



CITY OF LONG BEACH, CALIFORNIA

Single Audit Reports

Year ended September 30, 2010

(With Independent Auditors' Reports 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 aggregate discretely presented component units, 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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 25, 2011. Our report was modified to include a reference to another auditor who audited the City's discretely presented component unit. 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. Another auditor 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control 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 entity'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-2010-01 and FS-2010-02. 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*.

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 the response.

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

April 25, 2011



KPMG LLP
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20 Pacifica
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**Report on Compliance with Requirements That Could Have a
Direct and Material Effect on 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 could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. 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 financial statements include the operations of the Long Beach Transportation Company, a discretely presented component unit, which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2010. Our audit, described below, did not include the operations of the discretely presented component unit because the discretely presented component unit engaged other auditors to perform audits 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. 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-10-01 through F-10-07.



Internal Control over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items F-10-01 through F-10-07. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Long Beach, California as of and for the year ended September 30, 2010, and have issued our report thereon date April 25, 2011. Our report was modified to include a reference to another auditor who audited the City's discretely presented component unit. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Long Beach'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 the response.



This report is intended solely for the information and use of management, the City of Long Beach's City Council, others within the City, 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 27, 2011, except as to the paragraph relating to the schedule of expenditures of federal awards, which is as of April 25, 2011.

CITY OF LONG BEACH
Schedule of Expenditures of Federal Awards
Year ended September 30, 2010

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	08-85418 ADO	\$ 4,865,322
Children Nutrition Network	10.561	08-85135	457,827
State Department of Education:			
Summer Food Service	10.559	19-81908V	346,856
Total Department of Agriculture			5,670,005
Department of Commerce:			
Economic Development Act	11.307	07-49-05046	1,049,906
Total Department of Commerce			1,049,906
Department of Housing and Urban Development:			
Section 8 Housing Choice Vouchers	14.871	CA068VO	69,973,684
Disaster Voucher Program (DVP)	14.DVP	CA068DVP	5,558
Veteran's Affairs Supportive Housing (VASH)	14.VSH	CA068VASH	716,007
Total Housing Assistance Program Expenditures			70,695,249
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-06-0522	3,163,590
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-06-0522	5,823,097
Total			8,986,687
Neighborhood Stabilization Program	14.218	B-08-MN-06-0511	3,696,846
Total	14.218		12,683,533
ARRA – Community Development Block Grants	14.253	B-09-MY-06-0522	2,004,311
Total Community Development Block Grants Cluster			14,687,844
Emergency Shelter Grants Program	14.231	S-08-MC-06-0522	100,460
Emergency Shelter Grants Program	14.231	S-09-MC-06-0522	314,179
Total	14.231		414,639
Homeless Supportive Housing SHP06	14.235	CA16B606	(4,068)
Homeless Supportive Housing SHP07	14.235	CA16B706	122,172
Homeless Supportive Housing SHP08	14.235	CA06B9D060801	3,477,164
Homeless Supportive Housing SHP08	14.235	CA06B9D060802	1,397,550
Total	14.235		4,992,818
Shelter Plus Care	14.238	CA16C506-001	69,750
Shelter Plus Care	14.238	CA16C706-031	8,249
Shelter Plus Care	14.238	CA0645C9D060801	65,329
Shelter Plus Care	14.238	CA0646C9D060801	223,761
Shelter Plus Care	14.238	CA0647C9D060801	16,202
Shelter Plus Care	14.238	CA0648C9D060801	42,128
Shelter Plus Care	14.238	CA0646C9D060802	76,931
Shelter Plus Care	14.238	CA0647C9D060802	22,594
Shelter Plus Care	14.238	CA0648C9D060802	24,523
Total	14.238		549,467
HOME Investment Partnerships Program	14.239	M-07-MC-06-0518	106,675
HOME Investment Partnerships Program	14.239	M-08-MC-06-0518	1,308,954
HOME Investment Partnerships Program	14.239	M-09-MC-06-0518	1,983,377
Total	14.239		3,399,006
ARRA – Neighborhood Stabilization Program 2	14.256	B-09-CN-CA-0045	1,723,730
ARRA – Homeless Prevention and Rapid Rehousing Program	14.257	S-09-MY-060522	1,078,668
ARRA – 2009 Recovery Act Lead Hazard Control	14.907	CALHB408-08	1,125,324
ARRA – 2009 Recovery Act Lead Healthy Homes	14.908	CALHH188-08	306,185
Total Lead Hazard Control			1,431,509
City of Los Angeles:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	98256	676,031
Total Department of Housing and Urban Development			99,648,961
Department of the Interior:			
Reclaimed Water Expansion	15.504	R09AC35051	29,100
ARRA – Desalination Research and Development	15.504	R09AC35R11	620,037
Total	15.504		649,137
Desalination Research and Development	15.506	R02AC35053	66,410

