



CITY OF LONG BEACH, CALIFORNIA

Single Audit Reports

Year ended September 30, 2008

(With Independent Auditors' Report Thereon)

CITY OF LONG BEACH, CALIFORNIA

Table of Contents

	Page(s)	Exhibit
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2	
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3 – 5	
Schedule of Expenditures of Federal Awards	6 – 12	1
Notes to Schedule of Expenditures of Federal Awards	13	
Schedule of Findings and Questioned Costs	14 – 37	
Supplemental Program Information (Unaudited)		
Spousal Abuser Prosecution Program – Reconciliation of Financial Activity for All Grants with Activity	38	2



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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, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2009. Our report was modified to include a reference to other auditors. As discussed in notes 2 and 14 to the financial statements, effective October 1, 2007, the City adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in accounting for its postretirement healthcare costs. 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 auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS-08-01 to FS-08-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting. 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 deficiencies in the internal control over financial control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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, 2009.

The City's response 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 and management, as well as 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, 2009



KPMG LLP
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355 South Grand Avenue
Los Angeles, CA 90071-1568

**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, 2008. 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 \$11,730,576 in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2008. Our audit, described below, did not include the operations of the Long Beach Transportation Company because the component unit engaged other auditors 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, 2008. 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 findings F-08-01 through F-08-05.

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 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 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 City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings F-08-01 through F-08-05 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 City's internal control. We did not consider any of the deficiencies described in the accompanying schedules 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, 2008, and have issued our report thereon dated June 30, 2009. 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 response 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 and management, as well as 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, 2009

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2008

Exhibit 1

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
Department of Agriculture:			
State Department of Health Services:			
Women, Infants, and Children	10.557	05-45766	\$ 3,644,227
Children Nutrition Network	10.557	07-45516	(65,005)
Children Nutrition Network	10.557	08-85135	517,678
			<u>452,673</u>
Total			<u>4,096,900</u>
State Department of Education:			
Summer Food Service	10.559	19-81908V	280,371
Total Department of Agriculture			<u>4,377,271</u>
Department of Defense:			
Comm Eco Adjmt Assist	12.607	CL0699-07-01	31,631
Total Department of Defense			<u>31,631</u>
Department of Housing and Urban Development:			
Housing Assistance Program	14.182	CA068NCA019	112,052
Housing Assistance Program	14.182	CA068NCA022	347,793
Total			<u>459,845</u>
Housing Assistance Disaster – Vouchers	14.871	CA068DVP	68,352
Housing Assistance Program – Vouchers	14.871	CA068VO	61,413,396
Total			<u>61,481,748</u>
Total Housing Assistance Program Expenditures			<u>61,941,593</u>
CDBG Entitlement Program	14.218	B06-MC060522	4,081,902
CDBG Entitlement Program	14.218	B07-MC060522	5,028,704
Total			<u>9,110,606</u>
Emergency Shelter	14.231	S06-MC060522	115,951
Emergency Shelter	14.231	S07-MC060522	274,516
Total			<u>390,467</u>
Homeless Supportive Housing SHP02	14.235	CA16B206	57,072
Homeless Supportive Housing SHP03	14.235	CA16B306	303,785
Homeless Supportive Housing SHP04	14.235	CA16B406	524,516
Homeless Supportive Housing SHP05	14.235	CA16B506	266,761
Homeless Supportive Housing SHP06	14.235	CA16B606	3,407,431
Homeless Supportive Housing SHP07	14.235	CA16B706	1,528,284
Total			<u>6,087,849</u>
Shelter Plus Care	14.238	CA16C006-001	100,298
Shelter Plus Care	14.238	CA16C506-001	85,572
Shelter Plus Care	14.238	CA16C606-029	124,300
Shelter Plus Care	14.238	CA16C606-030	41,248
Shelter Plus Care	14.238	CA16C606-031	14,390
Shelter Plus Care	14.238	CA16C706-028	23,333
Shelter Plus Care	14.238	CA16C706-029	31,923
Shelter Plus Care	14.238	CA16C706-030	45,459
Total			<u>466,523</u>
Home Investment Partnership Program	14.239	M02-MC060518	322,121
Home Investment Partnership Program	14.239	M04-MC060518	2,134,254
Home Investment Partnership Program	14.239	M05-MC060518	4,327,830
Home Investment Partnership Program	14.239	M06-MC060518	2,604,608
Home Investment Partnership Program	14.239	M07-MC060518	127,683
Total			<u>9,516,496</u>

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2008

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Lead-based Paint Hazard Control Hsng	14.900	CALHB0174-04	\$ 601,246
Healthy Homes Initiative	14.901	CALHH0072-04	(56,657)
City of Los Angeles: HOPWA	14.241	98,256	<u>349,139</u>
Total Department of Housing and Urban Development			<u>88,407,262</u>
Department of the Interior: Desalination Research and Development	15.506	02-FC-35-0053	710,712
State Parks Department: Seaside Park Development	15.916	06-01554	75,835
River View Shore Trail	15.916	06-01626	<u>1,607</u>
Total			<u>77,442</u>
Total Department of the Interior			<u>788,154</u>
Department of Justice: Asset Forfeiture	16.000	N/A	174,150
Urban Area Security Initiative Program (Port)	16.011	2004-EU-T3-0046	36,183
Part E – Developing, Testing, and Demonstrating	16.541	2006-DJ-FX-0164	142,851
CCDO Weed and Seed Communities Competitive Program	16.595	2007-WS-Q7-0267	99,020
Bulletproof Vest Partnership	16.607		2,827
COPS Technology Equipment	16.710	2004-CK-WX-0047	31,356
COPS Universal Hiring	16.726	2002-UL-WX-0062	288,312
Edward Bryne Justice Assistance Grant	16.738	2005-DJ-BX-1190	33,728
Edward Bryne Justice Assistance Grant	16.738	2006-DJ-BX-0222	193,407
Edward Bryne Justice Assistance Grant	16.738	2007-DJ-BX-0617	<u>9,139</u>
Total			<u>236,274</u>
State Office of Emergency Services: Paul Coverdell Forensic Science Improvement	16.742	CQ05047240	10,990
Paul Coverdell Forensic Science Improvement	16.742	CQ07057240	<u>2,673</u>
Total			<u>13,663</u>
Total Department of Justice			<u>1,024,636</u>
Department of Labor: State of Employment Development Dept: Wagner Peyser Health Collaborative	17.207	R588729	(610)
Long Beach Community College: Wagner Peyser Const Apprent Pathways	17.207	R492684/CN 99637.6	<u>(255)</u>
Total			<u>(865)</u>
Long Beach Community College: Workforce Investment Act (WIA) Const Apprenticeship Pathways	17.258	R592666/CN 99637.6	(1,992)
State of Employment Development Dept: Workforce Investment Act (WIA) Harbor Worksource Ctr Adul	17.258	R865462	(236)
Workforce Investment Act (WIA) Harbor Worksource Ctr Adul	17.258	(T3821) C-113002	322,013
Workforce Investment Act (WIA) Harbor Worksource Ctr Adul	17.258	(T4106)	<u>116,679</u>
			<u>438,456</u>
Workforce Investment Act (WIA) Title I Adult Formula	17.258	R692480	(15,311)
Workforce Investment Act (WIA) Title I Adult Formul	17.258	R760328	35,942
Workforce Investment Act (WIA) Title I Adult Formul	17.258	R865464	1,833,364
Workforce Investment Act (WIA) Title I Adult Formul	17.258	R970542	<u>883,680</u>
			<u>2,737,675</u>
Workforce Investment Act (WIA) Title I Health Collaborative	17.258	R588729	(1,153)
Workforce Investment Act (WIA) Title I Nursing Educ Capacity	17.258	R692480	330,978
Workforce Investment Act (WIA) Port Opportunity 2	17.258	R760328	243,525

