



Legislation Text

File #: 10-0122, **Version:** 1

Recommendation to receive and file the Audit Report on the Internal Controls Over Stimulus Funds.

We recently concluded our audit of internal controls over Stimulus funds. Attached for your consideration is our audit report that describes the controls in place at the City to ensure that Stimulus monies are spent efficiently, effectively, and as intended.

The nature of government auditing is typically retrospective; programs, revenues, and expenditures are reviewed after the fact to ensure that everything was done appropriately so that improvements can be made for the future, and to serve as a deterrence function by showing that some programs will be audited and thus any errors exposed. However, given the large amount of Stimulus funds that the City will receive and the fact that these funds have been determined to be "high risk" by the California State Auditor, we decided to take a proactive approach to work with management to ensure that the controls are in place to stop problems before they occur. This approach best assures the public that these monies will be spent as intended-putting Americans back to work while funding important public projects and minimizes the risks of noncompliance with grant requirements, which could carry significant consequences for the City.

While all grant funds have conditions that must be closely observed, Stimulus funds have additional requirements that must also be followed. Many of these requirements are listed in our report. For example, "buy American" provisions require that all contractors working on stimulus projects use American steel. Whistleblower protections must also be prominently displayed at all work sites funded by stimulus dollars.

We have met monthly with management to advise on the appropriate controls that they have put in place, which are listed in the attached report. We thank management for their cooperation with our audit, and for the controls that have been put in place. While continued diligence is needed with these high-profile funds, we believe that Long Beach has taken its responsibility to implement controls and minimize risk of noncompliance seriously, and that the City will benefit because of this approach.

Action by the City Council is not time sensitive.

Internal controls are essential for all grant funds, and especially for Stimulus funds, to ensure that monies are spent as intended and to protect the City from potential penalties that could arise from noncompliance, such as returning funds already received or spent.

Approve recommendation.

LAURA L. DOUD, CPA

CITY AUDITOR