CITY OF LONG BEACH
Schedule of Expenditures of Federal Awards
Year ended September 30, 2010

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
Department of the Interior:			
Weather Based Irrigation Controllers	15.512	R09AP35264	\$ 33,353
Hydrants for Recycled Water System	15.512	R09AP35270	66,402
Total	15.512		<u>99,755</u>
State Parks Department:			
Land and Water Conservation Fund	15.916	C8940014	(5,057)
Total Department of the Interior			<u>810,245</u>
Department of Justice:			
Asset Forfeiture	16.000	N/A	772,261
Police Earmark Program	16.541	2006-DJ-FX-0164	133,953
Police Earmark Program	16.541	2008-JL-FX-0010	166,174
Total			<u>300,127</u>
Youth Earmark Program	16.541	2010-JL-FX-0532	5,192
Total	16.541		<u>305,319</u>
Solving Cold Cases with DNA	16.560	2008 DN BX K412	161,758
CCDO Weed and Seed Communities Competitive Program	16.595	2007-WS-Q7-0267	24,358
CCDO Weed and Seed Communities Competitive Program	16.595	2008-WS-QX-0088	(17,353)
CCDO Weed and Seed Communities Competitive Program	16.595	2009-WS-QX-0050	140,861
CCDO Weed and Seed Communities Competitive Program	16.595	2010-WS-QX-0012	752
Total	16.595		<u>148,618</u>
Edward Bryne Justice Assistance Grant	16.738	2006-DJ-BX-0222	25,556
Edward Bryne Justice Assistance Grant	16.738	2007-DJ-BX-0617	31,329
Edward Bryne Justice Assistance Grant	16.738	2008-DJ-BX-0229	69,283
Total			<u>126,168</u>
City of Los Angeles:			
Edward Bryne Justice Assistance Grant	16.738	C-118155	37,008
Total	16.738		<u>163,176</u>
Paul Coverdell Forensic Science Improvement	16.742	2009 CD BX 0056	125,000
State Office of Emergency Services:			
Paul Coverdell Forensic Science Improvement	16.742	CQ08067240	20,603
Total	16.742		<u>145,603</u>
City of Los Angeles:			
Edward Bryne Justice Assistance Grant	16.804	2009 SB B9 2024	596,934
Total Department of Justice			<u>2,293,669</u>
Department of Labor:			
State of California Employment Development Dept:			
Wagner Peyser Disability Program Navigator	17.207	K078484/ES-17548-08-55-A-6	51,003
Workforce Investment Act (WIA) Title I Adult Formula	17.258	R970542	1,139
Workforce Investment Act (WIA) Title I Adult Formula	17.258	K074146	590,139
Workforce Investment Act (WIA) Title I Adult Formula	17.258	K178665	277,038
Total			<u>868,316</u>
Workforce Investment Act (WIA) Performance Incentive	17.258	K074146	8,539
CA New Start Prison to Employment	17.258	R970542	92,638
Workforce Investment Act (WIA) Capacity Building	17.258	R970542	19,500
ARRA – Clean Energy Training Program "15% Funds"	17.258	K074146/AA-17110-08-55-A-6	60,041
ARRA – Clean Energy Additional 15%	17.258	K074146/AA-17110-08-55-A-6	42,777
ARRA – Reg Industry Cluster Award	17.258	K074146/AA-17110-08-55-A-6	31,973
ARRA – Workforce Investment Act (WIA) Incentive	17.258	K074146/AA-17110-08-55-A-6	4,695
ARRA – Workforce Investment Act (WIA) CA Green Jobs	17.258	R970542/AA-17110-08-55-A-6	604,575
ARRA – Workforce Investment Act (WIA) Title I Adult Formula	17.258	R970542/AA-17110-08-55-A-6	639,306
City of Los Angeles:			
ARRA – Workforce Investment Act (WIA) Harbor Worksource Ctr Adult	17.258	C-115839	118,466
County of Orange:			
OCWIB – Vet Assistance Employment Program	17.258	V1-V-09	188,447
OCWIB – Vet Assistance Employment Program II	17.258	V1-V-11	8,350
South Bay Center for Counseling:			
SBCC – Vet Assistance Employment Program	17.258	MOU	42,620
SBCC – Vet Assistance Employment Program II	17.258	MOU	1,906
Total	17.258		<u>2,732,149</u>