CITY OF LONG BEACH, CALIFORNIA
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2008

Federal grantor/pass-through agency/program title	Catalog of federal assistance number	Pass-through entity identifying number	Federal disbursements/expenditures
South Bay Center for Counseling: Petrochemical Career Pathways Prog	17.258	R659710	\$ (486)
Total			<u>3,747,003</u>
State of Employment Development Dept:			
Workforce Investment Act (WIA) Title I Youth Formul:	17.259	R692480	(9,583)
Workforce Investment Act (WIA) Title I Youth Formul:	17.259	R760328	561,316
Workforce Investment Act (WIA) Title I Youth Formul:	17.259	R865464	1,936,434
Workforce Investment Act (WIA) Title I Youth Formul:	17.259	R970542	324,850
Total			<u>2,813,017</u>
Workforce Investment Act (WIA) Harbor Worksource Ctr DW	17.260	R865462	(196)
Workforce Investment Act (WIA) Harbor Worksource Ctr DW	17.260	(T3821) C-113002	134,201
Workforce Investment Act (WIA) Harbor Worksource Ctr DW	17.260	(T4106)	88,158
			<u>222,163</u>
Workforce Investment Act (WIA) New Business Resource Network	17.260	R692480	(1,992)
Workforce Investment Act (WIA) New Business Resource Network	17.260	R760328	59,652
			<u>57,660</u>
Workforce Investment Act (WIA) Rapid Response	17.260	R692480	(3,254)
Workforce Investment Act (WIA) Rapid Response	17.260	R760328	(1,996)
Workforce Investment Act (WIA) Rapid Response	17.260	R865464	251,662
Workforce Investment Act (WIA) Rapid Response	17.260	R970542	84,323
			<u>330,735</u>
Workforce Investment Act (WIA) Title I Dislocated Worker	17.260	R692480	(6,536)
Workforce Investment Act (WIA) Title I Dislocated Worker	17.260	R760328	8,635
Workforce Investment Act (WIA) Title I Dislocated Worker	17.260	R865464	1,160,567
			<u>1,162,666</u>
Workforce Investment Act (WIA) National Emergency Transport	17.260	R485283	(12)
Workforce Investment Act (WIA) Technology to Teacher:	17.260	R485283	(41)
Workforce Investment Act (WIA) Hurricane Evacuees:	17.260	R692480	(15)
Workforce Investment Act (WIA) Performance Incentiv:	17.260	R760328	11,516
Workforce Investment Act (WIA) Economic Downturn Func	17.260	R865464	1,699
Total			<u>1,786,371</u>
Total WIA cluster			<u>8,346,391</u>
State of Employment Development Dept:			
Disability Program Navigation	17.261	R692480	(389)
Disability Program Navigation	17.261	R760328	148,627
Disability Program Navigation	17.261	R865464	32,653
Total	17.261		<u>180,891</u>
Total Department of Labor			<u>8,526,417</u>
Department of Transportation:			
FAA Airport Improvement Program	20.106	3-06-0127-26	28,045
FAA Airport Improvement Program	20.106	3-06-0127-27	5,890,088
FAA Airport Improvement Program	20.106	3-06-0127-28	247,213
FAA Airport Improvement Program	20.106	3-06-0127-29	1,330,197
Total			<u>7,495,543</u>
Port Security Program Round 2	20.420	D TSA20-03-GO 1091	1,499,878
State Department of Transportation:			
Highway Planning and Construction Programs	20.205	DPM-0001 (002)	849,562
Highway Planning and Construction Programs	20.205	BRLSN-5108 (073)	2,002,061
Highway Planning and Construction Programs	20.205	ITS02-5108(082)	84,141
Highway Planning and Construction Programs	20.205	STPL 5108 (066)	382
Highway Planning and Construction Programs	20.205	STPL 5108 (075)	79,782
Highway Planning and Construction Programs	20.205	STPL 5108 (077)	1,977,924

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2008

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/expenditures
Highway Planning and Construction Programs	20.205	STPLG 5108 (085)	\$ (3,372)
Highway Planning and Construction Programs	20.205	STPLP-5108 (012)	(14,879)
Highway Planning and Construction Programs	20.205	STPLNP-5108 (021)	204
Highway Planning and Construction Programs	20.205	RPSTPLE-5108 (080)	55,229
Highway Planning and Construction Programs	20.205	RPSTPLE-5108 (081)	1,200,000
			<u>6,231,034</u>
Caltrans:			
Caltrans-Preapprenticeship	20.205	88A0038	207,893
Total			<u>6,438,927</u>
Caltrans-Preapprenticeship	20.516	88A0027	37,535
State Office of Traffic Safety:			
Family Safety Initiative	20.600	OP0808	182,852
Driving While Impaired Impact Project	20.600	AL0670	29,593
Sobriety Checkpoint	20.600	SC08234	35,947
Click it or Ticket	20.600	CT08234	14,099
LB Speeders Beware Program	20.600	PT0725	70,306
Total			<u>332,797</u>
Total Department of Transportation			<u>15,804,680</u>
U.S. Environmental Protection Agency:			
Lead and Education Outreach Project (LEO)	66.716	X8-96999501-0	26,671
Brownfields Job Training Project	66.815	JT-96993901-0	123,376
State Department of Health Services:			
Beach Water Quality and Public Notification	66.472	06-55292	22,761
Beach Water Quality and Public Notification	66.472	07-65556	25,000
Beach Water Quality and Public Notification	66.472	08-85530	120
Total			<u>47,881</u>
Total U.S. Environmental Protection Agency			<u>197,928</u>
Department of Education:			
State Department of Education:			
Evenstart Family Literacy	84.213	05-06-14331-G156-01	(301)
Evenstart Family Literacy	84.213	06-07-14331-G156-01	(60)
Evenstart Family Literacy	84.213	07-08-14331-G156-01	170,523
Total:			<u>170,162</u>
Long Beach Unified School District:			
21 Century Community Learning Center	84.287	06-14349-6471	55,666
21 Century Community Learning Center	84.287	07-14349-6472	212,563
21 Century Community Learning Center	84.287	08-14349-6472	48,228
Total			<u>316,457</u>
Total Department of Education			<u>486,619</u>
Department of Health and Human Services:			
Metropolitan Medical Response System	9X.XXX	233-03-0094	9,150
County of Los Angeles:			
Bioterrorism Preparedness	93.283	H-701583	(3)
Bioterrorism Preparedness	93.283	H-701583-2	1,414,473
Bioterrorism Preparedness	93.283	H-701583-3	164,271
			<u>1,578,741</u>

