Workforce Investment Act (WIA) Harbor Worksource Ctr DW | 17.260 | C-113002 | (1,563) |
| Workforce Investment Act (WIA) Harbor Worksource Ctr DW | 17.260 | C-114516 | 204,883 |
| Workforce Investment Act (WIA) Harbor Worksource Ctr DW | 17.260 | C-115843 | 160,544 |
| | | | <u>363,864</u> |
| Workforce Investment Act (WIA) CA Economic Downturn Harbor Dislocate | 17.260 | 115,347 | 10,355 |
| County of Orange: | | | |
| OCWIB – Vet Assistance Employment Program | 17.260 | V1-V-09 | 39,975 |
| Total | 17.260 | | <u>1,294,012</u> |
| Total WIA cluster | | | <u>11,147,684</u> |
| DOL Earmark Energy Pathways | 17.261 | EA-18558-09-60-A-6 | 3,190 |
| State of Employment Development Dept: | | | |
| Disability Program Navigation | 17.261 | R865464 | 36,096 |
| Disability Program Navigation | 17.261 | R970542 | 107,384 |
| | | | <u>143,480</u> |
| Total | 17.261 | | <u>146,670</u> |
| Total Department of Labor | | | <u>11,293,664</u> |

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2009

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance number | Award or pass-through identification number | Federal disbursements/expenditures |
|--|---|---|------------------------------------|
| Department of Transportation: | | | |
| FAA Airport Improvement Program | 20.106 | 3-06-0127-26 | \$ 78,652 |
| FAA Airport Improvement Program | 20.106 | 3-06-0127-27 | (82,992) |
| FAA Airport Improvement Program | 20.106 | 3-06-0127-28 | 758 |
| FAA Airport Improvement Program | 20.106 | 3-06-0127-29 | 3,300,057 |
| FAA Airport Improvement Program | 20.106 | 3-06-0127-030 | 7,697,410 |
| FAA Airport Improvement Program | 20.106 | 3-06-0127-031 | 487,780 |
| FAA Airport Improvement Program | 20.106 | 3-06-0127-032-2009 | 62,972 |
| FAA Airport Improvement Program | 20.106 | 3-06-0127-033-2009 | 4,641 |
| Total | 20.106 | | <u>11,549,278</u> |
| State Department of Transportation: | | | |
| Highway Planning and Construction Programs | 20.205 | BRLSN-5108 (073) | 782,407 |
| Highway Planning and Construction Programs | 20.205 | CML-5108(088) | 8,939 |
| Highway Planning and Construction Programs | 20.205 | STPL 5108 (075) | 717,336 |
| Highway Planning and Construction Programs | 20.205 | STPL 5108 (077) | (19,171) |
| Highway Planning and Construction Programs | 20.205 | HPLUL-5108 (090) | 59,949 |
| Highway Planning and Construction Programs | 20.205 | RPSTPLE-5108 (080) | 123,499 |
| | | | <u>1,672,959</u> |
| ARRA-Long Beach Local Streets/Roads Projects | 20.205 | ESPL-5108 (097) | 85 |
| Caltrans: | | | |
| Caltrans-Preapprenticeship | 20.205 | 88A0038 | <u>329,687</u> |
| Total | 20.205 | | <u>2,002,731</u> |
| State Office of Traffic Safety: | | | |
| Family Safety Initiative | 20.600 | OP0808 | 176,797 |
| Sobriety Checkpoint | 20.600 | SC071914 | (87) |
| DUI Enforcement and Awareness Program | 20.600 | AL0993 | 260,863 |
| The Regents of the University of California School of Public Health, Berkeley: | | | |
| Next Generation – Click it or Ticket | 20.600 | CT09234 | <u>32,818</u> |
| Total | 20.600 | | <u>470,391</u> |
| State Office of Emergency Services: | | | |
| Hazardous Materials Emergency Preparedness | 20.703 | 8033-160 | 44,000 |
| Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | HMECA5033130 | <u>3,406</u> |
| Total | 20.703 | | <u>47,406</u> |
| Total Department of Transportation | | | <u>14,069,806</u> |
| Department of Treasury: | | | |
| Asset Forfeiture Program | 21.XXX | N/A | 189,655 |
| California State Library: | | | |
| Public Library Staff Education Program | 45.310 | 40-5907 | 244 |
| Public Library Staff Education Program | 45.310 | 40-6303 | 1,424 |
| Public Library Staff Education Program | 45.310 | 40-6264 | 494 |
| Public Library Staff Education Program | 45.310 | 40-7021 | <u>3,300</u> |
| Total | 45.310 | | <u>5,462</u> |
| Total Department of Treasury | | | <u>195,117</u> |
| U.S. Environmental Protection Agency: | | | |
| Hybrid Yard Hostler Demonstration and Commercialization Project | 66.034 | XA-96042301-1 | 125,000 |
| Lead and Education Outreach Project (LEO) | 66.716 | X8-96999501-0 | 66,053 |
| Palos Verdes Shelf fish Contamination | 66.716 | V-98972501-0 | <u>18,225</u> |
| Total | 66.716 | | <u>84,278</u> |
| Brownfields Job Training Project | 66.815 | JT-96993901-0 | 38,305 |
| ARRA-Brownfields Job Training Project | 66.815 | 2J-00T31901-0 | <u>1,363</u> |
| Total | 66.815 | | <u>39,668</u> |
| CA State Water Resources Control Board: | | | |
| ARRA-Colorado Lagoon Clean Beaches Initiative | 66.458 | C-06-6951-110/08-300-550 | 147,188 |