CITY OF LONG BEACH
Schedule of Expenditures of Federal Awards
Year ended September 30, 2010

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
Department of Labor:			
State of California Employment Development Dept:			
Workforce Investment Act (WIA) Title I Youth Formula	17.259	R970542	\$ 158
Workforce Investment Act (WIA) Title I Youth Formula	17.259	K074146	1,396,597
Workforce Investment Act (WIA) Title I Youth Formula	17.259	K178665	466,327
Total			<u>1,863,082</u>
High Concentration Youth	17.259	K074146	11,158
ARRA – Workforce Investment Act (WIA) Federal Job Stimulus	17.259	R970542/AA-17110-08-55-A-6	307,708
Total	17.259		<u>2,181,948</u>
Workforce Investment Act (WIA) Rapid Response	17.260	K074146	285,993
Workforce Investment Act (WIA) Title I Dislocated Worker	17.260	K074146	1,780,416
Workforce Investment Act (WIA) Economic Downturn Fund	17.260	R970542	39,094
United Way Workforce Collaborative 2	17.260	R970542	98,934
ARRA – Dislocated Worker Training 25% Fund	17.260	K074146/AA-17110-08-55-A-6	338,820
ARRA – On-The-Job-Training Grant	17.260	K074146/AA-17110-08-55-A-6	1,471
ARRA – Workforce Investment Act (WIA) DW To Adult Transfer	17.260	R970542/AA-17110-08-55-A-6	535,277
ARRA – Workforce Investment Act (WIA) Rapid Response	17.260	R970542/AA-17110-08-55-A-6	412,141
ARRA – Workforce Investment Act (WIA) Title I Dislocated Worker	17.260	R970542/AA-17110-08-55-A-6	1,136,701
City of Los Angeles:			
Workforce Investment Act (WIA) CA Economic Downturn Harbor Adult	17.260	C-115347	26,245
Workforce Investment Act (WIA) CA Economic Downturn Harbor Dislocate	17.260	C-115347	7,240
Workforce Investment Act (WIA) Harbor Worksource Ctr Adult	17.260	C-115843	318,738
Workforce Investment Act (WIA) Harbor Worksource Ctr Adult	17.260	C-117651	91,955
			<u>410,693</u>
Workforce Investment Act (WIA) Harbor Worksource Ctr DW	17.260	C-115843	233,452
Workforce Investment Act (WIA) Harbor Worksource Ctr DW	17.260	C-117651	98,339
			<u>331,791</u>
ARRA – Workforce Investment Act (WIA) Harbor Worksource Ctr DW	17.260	C-115839	203,771
County of Orange:			
OCWIB – Vet Assistance Employment Program	17.260	V1-V-09	193,450
Total	17.260		<u>5,802,037</u>
State of California Employment Development Dept:			
Workforce Investment Act (WIA) Rapid Response	17.278	K178665	29,946
Workforce Investment Act (WIA) Title I Dislocated Worker	17.278	K178665	303,114
Total	17.278		<u>333,060</u>
Total Workforce Investment Act Cluster			<u>11,049,194</u>
DOL Earmark Energy Pathways	17.261	EA-18558-09-60-A-6	121,371
State of California Employment Development Dept:			
Disability Program Navigation	17.261	K074146	114,253
Disability Program Navigation	17.261	R970542	33,617
			<u>147,870</u>
Total	17.261		<u>269,241</u>
City of Los Angeles:			
ARRA – Harbor Worksource Ctr Rapid Response	17.268	T4366	40,650
Total Department of Labor			<u>11,410,088</u>
Department of Transportation:			
FAA Airport Improvement Program	20.106	3-06-0127-26	155,272
FAA Airport Improvement Program	20.106	3-06-0127-27	366,555
FAA Airport Improvement Program	20.106	3-06-0127-28	2,962
FAA Airport Improvement Program	20.106	3-06-0127-29	63,752
FAA Airport Improvement Program	20.106	3-06-0127-031	374,322
FAA Airport Improvement Program	20.106	3-06-0127-032-2009	973,931
FAA Airport Improvement Program	20.106	3-06-0127-033-2009	4,120,300
FAA Airport Improvement Program	20.106	3-06-0127-035-2009	3,299
Total	20.106		<u>6,060,393</u>
State Department of Transportation:			
Highway Planning and Construction Program	20.205	BRLSN-5108 (073)	2,903,807
Highway Planning and Construction Program	20.205	PNRSLN-5108 (116)	1,948,067
Highway Planning and Construction Program	20.205	CML-5108(088)	1,606,751
Highway Planning and Construction Program	20.205	STPL 5108 (077)	146