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2008

Federal grantor/pass-through agency/program title	Catalog of federal assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
State Department of Health Services:			
Pandemic Influenza	93.283	5U90TP917012-07	\$ 2,909
Pandemic Influenza	93.283	5U90TP917012-08	49,020
Pandemic Influenza	93.283	5U90TP917012-09	17,503
			<u>69,432</u>
Total			<u>1,648,173</u>
Childhood Lead Poisoning Prevention	93.197	05-45143	79,314
Childhood Lead Poisoning Preventior	93.197	08-85064	19,361
Total			<u>98,675</u>
Immunization Subvention	93.268	07-65228	176,409
Immunization Subvention	93.268	08-85301	48,372
Total			<u>224,781</u>
Childhood Health and Disability	93.778	CHDP-EPSDT 06-07	207
Childhood Health and Disability	93.778	CHDP-EPSDT 07-08	257,795
Childhood Health and Disability	93.778	CHDP-EPSDT 08-09	61,741
			<u>319,743</u>
Medical Gateway	93.778	CHDP-EPSDT 08-09	135,271
Children in Foster Care	93.778	HCPCFC-FY 06-07	1
Children in Foster Care	93.778	HCPCFC-FY 07-08	80,253
Children in Foster Care	93.778	HCPCFC-FY 08-09	30,919
			<u>111,173</u>
Foster Care Match	93.778	CHDP-EPSDT 06-07	(1,304)
Foster Care Match	93.778	CHDP-EPSDT 07-08	(519)
			<u>(1,823)</u>
State Department of Health Services:			
Nursing MAA Claiming	93.778	07-35117	90,851
Nursing MAA Claiming	93.778	08-35117	807,000
Nursing MAA Claiming	93.778	04-35117	143,750
			<u>1,041,601</u>
Nursing TCM Claiming	93.778	6106/07	1,881
Nursing TCM Claiming	93.778	6107/08	841
Nursing TCM Claiming	93.778	6108/09	37,500
			<u>40,222</u>
MAA/TCM Administration	93.778	04-35117	91,078
Total			<u>1,737,265</u>
AIDS Case Management	93.915	H210813	32,320
AIDS Case Management	93.915	H210813-11	150,243
			<u>182,563</u>
AIDS EIP Outpatient Medical	93.915	H209210-3	50,963
AIDS EIP Outpatient Medical	93.915	H209210-31	42,002
			<u>92,965</u>
Total			<u>275,528</u>
AIDS/HIV Pathways	93.917	6X07HA00041-18-001	70,715
Early Intervention Project	93.917	6X07HA00041-18-001	98,624
HIV Transmission Prevention – Positive	93.917	6X07HA00041-18-001	19,778

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2008

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal assistance number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Outreach/Prev. for HIV Positive (Bridge)	93.917	04-35743 EIP 07-59/4	\$ 48,674
Outreach/Prev. for HIV Positive (Bridge)	93.917	6X07HA00041-18-001	31,218
			<u>79,892</u>
Total			<u>269,009</u>
Early Intervention Project	93.940	04-35356	(1,391)
Early Intervention Project	93.940	04-35743 EIP 07-59/4	311,294
			<u>309,903</u>
HIV Transmission Prevention – Positive	93.940	04-35743 EIP 07-59/4	29,706
Total			<u>339,609</u>
Maternal and Child Health Svcs Allocation	93.994	200760-MCH	211,077
Maternal and Child Health Svcs Allocation	93.994	200860-MCH	181,191
			<u>392,268</u>
MCH Black Infant Health	93.994	200760-BIH	295,325
Total			<u>687,593</u>
Sonoma State University: Workforce Investment Act (WIA) Chiip CA Hlt Inc Impr	93.768	G_11P92399903	30,000
County of Los Angeles: Family Support	93.556	29,755	28,518
Family Support	93.556	05-027-13	5,842
			<u>34,360</u>
County of Los Angeles: Family Services/CNA	93.556	70,906	40,892
Total			<u>75,252</u>
Community Prevention and Recovery Program (CPRP)	93.959	H-702448A	80,260
Outpatient Drug Free	93.959	H-702448B	75,308
Alcohol-Drug Prevention Starrs	93.959	H-702448C	135,639
Calworks Alcohol and Drug Abuse	93.959	PH-000211A	5,038
Calworks Alcohol and Drug Abuse	93.959	PH-000502A	1,740
			<u>6,778</u>
Total			<u>297,985</u>
Total Department of Health and Human Services			<u>5,693,020</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2008