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2009

Exhibit 1

| <u>Federal grantor/pass-through agency/program title</u> | <u>Catalog of federal domestic assistance number</u> | <u>Award or pass-through identification number</u> | <u>Federal disbursements/ expenditures</u> |
|--|--|--|--|
| U.S. Environmental Protection Agency (continued): | | | |
| State Department of Health Services: | | | |
| Beach Water Quality and Public Notification | 66.472 | 07-65556 | \$ (46) |
| Beach Water Quality and Public Notification | 66.472 | 08-85530 | 24,880 |
| Total | 66.472 | | 24,834 |
| Total U.S. Environmental Protection Agency | | | 420,968 |
| Department of Education: | | | |
| Department of Education Earmark | 84.215 | U215K090230 | 6,231 |
| State Department of Education: | | | |
| Evenstart Family Literacy | 84.213 | 07-08-14331-G156-01 | (5,994) |
| Long Beach Unified School District: | | | |
| 21 Century Community Learning Center | 84.287 | 07-14349-6472 | (1,756) |
| 21 Century Community Learning Center | 84.287 | 08-14349-6472 | 157,685 |
| 21 Century Community Learning Center | 84.287 | 09-14349-6472 | 17,902 |
| Total | 84.287 | | 173,831 |
| Total Department of Education | | | 174,068 |
| Department of Health and Human Services: | | | |
| County of Los Angeles: | | | |
| Bioterrorism Preparedness | 93.069 | H-701583-5 | (139,556) |
| Bioterrorism Preparedness | 93.069 | H-701583-7 | 1,171,067 |
| Bioterrorism Preparedness | 93.069 | H-701583-8 | 101,129 |
| Total | 93.069 | | 1,132,640 |
| State Department of Health Services: | | | |
| Childhood Lead Poisoning Prevention | 93.197 | 08-85064 | 86,802 |
| Immunization Subvention | 93.268 | 07-65228 | 38,012 |
| Immunization Subvention | 93.268 | 08-85301 | 205,620 |
| Immunization Subvention | 93.268 | 09-11278 | 52,383 |
| Total | 93.268 | | 296,015 |
| Childhood Health and Disability | 93.778 | CHDP-EPSDT 07-08 | 18,052 |
| Childhood Health and Disability | 93.778 | CHDP-EPSDT 08-09 | 263,196 |
| Childhood Health and Disability | 93.778 | 0000002713-00 | 70,576 |
| | | | 351,824 |
| Medical Gateway | 93.778 | CHDP-EPSDT 08-09 | 92,370 |
| Medical Gateway | 93.778 | 0000002713-00 | 28,192 |
| | | | 120,562 |
| Children in Foster Care | 93.778 | HCPCFC-FY 07-08 | (1) |
| Children in Foster Care | 93.778 | HCPCFC-FY 08-09 | 110,850 |
| Children in Foster Care | 93.778 | 62 R52508/08 | 27,804 |
| | | | 138,653 |
| Nursing MAA Claiming | 93.778 | 08-35117 | (196,732) |
| Nursing MAA Claiming | 93.778 | 04-35117 | 742,500 |
| | | | 545,768 |
| Nursing TCM Claiming | 93.778 | 6106/07 | (1,000) |
| Nursing TCM Claiming | 93.778 | 6107/08 | (48,595) |
| Nursing TCM Claiming | 93.778 | 6108/09 | 212,500 |
| Nursing TCM Claiming | 93.778 | 6109/10 | 62,500 |
| | | | 225,405 |
| MAA/ TCM Administration | 93.778 | 04-35117 | 17,784 |
| MAA/ TCM Administration | 93.778 | 09-86022 | 29,640 |
| | | | 47,424 |
| Total | 93.778 | | 1,429,636 |