CITY OF LONG BEACH
Schedule of Expenditures of Federal Awards
Year ended September 30, 2010

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
Department of Transportation:			
Highway Planning and Construction Program	20.205	HPLUL-5108 (090)	\$ 702,913
Highway Planning and Construction Program	20.205	STPL-5108 (117)	1,013,431
Highway Planning and Construction Program	20.205	HPLUL-5108 (086)	28,744
Highway Planning and Construction Program	20.205	STPLX-5108 (044)	41,037
Highway Planning and Construction Program	20.205	RPSTPLE-5108 (080)	16,596
Highway Planning and Construction Program	20.205	STPLHSR-5108 (092)	9,735
Highway Planning and Construction Program	20.205	RPSTPLE-5108 (081)	331,030
			<u>8,602,257</u>
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (097)	633,309
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (096)	481,522
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (094)	3,318,291
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (095)	254,639
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPLA-5108 (115)	440,029
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (124)	2,370,658
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (112)	567,373
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (103)	258,778
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (107)	39,600
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (109)	240,970
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (127)	4,216
			<u>8,609,385</u>
Caltrans:			
Caltrans-Preapprenticeship	20.205	88A0038	8,825
Total Highway Planning and Construction Program	20.205		<u>17,220,467</u>
State Office of Traffic Safety:			
Selective Traffic Enforcement Program	20.600	PT1029	368,197
The Regents of the University of California School of Public Health, Berkeley:			
Next Generation – Click it or Ticket	20.600	PT0725	22,644
Total	20.600		<u>390,841</u>
Total Department of Transportation			<u>23,671,701</u>
Department of Treasury:			
Asset Forfeiture Program	21.XXX	N/A	148,059
California State Library:			
Public Library Staff Education Program	45.310	40-7390	3,300
Total Department of Treasury			<u>151,359</u>
US Environmental Protection Agency:			
Hybrid Yard Hostler Demonstration and Commercialization Project	66.034	XA-96042301-1	175,000
ARRA – National Clean Diesel Emissions Reduction	66.039	00T13301-0	2,815,039
Lead and Education Outreach Project (LEO)	66.716	X8-96999501-0	7,275
Palos Verdes Shelf Fish Contamination	66.716	V-98972501-0	21,424
Total	66.716		<u>28,699</u>
ARRA-Brownfields Job Training Project	66.815	2J-00T31901-0	282,247
State Department of Health Services:			
ARRA – Beach Water Quality Management	66.454	10-95314	20,309
CA State Water Resources Control Board:			
ARRA – Colorado Lagoon Clean Beaches Init	66.458	C-06-6951-110/08-300-550	4,168,351
ARRA – Clean Water State Revolving Fund	66.458	08-320-550	277,038
ARRA – Clean Water State Revolving Fund	66.458	08-327-550	437,001
ARRA – Clean Water State Revolving Fund	66.458	08-330-550	326,767
Total ARRA – Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>5,209,157</u>

CITY OF LONG BEACH
Schedule of Expenditures of Federal Awards
Year ended September 30, 2010