Federal grantor/pass-through agency/program title	Catalog of federal assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
Department of Homeland Security:			
Assistance to Firefighters	97.044	EMW-2005-FG-19340	\$ 2,124
TSA Ports Grant Round 4	97.056	HSTS04-04-G-GPSS75	1,240,342
TSA Ports Grant Round 5	97.056	2005-GB-T5-0130	431,140
TSA Ports Grant Round 7	97.056	2007-GB-T7-K095	21,969
TSA Ports Grant Round 7B	97.056	2007-GB-T7-K429	317,285
Total			<u>2,010,736</u>
State Office of Emergency Services:			
2005 Winter Storm (February)	97.036	FEMA 1585	38,500
State Office of Homeland Security:			
Urban Area Security Initiative Program Phase 2	97.008	2003-EU-T3-0023	16,998
Urban Area Security Initiative Program Phase 3	97.008	2004-TU-T4-0014	3,020
Urban Area Security Initiative Program Phase 4	97.008	2005-15	480,393
Urban Area Security Initiative Program Phase 4	97.008	2006-0071	4,585,573
Urban Area Security Initiative Program Phase 4	97.008	2007-0008	717,963
Total			<u>5,803,947</u>
Homeland Security Grant	97.067	2006-0071	105,547
Homeland Security Grant	97.067	2007-0008	80,226
Total			<u>185,773</u>
Metropolitan Medical Response System	97.071	2005-15	11
State Homeland Security Program	97.073	—	(23,719)
Los Angeles County:			
Emergency Management Performance Grant	97.042	2005-0015 2006-08	57,489
Buffer Zone Protection Program	97.078	2005 GR T5 0068	139,232
Total Department of Homeland Security			<u>8,214,093</u>
Total Federal Expenditures			<u>\$ 133,551,711</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, 2008

(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) 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 \$19,805,577 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2008.

(5) 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	\$ 4,861,060
Workforce Investment Act	17.258, 17.259, 17.260	980,690
Evanstart Family Literacy	84.213	134,352
Urban Area Security	97.008	420,847

CITY OF LONG BEACH, CALIFORNIA
Schedule of Findings and Questioned Costs
Year ended September 30, 2008

(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.**

* Other auditors 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'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-08-01 through FS-08-03.**

(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-08-01 through F-08-05.**

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

(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-08-01 through F-08-05.**

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

(h) Major programs:

- Homeless Supportive Housing Program (CFDA number 14.235)
- Housing Assistance Program – Vouchers (CFDA number 14.871)

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

- Highway Planning and Construction Program (CFDA number 20.205)
 - Urban Area Security Cluster (CFDA numbers 16.011 and 97.008)
 - Workforce Investment Act Cluster (CFDA numbers 17.258, 17.259 and 17.260)
 - Port Security Program (CFDA numbers 20.420 and 97.056)
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **No.**

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

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

FS-08-01 – Capital Assets

Condition and Context

We reviewed the City's internal control process in place to ensure that capital assets are properly reclassified from construction in process to an appropriate depreciable asset category at the time the asset is placed in service. We reviewed all capital asset projects classified in construction in process that were individually valued at greater than \$1 million, with no additions in the current year and were not transferred to depreciable capital asset categories. Two projects met all of the above selection criteria and were valued in total at approximately \$3.4 million. Of the projects reviewed, all were placed in service prior to September 30, 2008 and should have been reclassified to a depreciable capital asset category at that time. As a result of our review, the City performed an analysis in which approximately \$22 million of capital assets should have been reclassified to depreciable assets. We noted that capital assets completed during the year are not consistently reclassified in the same period in which they are placed into service, resulting in a potential misstatement of capital assets, net of accumulated depreciation and related depreciation expense.

Criteria

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiency described below represents a significant deficiency in internal controls.

Cause

The City's internal controls in place to track the in-service date of constructed capital assets are not operating effectively. Information is not communicated to the Financial Management department by the various departments in a timely manner, resulting in inaccurate financial reporting of capital assets and the related depreciation expense.

Effect or Potential Effect

Failure to record assets in the period placed in service may result in the misstatement of capital assets and related depreciation expense.

Recommendation

We recommend that the City enhance its internal controls related to the documentation and communication of capital asset in-service dates to gain consistency among departments and to ensure those assets are appropriately recorded and depreciated in the period in which they are placed in service.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

Views of Responsible Officials

To ensure compliance with the above recommendation, Financial Management will implement the following procedures to ensure consistent capitalization of CIP projects based on the date the asset is placed in service:

- Within the City's financial system, there is an underutilized field in the project table called "project type." Currently this field for all projects defaults to C for "Capital Projects", regardless of whether the project is a large repair and maintenance project or project that qualifies for capitalization. To help properly categorize projects, additional project types for Recurring Repair and Maintenance, Nonrecurring Repair and Maintenance, and Preliminary Design will be added to the project table. Financial Management will work with Public Works, Parks and Recreation, and the Airport to review all active projects so that the appropriate project type can be assigned to each project. This will allow departments as well as Financial Management to better focus their attention on projects that should be capitalized.
- Financial Management will train project managers in the use of the project type field and will review all new projects to ensure accurate identification.
- In July or August, Financial Management will review capitalizable projects with the responsible project managers and note stage of completion and tentative date the asset will be placed into service. Financial Management will capitalize completed projects using the date the assets are placed into service as the acquisition date. As long as the assets are entered into the system prior to the last fiscal year posting of depreciation expense, the system will correctly calculate depreciation back to the asset's acquisition date. This will ensure that the amount depreciation expense is accurate.

Prior to the posting of September's depreciation expense, Financial Management will review the data for completeness and accuracy. In fiscal year 2010, Financial Management hopes to do this review quarterly.

FS-08-02 – Accrued Liabilities

Condition and Context

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

Criteria

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiency described below represents a significant deficiency in internal controls.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

Cause

Departments do not submit invoices to the Accounts Payable department in a timely manner. Additionally, a second review of 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 expenditures in the proper period may result in the misstatement of expenditures and net assets.

Recommendation

We recommend that the City enhance its internal controls related to the documentation and communication of expenditure service dates to gain consistency among departments and to ensure that 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 an invoice date in the Comprehensive Annual Financial Report (CAFR) fiscal year and that has been posted in the subsequent fiscal year. If appropriate, Financial Management accrues the expense.

The large expenses KPMG has identified are Oil Properties' remittances to the State of California on net oil revenue per a trust agreement. These payments are due two months after revenue is collected. The City views these agreements as revenue-sharing agreements. However, since these transactions are recorded as an operating expense in the City's financial statements, the City agrees with KPMG, that service period and not due date should be the used to record the transaction. This will ensure the proper matching of revenues with expenses. Pleases note that the City has always recorded these revenue-sharing expenses based on the due date and has consistently recorded 12 months of expense in each fiscal year. In the past, the difference between methodologies was considered immaterial.

The City will change its policy to post revenue-sharing agreement expenses in the period the revenue is earned by the outside entity.

FS-08-03 – Closing Process

Condition and Context

The City's controls in place to ensure that transactions are recorded in a timely manner are not operating effectively. During our audit, we identified that the CAFR's year-end closing process begins October 2008 and continues through April 2009. The City recorded over 130 postclosing entries totaling more than \$2.1 billion. Several of the adjustments posted during the closing process reflected routine transactions such as the recording of capital assets and expenditures than should have been recorded throughout the fiscal year.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

Criteria

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiencies described below represent a significant deficiency in internal controls.