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2009

| <u>Federal grantor/pass-through agency/program title</u> | <u>Catalog of federal domestic assistance number</u> | <u>Award or pass-through identification number</u> | <u>Federal disbursements/expenditures</u> |
|--|--|--|---|
| Department of Health and Human Services (continued): | 93.917 | 6X07HA00041-18-001 | \$ 100,453 |
| State Department of Health Services: | | | |
| AIDS/HIV Pathways | | | |
| Early Intervention Project | 93.917 | 6X07HA00041-18-001 | 214,109 |
| HIV Transmission Prevention – Positive | 93.917 | 6X07HA00041-18-001 | 33,052 |
| Outreach/Prev. for HIV Positive (Bridge) | 93.917 | 6X07HA00041-18-001 | 30,437 |
| Total | 93.917 | | 378,051 |
| HIV Care Coordination | 93.940 | 3U62PS923465-05S1 | 163,812 |
| Maternal and Child Health Svcs Allocation | 93.994 | 200760-MCH | (1,156) |
| Maternal and Child Health Svcs Allocation | 93.994 | 200860-MCH | 158,258 |
| Maternal and Child Health Svcs Allocation | 93.994 | 200960-MCH | 106,355 |
| | | | 263,457 |
| MCH Black Infant Health | 93.994 | 200760-BIH | (117) |
| MCH Black Infant Health | 93.994 | 200860-BIH | 181,097 |
| MCH Black Infant Health | 93.994 | 200960-BIH | 49,805 |
| | | | 230,785 |
| Total | 93.994 | | 494,242 |
| County of Los Angeles: | | | |
| Family Support | 93.556 | 05-027-13 | 26,158 |
| Family Support | 93.556 | 70,906 | 3,634 |
| | | | 29,792 |
| South Bay Center for Counseling: | | | |
| Family Services/CNA | 93.556 | 70906 | 35,914 |
| Total | 93.556 | | 65,706 |
| State Department of Health Services: | | | |
| Community Challenge Grant Program | 93.558 | 05-45244 | 247,636 |
| County of Los Angeles: | | | |
| Calworks Alcohol and Drug Abuse | 93.558 | PH-000502A | 3,214 |
| Los Angeles Homeless Services Authority: | | | |
| Temporary Assistance for Needy Families | 93.558 | 2007DPSS01 | 40 |
| Temporary Assistance for Needy Families | 93.558 | 2008 DPSS01 | 131,330 |
| Temporary Assistance for Needy Families | 93.558 | 2009 DPSS01 | 32,149 |
| | | | 163,519 |
| Total | 93.558 | | 414,369 |
| County of Los Angeles: | | | |
| AIDS Case Management | 93.915 | H210813 | (2,428) |
| AIDS Case Management | 93.915 | H210813-11 | 120,917 |
| AIDS Case Management | 93.915 | H210813-12 | 85,581 |
| | | | 204,070 |
| AIDS EIP Outpatient Medical | 93.915 | H209210-31 | 52,811 |
| AIDS EIP Outpatient Medical | 93.915 | H209210-32 | 21,060 |
| | | | 73,871 |
| Total | 93.915 | | 277,941 |
| Community Prevention and Recovery Program (CPRP) | 93.959 | H-702448A | 59,321 |
| Outpatient Drug Free | 93.959 | H-702448B | 55,496 |
| Alcohol-Drug Prevention Starrs | 93.959 | H-702448C | 42,119 |
| Total | 93.959 | | 156,936 |
| Total Department of Health and Human Services | | | 4,896,150 |

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2009

Exhibit I

| Federal grantor/pass-through agency/program title | Catalog of federal domestic assistance number | Award or pass-through identification number | Federal disbursements/ expenditures |
|---|---|---|-------------------------------------|
| Department of Homeland Security: | | | |
| Threat Assessment and Sector Management | 97.090 | HSTS02-08-H-SLR324 | \$ 287,876 |
| TSA Ports Grant Round 5 | 97.056 | 2005-GB-T5-0130 | 5,441,005 |
| TSA Ports Grant Round 6 | 97.056 | 2006-GB-T6-0099 | 331,584 |
| TSA Ports Grant Round 7 | 97.056 | 2007-GB-T7-K095 | 2,720,438 |
| City of Los Angeles Harbor Department: | | | |
| TSA Ports Grant Round 7B | 97.056 | 2007-GB-T7-K429 | 93,587 |
| Total | 97.056 | | <u>8,586,614</u> |
| State Office of Homeland Security: | | | |
| Enhancement of Emergency Operations | 97.004 | 2004-GE-T4-0045 | 1,602 |
| State of California – Cal EMA: | | | |
| Urban Area Security Initiative Program | 97.008 | 2005-0015 | 6,961 |
| City of Los Angeles: | | | |
| Urban Area Security Initiative Program | 97.008 | 2006-0071 | 3,563,800 |
| Urban Area Security Initiative Program | 97.008 | 2007-0008 | 851,583 |
| Urban Area Security Initiative Program | 97.008 | 2008-0006 | 6,016 |
| Total | 97.008 | | <u>4,428,360</u> |
| County of Los Angeles: | | | |
| Emergency Management Performance Grant | 97.042 | 2005-0015 2006-08 | 40,048 |
| Homeland Security Grant | 97.067 | 2007-0008 | 170,173 |
| Homeland Security Grant | 97.067 | 2008-0006 | 1,168 |
| Total | 97.067 | | <u>171,341</u> |
| State Homeland Security Program | 97.073 | 2008-0006 | 2,154 |
| Total Department of Homeland Security | | | <u>13,517,995</u> |
| Total Federal Expenditures | | | <u>\$ 146,372,008</u> |

See accompanying notes to schedule of expenditures of federal awards and report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

CITY OF LONG BEACH, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2009

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Long Beach, California (the City). All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through to the City by other government agencies, has been included in the accompanying Schedule. The City's reporting entity is defined in note 1 to the City's basic financial statements.

(2) Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting. Such basis of accounting is described in note 1 to the City's basic financial statements.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree in all material respects with the amounts reported in the related federal financial reports.

(4) Community-Based Loan Programs

Total loans outstanding under the Community Development Block Grant and HOME Investment Partnerships programs were \$5,185,604 and \$55,535,243 at September 30, 2009, respectively. The amounts included in the accompanying Schedule consist of loans advanced to eligible participants of the programs and other administrative costs for the year ended September 30, 2009.