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/expenditures
US Environmental Protection Agency:			
State Department of Health Services:			
Beach Water Quality and Public Notification	66.472	08-85530	\$ (292)
Beach Water Quality and Public Notification	66.472	09-11373	25,000
Total	66.472		<u>24,708</u>
Total U.S. Environmental Protection Agency			<u>8,555,159</u>
Department of Energy:			
State of California Employment Development Dept:			
Long Beach Community College District:			
ARRA – Clean Energy	81.041	99663.6/DE-EE0000221	16,315
ARRA – Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000866	<u>350,500</u>
Total Department of Energy			<u>366,815</u>
Department of Education:			
Department of Education Earmark			
	84.215	U215K090230	571,319
State Department of Education:			
Evenstart Family Literacy	84.213	09-14331-2199-2	120,750
Evenstart Family Literacy	84.213	10-14331-2199-2	5,635
Total	84.213		<u>126,385</u>
Long Beach Unified School District:			
21 Century Community Learning Center	84.287	09-14349-6472	106,361
21 Century Community Learning Center	84.287	10-14349-6472	30,342
Total	84.287		<u>136,703</u>
Total Department of Education			<u>834,407</u>
Department of Health and Human Services:			
Regional Senior Services Collaboration			
	93.048	90MA0041/01	8,064
County of Los Angeles:			
Bioterrorism Preparedness	93.069	H-701583-7	(60,388)
Bioterrorism Preparedness	93.069	H-701583-8	857,118
Bioterrorism Preparedness	93.069	H-701583-12	147,832
Total			<u>944,562</u>
Pandemic H1N1 Flu Preparedness	93.069	H-701583-9	789,187
Total	93.069		<u>1,733,749</u>
State Department of Health Services:			
Tuberculosis Control Programs	93.116	5U52PS900515	171,026
Childhood Lead Poisoning Prevention	93.197	08-85064	271,247
Immunization Subvention	93.268	08-85301	(2)
Immunization Subvention	93.268	10-95378	71,363
Total	93.268		<u>71,361</u>
ARRA – Immunization	93.712	3H23IP922507-07S2	311,557
Total Immunization Grants Cluster			<u>382,918</u>
County of Los Angeles:			
Family Support	93.556	05-027-13	31,101
South Bay Center for Counseling:			
Family Services/CNA	93.556	70906	42,375
Total	93.556		<u>73,476</u>
State Department of Health Services:			
Community Challenge Grant Program / TANF	93.558	05-45244	151,396
Los Angeles Homeless Services Authority:			
Temporary Assistance for Needy Families	93.558	2009 DPSS01	97,513
Temporary Assistance for Needy Families	93.558	2010 DPSS01	19,068
			<u>116,581</u>
Total	93.558		<u>267,977</u>

CITY OF LONG BEACH
Schedule of Expenditures of Federal Awards
Year ended September 30, 2010

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/expenditures
Department of Health and Human Services:			
State Department of Health Services:			
Los Angeles County Department of Public Social Services:			
City of Hawthorne:			
ARRA – Transitional Subsidized Employment Program	93.714	09-H226	\$ 499,071
ARRA – TANF Summer Youth Employment	93.714	10-H1047	2,610,385
Total	93.714		3,109,456
Total Temporary Assistance for Needy Families Cluster			3,377,433
County of Los Angeles:			
ARRA – Smoking Cessation Initiative – TRUST	93.724	PH-001138/ 1U58DP002543-01	16,926
ARRA – Healthy Food Initiative – RENEW	93.724	PH-001138/ 1U58DP002485-01	23,761
Total	93.724		40,687
State Department of Health Services:			
Childhood Health and Disability	93.778	CHDP 2009	455,641
Childhood Health and Disability	93.778	N/A	128,506
			584,147
Medical Gateway	93.778	CHDP – City Match 2009	100,360
Medical Gateway	93.778	N/A	26,067
			126,427
Children in Foster Care	93.778	CHDP – HCPCFC 2009	122,178
Children in Foster Care	93.778	N/A	35,814
			157,992
Nursing MAA Claiming	93.778	04-35117	(90,518)
Nursing MAA Claiming	93.778	09-86022	457,097
			366,579
Nursing TCM Claiming	93.778	61-0712	376,573
MAA/ TCM Administration	93.778	04-35117	(28,305)
MAA/ TCM Administration	93.778	09-86022	51,618
			23,313
Total Medical Assistance Program	93.778		1,635,031
County of Los Angeles:			
AIDS Case Management	93.915	H210813	168,811
AIDS EIP Outpatient Medical	93.915	H209210	116,074
Total	93.915		284,885
State Department of Health Services:			
Outreach/Prev. for HIV Positive (Bridge)	93.917	6X07HA00041-18-001	59,999
Outreach/Prev. for HIV Positive (Bridge)	93.940	10-95266	8,341
HIV Care Coordination	93.940	07-65057	458,306
HIV Care Coordination	93.940	10-95266	151,315
			609,621
AIDS Surveillance	93.940	04-35743 SP 07-59/3	215,196
AIDS Surveillance	93.940	10-95266	86,336
			301,532
HIV Prevention – Counseling and Testing	93.940	07-35057 HIV 07-59/3	317,983
HIV Prevention – Counseling and Testing	93.940	10-95266	130,980
			448,963
Total	93.940		1,368,457
Maternal and Child Health Svcs Allocation	93.994	200860-MCH	(4,405)
Maternal and Child Health Svcs Allocation	93.994	200960-MCH	83,101
Maternal and Child Health Svcs Allocation	93.994	201060-MCH	105,353
			184,049
MCH Black Infant Health	93.994	200860-BIH	(1,095)
MCH Black Infant Health	93.994	200960-BIH	127,035