Cause

The fiscal year 2008 audit was completed in June 2009, 10 months after year-end closing. This has changed the landscape of audits for the City; no longer is the audit period three to five months, but rather spans the majority of the fiscal year. In addition, there have been dramatic changes in auditing and accounting standards such as the implementation of SAS 112 and Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pensions*, for which the Financial Management department does not currently have sufficient staff to support. In addition to duties related to the preparation of the CAFR and involvement in the audit process, all accounting staff have daily duties to complete such as processing of accounts payable and payroll checks, preparation of 1099s and W-2s, and filing of payroll taxes, among other responsibilities. The remaining two months is not sufficient time to prepare for year-end closing process. As such, the year-end closing process completed by the City takes place concurrently with the annual audit.

Effect or Potential Effect

The lack of controls over the closing process and timing of when the City obtains the data necessary to close the books reduces the reliability of real-time internal financial reporting as transactions are not recorded on a timely basis.

Recommendation

We recommend that the City consider modifying its year-end closing procedures and formally document these procedures in a policy that can be distributed to the City's departments. Within the City's policy, we recommend that access to posting entries be limited to a few employees within Financial Management and that each department's ability to post entries be removed after a reasonable period of time. The City's policy 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.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

Views of Responsible Officials

The City continues to develop methodologies 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 performed by both 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. 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 plans on implementing several additional procedures in fiscal year 2009 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. Our hope is to shorten the audit period, mitigating the current time constraints. We welcome KPMG input in the endeavor.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

(3) Findings and Questioned Costs Relating to Federal Awards

F-08-01 – Cash Management

Program Information

Federal Program

Homeless Supportive Housing Program (SH Program), CFDA No. 14.235

Port Security Program (PS Program), CFDA No. 20.420/97.056

Urban Areas Security Initiative Program (UASI Program), CFDA No. 16.011/97.008

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

Federal Grant Award Number and Grant Period

SH Program

Federal grant number	Grant period	Federal grant number	Grant period	Location
CA16B206-002	1/1/2005 to 10/31/2008	CA16B606-013	4/1/2007 to 3/31/2008	Health and Human Services
CA16B306-001	7/1/2005 to 6/30/2008	CA16B606-014	2/1/2007 to 1/31/2008	Health and Human Services
CA16B606-010	11/1/2007 to 10/31/2008	CA16B606-015	4/1/2007 to 3/31/2008	Health and Human Services
CA16B406-001	7/1/2006 to 6/30/2009	CA16B606-016	2/1/2007 to 3/31/2008	Health and Human Services
CA16B406-023	7/1/2006 to 1/31/2008	CA16B606-017	6/1/2007 to 5/31/2008	Health and Human Services
CA16B506-006	11/1/2006 to 10/31/2007	CA16B606-018	6/1/2007 to 5/31/2008	Health and Human Services
CA16B506-027	1/1/2007 to 12/31/2007	CA16B606-019	8/1/2007 to 7/31/2008	Health and Human Services
CA16B606-002	4/1/2007 to 3/31/2008	CA16B606-020	8/1/2007 to 7/31/2008	Health and Human Services
CA16B606-004	5/1/2007 to 4/30/2008	CA16B606-021	7/1/2007 to 6/30/2008	Health and Human Services
CA16B606-005	6/1/2007 to 5/31/2008	CA16B706-006	6/1/2008 to 5/31/2009	Health and Human Services
CA16B606-006	4/1/2007 to 3/31/2008	CA16B706-026	4/1/2008 to 3/31/2009	Health and Human Services
CA16B606-009	9/1/2007 to 8/31/2008	CA16B606-008	11/1/2007 to 10/31/2008	Health and Human Services
CA16B606-011	2/1/2007 to 1/31/2008	CA16B606-027	10/1/2007 to 9/30/2009	Health and Human Services

PS Program

Federal grant number	Grant period	Location
DTSA20-03-G-01091	7/17/2003 to 7/31/2008	Port
HSTS04-04-G-GPS575	9/8/2007 to 9/10/2008	Port
2005-GB-T5-0130	9/01/2005 to 2/28/2010	Port
2007-GB-T7-K095	6/01/2007 to 5/31/2010	Port
2007-GB-T7-K429	10/01/2007 to 9/30/2010	Port

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

UASI Program

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
2003-23, OES ID #037-43000	7/1/2003 to 12/31/2006	Fire
2004-14, OES ID #037-43000	12/1/2003 to 2/28/2007	Fire
2005-15, OES ID #037-43000	10/01/2004 to 3/31/2008	Fire
2006-0071, OES ID # 037-95050	8/28/2006 to 9/30/2009	Fire
2007-0008, OES ID # 037-52050	10/16/2007 to 03/31/2010	Fire

HPC Program

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
DPM-0001 (002) PSA No. 022-M2	2/27/2006 to 6/30/2012	Port
DBPL02-5108 (073) PSA No. 055-M	11/4/2002 until expended	Port
ITS02-5108 (082) PSA No. 062-M	10/23/2006 to 6/30/2013	Port
STPL-5108 (075) PSA No. 059-M	8/23/2005 to 6/30/2012	Public works
STPL-5108 (077) PSA No. 058-M	3/15/2005 to 6/30/2011	Public works
RPSTPLE-5108 (080) PSA No. 063-N	7/10/2007 to 6/30/2014	Public works
RPSTPLE-5108 (081) PSA No. 067-N	7/10/2007 to 6/30/2014	Parks and recreation
STPLG-5108 (085) PSA No. 064-N	7/10/2007 to 6/30/2014	Public works
STLNP-5108 (012) PSA No. M047	6/22/2004 until expended	Public works
STPL-5108 (066) PSA No. M057	9/14/2004 until expended	Public works
STPLER-5108 (071) PSA No. 053-M	10/19/2004 to 6/30/2011	Public works

Federal Agency

U.S. Department of Housing and Urban Development – SH Program

Transportation Security Administration (TSA) – PS Program

U.S. Department of Homeland Security – UASI Program and PS Program

Pass-Through Agency

U.S. State Office of Homeland Security – UASI Program

U.S. State Department of Transportation

Specific Requirement

Title 24 – Housing and Urban Development, Part 85-Administrative Requirements for Grants and Cooperative Agreements, Subpart C-Post-Award Requirements, Sec. 85.21, Payment, and

Title 29 – Labor, Part 97-Uniform Administrative Requirements for Grants and Cooperative, Agreements to State and Local Governments – Table of Contents, Subpart C-Post-Award Requirements, Sec. 97.21 Payment.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