(5) Food Instruments/Vouchers

Food instruments/vouchers expenditures represent the estimated value of the Women, Infants, and Children (WIC) food instruments as communicated by the State Department of Health Services distributed during the year. The food instruments/vouchers totaled \$18,468,493 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2009.

(6) Payments to Subrecipients

Included in the Schedule are the following amounts passed through to subrecipients:

| <u>Program title</u> | <u>CFDA number</u> | <u>Amount provided to subrecipients</u> |
|---------------------------------|------------------------|---|
| Homeless Supportive Housing | 14.235 | \$ 3,411,451 |
| Workforce Investment Act | 17.258, 17.259, 17.260 | 729,617 |
| Department of Education Earmark | 84.215 | 4,056 |
| TSA Ports Grant Round 6 | 97.056 | 272,280 |

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

(1) Summary of Auditors' Results

Basic Financial Statements

(a) The type of report on the basic financial statements:

- Governmental activities: **Unqualified.**
- Business-type activities: **Unqualified.**
- Each major fund: **Unqualified.**
- Aggregate remaining fund information: **Unqualified.**
- Long Beach Transportation Company*: **Unqualified.**

* Another auditor audited the financial statements of the Long Beach Transportation Company (discretely presented component unit of the City of Long Beach) as described in our report on the City of Long Beach's financial statements.

(b) Internal control over financial reporting:

- Material weakness(es) identified: **No.**
- Significant deficiencies identified that are not considered to be material weaknesses: **Yes.**
See items FS-09-01 and FS-09-02.

(c) Noncompliance which is material to the basic financial statements: **No.**

Federal Awards

(d) Internal control over major programs:

- Material weakness(es) identified: **No.**
- Significant deficiencies identified that are not considered to be material weaknesses: **Yes.**
See items F-09-01 through F-09-03.

(e) The type of report issued on compliance for major programs: We have issued an **unqualified opinion** on compliance related to each major program.

(f) Any audit findings that are required to be reported in accordance with Section .510(a) of OMB Circular A-133: **Yes. See items F-09-01 through F-09-03.**

(g) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000.**

(h) Major programs:

- Community Development Block Grant Cluster (CFDA numbers 14.218 and 14.253)
- Highway Planning and Construction Program (CFDA number 20.205)

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

- Homeless Supportive Housing Program (CFDA number 14.235)
 - Housing Assistance Program – Housing Choice Vouchers (CFDA number 14.871)
 - Port Security Program (CFDA number 97.056)
 - Urban Areas Security Initiative Program (CFDA number 97.008)
 - Women, Infants, and Children Program (CFDA number 10.557)
 - Workforce Investment Act Cluster (CFDA numbers 17.258, 17.259 and 17.260)
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes.**

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

(2) Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

FS-09-01 – Expenses/Accounts Payable

Condition and Context

We reviewed the City's internal control process in place to ensure that all expenses/expenditures related to the fiscal year are recorded. During our review, we noted certain expenses/expenditures related to services provided in one fiscal year, which were incorrectly recorded in a different fiscal year. Reporting expenses/expenditures in a period other than the period of service may result in a misstatement of expenses/expenditures and net assets.

Criteria

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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Cause

Certain departments do not submit invoices to the accounts payable department in a timely manner. Additionally, a second review of expenses/expenditures is not performed to ensure that the period of service date noted by the submitting department is reasonable.

Effect or Potential Effect

Failure to record expenses/expenditures in the proper period may result in the misstatement of expenses/expenditures and net assets.

Recommendation

We recommend that the City enhance its internal controls related to the documentation and communication of expenses/expenditures service dates to gain consistency among departments and to ensure that expenses/expenditures are appropriately recorded in the period in which they are incurred.

Views of Responsible Officials

Financial Management performs cut-off procedures that entail reviewing all invoices over \$10,000 with service periods and/or received dates in the Comprehensive Annual Financial Report (CAFR) fiscal year that have been posted in the subsequent fiscal year. If appropriate, Financial Management accrues the expense. In addition, Financial Management searched for unrecorded liabilities every month during the audit period by reviewing the population of expenses with invoice dates within the current fiscal year that were posted after year-end closing. For the next fiscal year, Financial Management will strengthen this search by including service period date in the invoice record to ensure accruals are made and any potential errors are correctly identified.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

In an effort to improve consistent recording of liabilities and expenses citywide, Financial Management is updating both the internal operating procedures governing accounts payable as well as an administrative regulation regarding accounts payable for departments citywide. In addition, Financial Management will continue to strengthen year-end communications with departments, through year-end workshops, training, memos and e-mails.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

FS-09-02 – Year-end Process and Financial Reporting

Condition and Context

The City should strengthen its processes or controls used to compile their financial statements and related disclosures in a timely manner in accordance with U.S. generally accepted accounting principles (GAAP). During our audit, we identified that the financial reporting process begins October 2009 and continues through June 2010. Management recorded over 100 post-closing entries totaling more than \$281 million. Additionally, during our audit and review of the financial statements, we noted 61 audit adjustments, across all opinion units, in the presentation and disclosure of the financial statements. Of the 61 adjustments identified, 16 were recorded by management as the financial statements would have been materially misstated if these amounts hadn't been recorded.