Title 28 – Judicial Administration, Chapter I – Department of Justice, Part 66-Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C-Post-Award Requirements, Sec. 66.21 Payments, and

Title 49 – Transportation, Subtitle A – Office of the Secretary of Transportation, Part 18-Uniform Administrative Requirements for Grants and Cooperative, Subpart C-Post-Award Requirements, Sec. 18.21 Payment:

- (a) **Scope.** This section prescribes the basic standard and the methods under which a federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.
- (b) **Basic standard.** Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.
- (c) **Advances.** Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.
- (d) **Reimbursement.** Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement.
- (f) **Effect of program income, refunds, and audit recoveries on payment.**
 - (1) Grantees and subgrantees shall disburse repayments to and interest earned on a revolving fund before requesting additional cash payments for the same activity.
 - (2) Except as provided in paragraph (f)(1) of this section, grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.
- (g) **Withholding payments.**
 - (1) Unless otherwise required by federal statute, awarding agencies shall not withhold payments for proper charges incurred by grantees or subgrantees unless:
 - (i) The grantee or subgrantee has failed to comply with grant award conditions or
 - (ii) The grantee or subgrantee is indebted to the United States.
 - (2) Cash withheld for failure to comply with grant award condition, but without suspension of the grant, shall be released to the grantee upon subsequent compliance. When a grant is suspended, payment adjustments will be made in accordance with Sec. 18.43(c).

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

- (3) A federal agency shall not make payment to grantees for amounts that are withheld by grantees or subgrantees from payment to contractors to assure satisfactory completion of work. Payments shall be made by the federal agency when the grantees or subgrantees actually disburse the withheld funds to the contractors or to escrow accounts established to assure satisfactory completion of work.
 - (i) Interest earned on advances. Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination Act (23 U.S.C. 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

Condition and Context

SH Program

The SH program is required to minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee. We selected 30 federal drawdowns from Department of Housing and Urban Development (HUD) and calculated the period of time between the receipt of funds from HUD and the City's disbursement to their subrecipients. During our testwork, we noted 16 of the 30 selections were not remitted to subrecipients on a timely basis. Of the 16 selections, 3 were disbursed to the subrecipient between 10 and 31 days from the date the federal funds were received from HUD. Management tracks interest earned on advances of funds; however, the \$2,284 of interest earned during fiscal year 2008 was not remitted to HUD within the allotted time period.

PS Program

The PS program is required to minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee when requesting advances of funds. Of 30 selections tested, 28 were on a reimbursement and 2 were on an advance basis.

The Long Beach Harbor Department (the Port) was advanced \$450,000 in May 2004 for a portion of the PS program. The \$450,000 was spent during the fiscal year ended September 30, 2008. The Port properly remitted interest to the awarding federal agency on the amounts advanced in accordance with OMB Circular A-133. However, as funds were advanced in 2004 and disbursed in fiscal year 2008, the Port did not minimize the time elapsing between the transfer of funds and disbursement by the grantee.

The remaining portion of the PS program is administered on a reimbursement basis for which the Port is required to pay expenditures prior to requesting reimbursement. Of the 28 reimbursement invoices sampled, one was paid two days after the date of the reimbursement request. The Port received reimbursement for the invoice after the funds were paid by the Port. As such, no related interest was earned.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

UASI Program

For the UASI program, the City is required to submit interest earned on advances in excess of \$100 to the applicable federal agency (FEMA) on a prompt, but at least quarterly basis. Management tracks interest earned on advances of funds; however, the \$11,385 of interest earned during fiscal year 2008 was not remitted to FEMA within the allotted time period.

HPC Program

For the HPC program, Federal moneys are drawn down on a reimbursement basis. As such, the program is required to request for reimbursement after disbursement of funds. Of the 30 samples tested, there was one occurrence where reimbursement was requested prior to the disbursement of funds. The City, however, received reimbursement for the invoice after paying the expenditure. As such, no interest was earned.

Questioned Costs

SH Program

\$2,284 – Total interest earned during fiscal year 2008, but not remitted to the federal government.

PS Program

None noted.

UASI Program

\$11,385 – Total interest earned during fiscal year 2008, but not remitted to the federal government.

HPC Program

None noted.

“Interest earned” was calculated based on the following formula: [(Interest rate for the month * total federal advance)/total days in the month) * number of days elapsing between the drawdown and disbursement].

Cause and Effect

SH Program

Management indicated that they were under a cash reimbursement basis because the program’s subrecipients paid vendors prior to the City’s requests for drawdowns. However, as the City requested drawdowns prior to paying its subrecipients, the City operated under a cash advance basis. In regard to interest earned on advances, management made attempts to contact HUD for proper instructions on how to return the interest earned; however, the first such attempt was March 30, 2009, two quarters after the 2008 fiscal year-end.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

PS Program

The Port submits invoices to the City for payment to the vendor. However, a delay exists between the date the Port records the expenses in FAMIS and the date the City disburses funds to the vendor due to additional levels of review at the City. Furthermore, the reimbursement policy maintained at the Port for the PS Program is to *incur* expenditures prior to requesting reimbursement rather than *pay* expenditures prior to reimbursement, as set forth in OMB Circular A-133.

UASI Program

Management indicated that the failure to remit interest earned within the stated time period was an oversight.

HPC Program

Invoices are submitted to the City for payment to the vendor. However, a delay exists between the date the City records the expenses in FAMIS and the date the City disburses funds to the vendor due to additional levels of review at the City.

Recommendation

We recommend that the City and Port strengthen their internal control process to ensure that the delay between the transfer of funds and disbursement to the grantee or subgrantee is minimized. Further, the City and Port should strengthen policies and procedures for reimbursement grants to ensure expenditures are paid prior to requesting reimbursement. Finally, we recommend that management should ensure they remit at least quarterly, interest earned on advances greater than \$100 per year to the applicable federal agency.

Views of Responsible Officials and Planned Corrective Actions

The City and Port have not and will not intentionally implement practices or policies that are inconsistent with OMB Circular A-133. The intent has been to maintain procedures that minimize the time between the disbursement of funds and transfer of funds.

Due to the timing of the single audit this finding was acknowledged during the FY 07 audit mid-year FY 08. Once recognized, corrective action was taken during FY 08. The City strengthened its policies and procedures to ensure expenditures are paid prior to submitting a request for reimbursement. Interest is tracked and remitted when applicable.

The Port has put in place procedures that minimize the time between the disbursement of funds and transfer of funds. The grant project for which funds were advanced has been completed and no additional expenditures will be incurred.