Criteria

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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Cause

The audit was not completed until June 2010, nine months after year-end. This extended period is further complicated by changes in auditing and accounting standards that have significantly increased the scope and complexity of year-end and financial report compilation processes along with the necessity to issue thirteen separate annual financial reports. As a result, the three-month post audit period does not provide sufficient time to prepare for the year-end closing process, implement new Governmental Accounting Standards Board (GASB) statements, and identify and enhance ineffective processes. This has a detrimental effect on both the annual audit and financial report compilation.

Effect or Potential Effect

The lack of control over year-end processes and financial reporting reduces the reliability and timeliness of financial reporting.

Recommendation

We recommend that the City continue modifying its year-end and financial reporting processes and formally document the relevant procedures in a policy that can be distributed to the City's departments. The City's policy, geared towards meeting its bond covenant deadlines, should include the requirement to document the nature of the adjustments expected to be recorded and also include the requirement to have all adjustments recorded within 90 days after year-end.

Views of Responsible Officials

The City continues to develop procedures to improve the related controls and overall efficiency of our current year-end/CAFR related processes. The City is moving towards a year round approach for CAFR preparation that will further delegate responsibilities and provide additional cooperative oversight for work

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

performed by the Department of Financial Management as well as contributing departments and component units. This approach will include training, the setting of milestones with project deadlines, additional oversight, and the inclusion of more Financial Management staff in the execution of these two important functions. A reduction of the time it takes to complete the annual audit of 1 to 3 months would significantly improve the timeliness of the City's financial reporting. The City has identified the key improvements that we will focus our efforts on between now and year-end that will provide the greatest impact on the above finding. In addition, the City implemented several improved procedures in fiscal year 2009 and plans to implement additional procedures that should further automate the CAFR. Our goal is to automate initial compilation of the financial statements allowing us to focus on the proper recording of new operation/transactions and variance analysis, strengthening internal control. In response to this finding, as well as declining staffing levels, we are looking to implement new processes and procedures that should also assist us in further minimizing process inefficiencies and workload. Our hope is to shorten the audit period, mitigating the current time constraints and allowing for a more robust and complete year-end process. We welcome KPMG input in the endeavor.

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2009

(3) Findings and Questioned Costs Relating to Federal Awards

F-09-01 – Davis-Bacon Act

Program Information

Federal Program

Port Security Program (PS Program), CFDA No. 97.056

Federal Grant Award Number and Grant Period

| <u>Federal grant number</u> | <u>Grant period</u> | <u>Location</u> |
|-----------------------------|------------------------|-----------------|
| 2005-GB-T5-0130 | 9/01/2005 to 8/31/2010 | Port |
| 2007-GB-T7-K095 | 6/01/2007 to 9/30/2010 | Port |

Federal Agency

Transportation Security Administration (TSA)

U.S. Department of Homeland Security

Specific Requirement

Title 49 – Transportation, Subtitle A – Office of the Secretary of Transportation, Part 18-Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Sec. 18.36 Procurement:

- (i) Contract provisions. A grantee's and subgrantee's contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy.
- (5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts in excess of \$2,000 awarded by grantees and subgrantees when required by federal grant program legislation).

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

Title 29 – Labor, Part 5-Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction, Sec. 5.5 Contract provisions and related matters:

- (a) The agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000, which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from federal funds or in accordance with guarantees of a federal agency or financed from funds obtained by pledge of any contract of a federal agency to make a loan, grant, or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in Sec. 5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, provided, that such modifications are first approved by the Department of Labor):
- (1) Minimum wages. (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project) will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor, which is attached hereto and made a part hereof, regardless of any contractual relationship, which may be alleged to exist between the contractor and such laborers and mechanics.
 - (3) Payrolls and basic records.
 - (i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project).
 - (ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under Sec. 5.5(a)(3)(i) of Regulations, 29 CFR part 5. This information may be submitted in any form desired. Optional Form WH-347 is available for this purpose and may be purchased from the Superintendent of Documents (Federal Stock Number 029-005-00014-1), U.S. Government Printing Office, Washington DC 20402. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

- (B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:
- (1) That the payroll for the payroll period contains the information required to be maintained under Sec. 5.5(a)(3)(i) of Regulations, 29 CFR part 5 and that such information is correct and complete;
 - (2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;
 - (3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.
- (C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.

Condition and Context

Under the Davis-Bacon Act, the Long Beach Harbor Department (Port) is required to obtain on a weekly basis certified payrolls and statements of compliance from each contractor for each week in which contract work is performed. Of the 25 certified payrolls sampled, one certified payroll was not obtained at all; one payroll obtained was not properly certified; and nine certified payrolls were not obtained weekly as required, but rather, were obtained bi-weekly.

Questioned Costs

\$39,117. This amount represents the total amount of the payroll reimbursed with federal funds where the payrolls noted above were either not obtained or properly certified.

Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure that certified payrolls are obtained on a weekly basis, which resulted in the noncompliance noted above.

Recommendation

We recommend that the Port implement policies and procedures to collect certified payrolls and a statement of compliance from each contractor and subcontractor on a weekly basis.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

Views of Responsible Officials and Planned Corrective Actions

The Port includes the federal policy on all construction contracts federally funded with payroll expenditures over \$2,000, including the collection of weekly certified payrolls. The Port will continue to strengthen its policy and communicate to staff the Davis-Bacon Act requirements. The Port is now collecting certified payroll documentation weekly and staff is tracking submittals. Staff will prepare certified payroll status sheets for management review monthly prior to monthly invoice processing. The certified payroll documents are kept permanently with the contract files. Invoices will not be paid unless the proper certifications are received and documented by staff and management.

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2009

F-09-02 – Eligibility

Program Information

Federal Program

Women, Infants, and Children Program (WIC Program), CFDA No. 10.557

Federal Grant Award Number and Grant Period

| <u>Federal grant number</u> | <u>Grant period</u> | <u>Location</u> |
|-----------------------------|-------------------------|-----------------------|
| 08-85418 ADO | 10/01/2008 – 09/30/2011 | Dept of Public Health |

Federal Agency

Department of Agriculture

Pass-Through Agency

State Department of Public Health

Specific Requirements

California Department of Public Health – WIC Program Manual – Section 200 – Nutrition Assessment and Certification – Section 200-210: Eligibility Requirements

210-11 Determining Biochemical Nutrition Need for All Categories

Required Procedures:

- I. If a biochemical result is not provided at certification or enrollment, the LA [local agency] is required to obtain the biochemical results within 90 days.

210-06 Proof of Address

Required Procedures:

III. Applicants/Participants Lacking Proof of Address

A. Possesses Documentation, but Fail to Bring it to the Appointment

- 1. If an applicant/participant meets all other eligibility criteria at certification, but fails to bring acceptable proof of address to the appointment, a local agency may permit an applicant/participant to self-declare address for a maximum of 30 days. The agency shall:
 - b. Place an “N” (Documentation Unavailable at Certification) code in the *Certify/Recertify Family* screen in the Integrated Statewide Information System (ISIS),

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

- f. Schedule a new appointment within 30 days.
- 2. If the applicant/participant returns with the documentation within 30 days and is found eligible, the certification period shall begin with the month food instruments were initially provided.
- 3. If the applicant/participant fails to return within 30 days with the address documentation, the applicant/participant/family shall be determined ineligible. The determination of ineligibility is effective immediately.

210-03 Determination of Income Eligibility

Required Procedures:

III. Applicants/Participants Lacking Income Documentation

- 1. If an applicant/participant meets all other eligibility criteria at certification, but fails to bring acceptable documentation of income to the appointment, a local agency shall permit the applicant/participant to self-declare income for a maximum of 30 days. The agency shall:
 - b. Place an "N" (Documentation Unavailable at Certification) code in the *Certify/Recertify Family* screen in ISIS,
 - f. Schedule a new appointment within 30 days.
- 2. If the applicant/participant returns with the documentation within 30 days and is found eligible, the certification period shall begin with the month food instruments were initially provided.
- 3. If the applicant/participant fails to return within 30 days with the income documentation, the applicant/participant/family shall be determined ineligible. The determination of ineligibility is effective immediately.

Condition and Context

In accordance with WIC Program Manual 210-11, a blood test must be taken at enrollment as well as on a yearly basis for recertification purposes. We sampled a total of 25 participants and 10 of those participants tested indicated no biochemical test taken. Additionally, 2 other participants tested indicated that the last blood test was taken more than a year before recertification date, and there was no evidence that a blood test was taken at recertification.

In accordance with WIC Program Manual 210-06, applicant/participant must provide proof of address within 30 days of certification. We sampled a total of 25 participants and noted 2 samples that continue to have the "N" (Documentation Unavailable at Certification) code for address documentation after the 30-day grace period. As such, it appears that the participant did not present the required proof of address.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2009

In accordance with WIC Program Manual 210-03, applicant/participant must provide documentation of income within 30 days of certification. We sampled a total of 25 participants and noted 1 sample that continued to have the "N" (Documentation Unavailable at Certification) code for income documentation in ISIS after the 30-day grace period. As such, it appears that the participant did not present the required income documentation.

Questioned Costs

\$2,690. Fourteen participants were found to have received monthly vouchers during periods of ineligibility. The aggregate period of ineligibility was equivalent to 45 months. The average voucher cost according to the California Department of Health was \$59.78 (45 x \$59.78 = \$2,690).

Cause and Effect

During the audit, management indicated third-party eligibility documents are reviewed during the eligibility determination process but are not maintained as per WIC Program policies. The WIC Program Manual – Section 110: Compliance Monitoring – Part 110-20 Maintenance of Specific Program Records indicates the local agency is to maintain income/address/identification self-declaration records, not third-party documents. Third-party documents are reviewed by WIC staff and corresponding data is input in ISIS accordingly.

With respect to hemoglobin tests, management indicated awareness of past issues with obtaining required hemoglobin test results, noting it as a long-term issue with many WIC agencies due to the WIC participants' lack of health insurance and inability to provide the required medical information. In order to rectify the issue, the City recently hired two nurses to provide hemoglobin testing in the various City WIC offices for participants who are unable to meet the hemoglobin requirement.

With respect to proof of address and income verification coding in the ISIS database, management indicated the error as an oversight by program staff to adequately update the reviewed income and/or address documentation in ISIS at the subsequent appointment after the 30-day grace period lapsed.