The Port tracked interest earned and remitted to the grantor for the PS Program during FY 08. For the SH Program, the interest was remitted to HUD in May 2009. The delay was due to communication between HUD and the City on the appropriate procedure and method of remittance. For the UASI Program, the City is coordinating the appropriate method of payment and will have interest remitted by fiscal year-end. As noted by KPMG, no interest was earned during FY 08 on the HPC Program.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

F-08-02 – Davis-Bacon Act

Program Information

Federal Program

Port Security Program (PS Program), CFDA No. 20.420/97.056

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
DTSA20-03-G-01091	7/17/2003 to 7/31/2008	Port
HSTS04-04-G-GPS575	9/8/2007 to 9/10/2008	Port
2005-GB-T5-0130	9/01/2005 to 2/28/2010	Port
2007-GB-T7-K095	6/01/2007 to 5/31/2010	Port
2007-GB-T7-K429	10/01/2007 to 9/30/2010	Port

Federal Agency

Transportation Security Administration (TSA)

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, Subpart C-Post-Award Requirements, Sec. 18.36 Procurement, and

Title 28 – Judicial Administration, Chapter I – Department of Justice (Continued), Part 66-Uniform Administrative Requirements for Grants and Cooperative, Subpart C-Post-Award Requirements, Sec. 66.36 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 \$2000 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, 2008

Title 29 – Labor, Part 5-Labor Standards Provisions Applicable to Contracts Covering, Subpart A-Davis-Bacon and Related Acts Provisions and Procedures, 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, 2008

- (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 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 30 certified payrolls sampled, 27 were not obtained weekly, as required, but rather, were obtained monthly.

Questioned Costs

None noted.

Cause and Effect

Management indicated they were made aware in June 2008 as a result of the fiscal year 2007 single audit by KPMG that the federal compliance requirement is to physically obtain a submitted payroll and statement of compliance each week. During our fiscal year 2008 testwork, samples were selected, which covered the period after June 2008 to determine whether the Port remediated the prior year finding. Upon conclusion, we noted that the related certified payrolls had been obtained by the Port but on a monthly, not weekly, basis. Thus, in addition to noncompliance with Davis-Bacon Act stipulations regarding the timing of obtaining certified payrolls and statements of compliance from contractors, it appears that the Port did not remediate the prior year's finding in fiscal year 2008.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

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.

Views of Responsible Officials and Planned Corrective Actions

The Port has added the federal policy on all federally funded construction contracts with payroll expenditures over \$2,000, including the collection of weekly certified payrolls. The Port is collecting documentation that requires staff to acknowledge receipt of certified payrolls and statements of compliance provided by contractors. All payrolls coincide with applications for payments being submitted under the Department's normal payment schedule, which is currently monthly. These documents are kept permanently with the contract files. Invoices are not paid unless the proper certifications are received and documented by grant management or contract administration staff.

This finding is based on the auditor's interpretation of the requirement that the Port must receive the documentation weekly. Please note that the Port had documentation of all weeks that were tested. It was noted by the auditor that the weekly payrolls had been submitted on a monthly basis. The Port maintains that it is compliant with the requirement because all the required payrolls were collected, checked, and documented prior to payment of the invoices.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

F-08-3 – Equipment and Real Property Management

Program Information

Federal Program

Port Security Program (PS Program), CFDA No. 20.420/97.056

Federal Grant Award Number and Grant Period

Federal grant number	Grant period	Location
DTSA20-03-G-01091	7/17/2003 to 7/31/2008	Port
HSTS04-04-G-GPS575	9/8/2007 to 9/10/2008	Port
2005-GB-T5-0130	9/01/2005 to 2/28/2010	Port
2007-GB-T7-K095	6/01/2007 to 5/31/2010	Port
2007-GB-T7-K429	10/01/2007 to 9/30/2010	Port

Federal Agency

Transportation Security Administration (TSA)

Department of Homeland Security

Specific Requirement

Title 28 – Judicial Administration, Chapter I – Department of Justice, Part 66-Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C-Post-Award Requirements, Sec. 66.32:

- (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:
 - (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use, and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property.
 - (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Condition and Context

The Port did maintain complete property records as not all equipment acquired with federal awards were included on the Port's property records sheet. Of the 22 equipment purchases sampled, representing 100% of equipment purchases in fiscal year 2008, one purchase consisting of five individual components valued at over \$5,000 each was not included on the property records sheet.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

Questioned Costs

\$25,278 – Total cost of the five pieces of equipment absent from the property records sheet.

Cause and Effect

Management indicated that the absence of the five pieces of equipment from the property records sheet was an oversight.

Recommendation

We recommend that management implement an internal control process to ensure that property records of equipment acquired with federal funds are maintained accurately and completely in order to maintain compliance with grant guidelines.

Views of Responsible Officials and Planned Corrective Actions

The Port has not and will not intentionally implement practices or policies that are inconsistent with OMB Circular A-133. The Port will strengthen its internal control process to ensure that property records of equipment acquired are maintained accurately and completely.

The Port acknowledges that the absence of the five pieces of equipment from the property records sheet was an oversight. The five components have been added to the property records sheet. The Harbor Department will follow equipment management procedures and property records keeping requirements to maintain compliance with grant requirements.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

F-08-04 – Procurement

Program Information

Federal Program

Port Security Program (PS Program), CFDA No. 20.420/97.056

Federal Grant Award Number and Grant Period

Federal grant number	Grant period	Location
DTSA20-03-G-01091	7/17/2003 to 7/31/2008	Port
HSTS04-04-G-GPS575	9/8/2007 to 9/10/2008	Port
2005-GB-T5-0130	9/01/2005 to 2/28/2010	Port
2007-GB-T7-K095	6/01/2007 to 5/31/2010	Port
2007-GB-T7-K429	10/01/2007 to 9/30/2010	Port

Federal Agency

Transportation Security Administration (TSA)

Department of Homeland Security

Specific Requirement

Local governments must follow procurement procedures that conform to State and federal laws and regulations and standards identified in the A 102 Common Rule.