Recommendation

We recommend that the City implement policies and procedures to strengthen existing internal controls to ensure eligibility is properly documented when verified to ensure eligibility requirements are properly followed.

Views of Responsible Officials and Planned Corrective Actions

The City's intent has been to follow the WIC Program Manual (WPM) 210-11 on determining biochemical nutrition needs, WPM 210-06 on proof of address, and WPM 210-03 on determination of income eligibility. In regards to the biochemical nutrition needs, this had been an issue due to the participants' lack of health insurance and inability to provide the required medical information.

The City has taken measures by hiring two Public Health Nurses who will provide free hemoglobin testing to WIC participants without health insurance. All staff members have been retrained to identify WIC families who are out of compliance with this requirement and have been instructed to refer them to our nurses. In regards to proof of address and determination of income eligibility, the City has taken measures

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by retraining staff members to abide by the WPM 210-06 and WPM 210-03 and after 30 days withhold food instrument checks if acceptable verification is not provided.

The ISIS hold feature will be used to remind staff members to follow up on comments. Internal file audits will be conducted on a semiannual basis to ensure that staff members are in compliance with policy.

The City will continue to strengthen policies and procedures to ensure compliance in this area.

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F-09-03 – Reporting

Program Information

Federal Program

Community Development Block Grant (CDBG Cluster), CFDA No. 14.218/14.253

Highway Planning & Construction (HPC Program), CFDA No. 20.205

Federal Grant Award Number and Grant Period

CDBG Cluster

| <u>Federal grant number</u> | <u>Grant period</u> | <u>Location</u> |
|-----------------------------|------------------------|------------------------------|
| B-08-MN-06-0511 | 3/06/2009 to 3/05/2013 | Neighborhood Services Bureau |

HPC Program

| <u>Federal grant number</u> | <u>Grant period</u> | <u>Location</u> |
|-----------------------------|--------------------------|-----------------|
| BRLSN-5108 (073) | 11/4/2002 until expended | Port |
| CML-5108 (088) | 6/16/2009 to 6/30/2014 | Port |
| STPL-5108 (075) | 8/23/2005 to 6/30/2012 | Public Works |
| STPL-5108 (077) | 3/15/2005 to 6/30/2011 | Public Works |
| HPLUL-5108 (090) | 7/10/2007 to 6/30/2012 | Public Works |
| RPSTPLE-5108 (080) | 7/10/2007 to 6/30/2014 | Public Works |

Federal Agency

Department of Housing and Urban Development – CDBG Cluster

Department of Transportation – HPC Program

Pass Through Agency

State Department of Transportation – HPC Program

Specific Requirement

CDBG Cluster

Federal Register / Vol. 73, No. 194 / Monday, October 6, 2008 / Notices – Part III Department of Housing and Urban Development – Notice of Allocations, Application Procedures, Regulatory Waivers Granted to and Alternative Requirements for Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes Grantees under the Housing and Economic Recovery Act, 2008

CITY OF LONG BEACH, CALIFORNIA

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O. Reporting

- b.i. Each grantee must submit a quarterly performance report, as HUD prescribes, no later than 30 days following the end of each quarter, beginning 30 days after the completion of the first full calendar quarter after grant award and continuing until the end of the 15th month after initial receipt of grant funds. Each report will include information about the uses of funds, including, but not limited to, the project name, activity, location, national objective, funds budgeted and expended, the funding source and total amount of any non-NSP funds, numbers of properties and housing units, beginning and ending dates of activities, and numbers of low- and moderate- income persons or households benefiting. Reports must be submitted using HUD's web-based DRGR system and, at the time of submission, be posted prominently on the grantee's official Web site.

HPC Program

California Department of Transportation – Local Assistance Procedures Manual – Chapter 17 – Project Completion

17.5 Report of Expenditures

The local agency is responsible for preparing and submitting to the District Local Assistance Engineer the final report documents, which collectively constitute a "Report of Expenditures." This report provides key information required to initiate timely project closure and payment. The Report of Expenditures is due at the completion of the project. Deadline for submittal of the Report(s) is six (6) months after project completion. If timely submittals are not received, Caltrans shall initiate actions discussed under Section 17.6, "Consequences for Non-Compliance." The "Report of Expenditures" shall be signed by the public employee in responsible charge of the project.

Condition and Context

CDBG Program

In addition to the October 6, 2008 Federal Register Notice, the Neighborhood Stabilization Program (NSP) grant agreement states that the City is required to post quarterly performance reports on their official Web site. We accessed www.longbeach.gov/cd/neighborhood_services/reports/default.asp, the grantee's official Web site, noting the City did not have a copy of the NSP quarterly performance reports posted to the Web site. Per review of HUD's Disaster Recovery Grant Reporting system, we note the NSP quarterly reports relating to the fiscal year under audit were submitted on October 30, 2009 and as such should have been concurrently posted to the City's official Web site on October 30, 2009. The reports were not posted to the Web site until May 2010.

HPC Program

During our audit, we tested four certified complete projects applicable to the fiscal year under audit and noted that the related final expenditure reports for all four certified complete projects were not submitted within six months of the project's completion, as is required.

CITY OF LONG BEACH, CALIFORNIA
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Year ended September 30, 2009

Questioned Costs

CDBG Cluster

None noted.

HPC Program

None noted.

Cause and Effect

CDBG Cluster

Management indicated that the failure to post the quarterly performance reports on their official Web site was an oversight.

HPC Program

Management indicated that the failure to submit final expenditure reports within six months of project completion is an oversight.

Recommendation

CDBG Cluster

We recommend that the City strengthen its internal control process to ensure that NSP quarterly performance reports are posted to the City's official Web site concurrent with the submission to HUD.

HPC Program

We recommend that the City strengthen its internal control process to ensure that final expenditure reports are submitted timely.

Views of Responsible Officials and Planned Corrective Actions

CDBG Cluster

The City's intention has always been to be transparent on the NSP. As noted by KPMG, the City has in fact created a Web site for the public to view and obtain information to keep current on NSP. While the regulation stated the City was to have public outreach and reporting notification, the City interpreted this to include a direct approach in meeting with the public as part of the public outreach and notification process. Since not all citizens have Internet knowledge and access, the City believed a direct public hearing approach would be the best and most effective method to communicate with the public.

A 15-member Community Development Advisory Commission (CDAC), representing the broad spectrum of Long Beach citizens – by race, ethnicity, income level, occupation, and education, was created to ensure public representation. City staff have regularly scheduled monthly CDAC meetings in a public hearing forum, inviting the public to participate in the meetings. During these meetings, City staff presented the NSP QPR progress reports to the CDAC commissioners and the public at large, allowing for all questions and concerns of the public to be addressed. During the August 19, 2009 and December 16, 2009 meetings,

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City staff discussed and reported on all NSP activities, including the 2nd and 3rd quarterly progress reports noting accomplishments and processes of NSP within the City. The City has since met with the public on various occasions. In addition, on February 17, 2010, CDAC Commissioners participated in a bus tour and a walk through of NSP properties, in order to see first hand all the accomplishments and the NSP projects in process. This was an essential opportunity in which NSP projects came alive for all the Commissioners, which the City believed would be much more transparent than reading a report on the City's Web site.

In the past, the City understood that the use of the Web site was one option of many to utilize in keeping the public informed. However upon notification from KPMG that their interpretation of public reporting is the posting of the quarterly reports on the Web site not public hearings to communicate the reports, the City has posted all quarterly reports to date. Going forward, the City will continue to post all quarterly reports online as completed. The City will also continue to meet with the public to enhance the public outreach and reporting notification for NSP, understanding that first hand contact with the public is the strongest and the City's most preferred communication mechanism.

HPC Program

The City has not and will not intentionally implement controls that are inconsistent with OMB Circular A-133. As noted, all reports were submitted. For two of the reports the City was working with Caltrans on follow up items pertaining to the City's indirect cost plan, unfortunately all communication was either in person or on the telephone thus no written documentation to or from Caltrans. For two reports, there was a miscommunication within City departments. The City will train staff on written documentation on all communication between grantor and grantee for audit purposes. In addition, the CIP Accounting Division will strengthen communication with various City departments on project reporting. The division will develop a checklist for project status and completion. Quarterly meetings will be facilitated by the CIP Accounting Division to assure timely project coordination and reporting.

CITY OF LONG BEACH
 Spousal Abuser Prosecution Program
 Reconciliation of Financial Activity
 for all Grants with Activity
 Years ended September 30, 2009, 2008, and 2007
 (Unaudited)

| | Cumulative | Grant activity | | |
|---|------------|----------------|---------|---------|
| | | FY 2009 | FY 2008 | FY 2007 |
| Grant award no. – 04 SA11F009: | | | | |
| Cash receipts | \$ — | — | — | — |
| Expenditures: | | | | |
| To grant – Staff | \$ — | — | — | — |
| Match – Staff | — | — | — | — |
| Operational | — | — | — | — |
| Total expenditure | \$ — | — | — | — |
| Grant award no. – 05 SA12F009: | | | | |
| Cash receipts | \$ — | — | — | — |
| Expenditures: | | | | |
| To grant – Staff | \$ — | — | — | — |
| Match – Staff | — | — | — | — |
| Operational | — | — | — | — |
| Total expenditure | \$ — | — | — | — |
| Grant award no. – 06 SA13F009: | | | | |
| Cash receipts | \$ 56,623 | — | — | 56,623 |
| Expenditures: | | | | |
| To grant – Staff | \$ 30,218 | — | — | 30,218 |
| Match – Staff | 26,126 | — | — | 26,126 |
| Operational | 279 | — | — | 279 |
| Total expenditure | \$ 56,623 | — | — | 56,623 |
| Grant award no. – 07 SA14F009: | | | | |
| Cash receipts | \$ 98,204 | — | 78,806 | 19,398 |
| Expenditures: | | | | |
| To grant – Staff | \$ 46,787 | — | 31,170 | 15,617 |
| Match – Staff | 50,982 | — | 47,294 | 3,688 |
| Operational | 435 | — | 342 | 93 |
| Total expenditure | \$ 98,204 | — | 78,806 | 19,398 |
| Total City expenditures for program in FY 2009 | | \$ — | 78,806 | |

See accompanying report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.