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, Subpart C-Post-Award Requirements, Sec. 18.36:

- (a) States. When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its nonfederal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Other grantees and subgrantees will follow paragraphs (b) through (i) in this section.
- (b) Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in this section.
- (f) Contract cost and price. (2) Grantees and subgrantees will negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

- (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.
 - (4) **Compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR Part 3) (All contracts and subgrants for construction or repair).**
 - (7) **Notice of awarding agency requirements and regulations pertaining to reporting.**
 - (8) **Notice of awarding agency requirements and regulations pertaining to patent rights with respect to any discovery or invention that arises or is developed in the course of or under such contract.**
 - (10) **Access by the grantee, the subgrantee, the federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor, which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions.**
 - (13) **Mandatory standards and policies relating to energy efficiency, which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871).**

Condition and Context

The Port did not include required procurement provisions in one of its contracts. OMB Circular A-133 states that requirements for procurement are in part contained in the terms of the federal award. One requirement specific to federal awards granted to Port Security is that contracts be subject to the provisions of 49 CFR 18.36. Of the six contracts tested, one did not contain the required provisions outlined at 49 CFR 18.36 (i). The provisions were not included in the original contract or the amendments to the contract. The absence of the required 49 CFR provisions indicates noncompliance with the grant award and OMB Circular A-133 stipulations.

Questioned Costs

None noted.

Cause and Effect

Management indicated that the failure to include the provisions outlined at 49 CFR 18.36 (i) in the subject contract and amendments was an oversight.

Recommendation

We recommend that management strengthen their internal control process to ensure procurement requirements outlined in grant awards be included in all contracts for procuring goods and services with federal funds.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

Views of Responsible Officials and Planned Corrective Actions

Of the six contracts tested, only one did not contain the required provisions outlined at 49 CFR 18.36 (i). The absence of the provisions in this consulting contract was an oversight.

The Harbor Department was in the process of revising all current contracts through amendments to ensure compliance with 49 CFR 18.36 (i). The Harbor Department and City Attorney will continue to work together to ensure compliance with the 49 CFR 18.36 (i). The City Attorney's office has amended the contract agreement template to include a standard attachment for grant-funded projects. The attachment includes all OMB-mandated contract provisions. The Harbor Department's contracting procedures have been revised to incorporate required grant provisions as applicable.

The Harbor Department has revised its processes to ensure that grant requirements are considered at crucial steps in the contracting process. All contract requests will include descriptions of applicable grant provisions to be included in the contract. All current contracts and contract amendments will be reviewed by Harbor Department staff and the City Attorney's office to ensure correct grant provisions have been included. The Port has improved procedures and enhanced training and management oversight to remedy this finding.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

F-08-05 – Reporting

Program Information

Federal Program

Urban Areas Security Initiative Program (UASI Program), CFDA No. 16.011/97.008

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
2003-23, OES ID #037-43000	7/1/2003 to 12/31/2006	Fire
2004-14, OES ID #037-43000	12/1/2003 to 2/28/2007	Fire
2005-15, OES ID #037-43000	10/01/2004 to 3/31/2008	Fire
2006-0071, OES ID # 037-95050	8/28/2006 to 9/30/2009	Fire
2007-0008, OES ID # 037-52050	10/16/2007 to 03/31/2010	Fire

Federal Agency

U.S. Department of Homeland Security

Pass-Through Agency

U.S. State Office of Homeland Security

Specific Requirement

The A-133 Compliance Supplement states that the “reporting requirements for subrecipients are as specified by the pass-through agency”. For UASI federal grant 2005-15, the City of Long Beach is a subrecipient of the State of California Office of Homeland Security, the pass-through agency.

Further, the Homeland Security Grant Program, *California Supplement to Federal Program Guidelines and Application Kit*, states, “Subgrantees must prepare and submit performance reports to the State for the duration of the grant performance period, or until all grant activities are completed and the grant is formally closed”. Subgrantees must complete a “Biannual Strategy Implementation Report (BSIR) using the Department of Health Services online Grant Management System, and may also be required to submit additional information and data requested by the State. Failure to submit performance reports could result in grant reduction, terminations, or suspension.”

Condition and Context

The City is required to submit a BSIR semiannually to the State for each applicable grant award administered by the Fire Department under the UASI Program. We sampled a total of two BSIR reports, representing 100% of the applicable BSIR report population for the fiscal year. We note that the December 31, 2007 BSIR was not submitted to the State by the City.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

Questioned Costs

None noted.

Cause and Effect

Fire Department grant management maintains that oral communication transpired between the State and the City, whereby the State indicated that they would submit the BSIR to FEMA on the City's behalf; thus, waiving the City's requirement to submit the BSIR to the State for the semiannual period ended December 31, 2007. This communication was not formally documented. The workflow history documented on the BSIR approval path from report initiation to final approval shows the State of California as initiating the report. The approval path also shows FEMA approval.

Recommendation

We recommend that the City strengthen its internal control process to ensure that the BSIR reports are initiated by the City and submitted to the State, as required.

Views of Responsible Officials and Planned Corrective Actions

The City would like to note that the BSIR was submitted to and approved by the federal agency timely under the direction of the State. The Disaster Management Division attended a workshop in November 2007 at which time the State representative communicated that cities that were finished spending and had no activity from June 2007 to December 2007 were not to enter any data onto the BSIR until they received clarification from Homeland Security as to the handling of the end of the performance period.

In January, Disaster Management staff contacted the Governor's Office of Homeland Security Administrator requesting direction on the input of the BSIR data. It was then communicated that since the City was one of the UASI cities that had completed the 2005 spending, the State's office would orchestrate the BSIR submission on behalf of those cities. The State had the information needed for the submission, which was completed on January 29, 2008 by a State OHS employee. The BSIR report was completed accurately to FEMA and submitted to FEMA in a timely manner by the State on behalf of the City under the State's directive.

CITY OF LONG BEACH
Spousal Abuser Prosecution Program
Reconciliation of Financial Activity
for all Grants with Activity
Years ended September 30, 2008, 2007, and 2006
(Unaudited)

	Cumulative	Grant activity		
		FY 2008	FY 2007	FY 2006
Grant award no. – 04 SA11F009:				
Cash receipts	\$ 8,860	—	—	8,860
Expenditures:				
To grant – Staff	\$ —	—	—	—
Match – Staff	—	—	—	—
Operational	—	—	—	—
Total expenditure	\$ —	—	—	—
Grant award no. – 05 SA12F009:				
Cash receipts	\$ 43,557	—	—	43,557
Expenditures:				
To grant – Staff	\$ 29,885	—	—	29,885
Match – Staff	21,952	—	—	21,952
Operational	292	—	—	292
Total expenditure	\$ 52,129	—	—	52,129
Grant award no. – 06 SA13F009:				
Cash receipts	\$ 56,623	—	56,623	—
Expenditures:				
To grant – Staff	\$ 43,557	—	30,218	13,339
Match – Staff	29,229	—	26,126	3,103
Operational	279	—	279	—
Total expenditure	\$ 73,065	—	56,623	16,442
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 2008		\$ 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.