CITY OF LONG BEACH
Schedule of Expenditures of Federal Awards
Year ended September 30, 2010

<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>
Department of Health and Human Services:			
MCH Black Infant Health	93.994	201060-BIH	\$ 32,875
			<u>158,815</u>
Total	93.994		<u>342,864</u>
Total Department of Health and Human Services			<u>9,749,836</u>
Department of Homeland Security:			
FY2005 Port Security Grant Program	97.056	2005-GB-T5-0130	6,501,582
FY2006 Port Security Grant Program	97.056	2006-GB-T6-0099	4,844,713
FY2007 Port Security Grant Program	97.056	2007-GB-T7-K095	1,519,049
Total Port Security Grant Program	97.056		<u>12,865,344</u>
Threat Assessment and Sector Management	97.090	HSTS02-08-H-SLR324	326,892
FY2009 ARRA – Port Security Grant	97.116	2009-PU-R1-0191	220,118
State of California – Cal EMA:			
Disaster Grants – Public Assistance	97.036	FEMA 1884	761,994
City of Los Angeles:			
Urban Area Security Initiative Program	97.008	2006-0071	333,672
Urban Area Security Initiative Program	97.008	2007-0008	2,625,094
Urban Area Security Initiative Program	97.008	2008-0006	358,937
Total	97.008		<u>3,317,703</u>
County of Los Angeles:			
Emergency Management Performance Grant	97.042	2005-0015 2006-08	25,628
State of California – Cal EMA:			
Homeland Security Grant Program	97.067	2007-8	105,000
County of Los Angeles:			
Homeland Security Grant	97.067	2006-0071	(1)
Homeland Security Grant	97.067	2008-0006	84,379
			<u>84,378</u>
Total	97.067		<u>189,378</u>
Metropolitan Medical Response System	97.071	233-03-0094	10,954
State Homeland Security Grant	97.073	2005-0015	(18)
State Homeland Security Program	97.073	2008-0006	88,179
Total	97.073		<u>88,161</u>
Total Department of Homeland Security			<u>17,806,172</u>
Total of Expenditures of Federal Awards			\$ <u>182,018,323</u>

See accompanying notes to schedule of expenditures of federal awards and report on compliance with requirements that could have a direct and material effect on 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, 2010

(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 2 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 Grants Cluster and HOME Investment Partnerships program were \$5,502,662 and \$57,360,640 at September 30, 2010, 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, 2010.

(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 \$18,826,637, but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2010.

(6) Payments to Subrecipients

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

<u>Program title</u>	<u>CFDA numbers</u>	<u>Amount provided to subrecipients</u>
Homeless Supportive Housing	14.235	\$ 4,078,611
Workforce Investment Act Cluster	17.258, 17.259, 17.260, 17.278	1,063,742
DOL Earmark Energy Pathways	17.261	78,555
Hybrid Yard Hostler Demonstration and Commercialization Project	66.034	175,000
ARRA – National Clean Diesel Emissions Reduction	66.039	2,815,039
Evenstart Family Literacy	84.213	110,887
Department of Education Earmark	84.215	233,371
Port Security Grant Program	97.056	4,656,343

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

(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-2010-01 and FS-2010-02.**

(c) Noncompliance that 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-10-01 through F-10-07.**

(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-10-01 through F-10-07.**

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

(h) Major programs:

- Women, Infants, and Children, CFDA number 10.557
- Workforce Investment Act Cluster
 - Workforce Investment Act, CFDA numbers 17.258, 17.259, 17.260, and 17.278

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

- ARRA – Workforce Investment Act, CFDA numbers 17.258, 17.259, and 17.260
 - Community Development Block Grants Cluster
 - Community Development Block Grants, CFDA number 14.218
 - ARRA – Community Development Block Grants, CFDA number 14.253
 - HOME Investment Partnerships Program, CFDA number 14.239
 - ARRA – Neighborhood Stabilization Program 2, CFDA number 14.256
 - Section 8 Housing Choice Vouchers, CFDA number 14.871
 - FAA Airport Improvement Program, CFDA number 20.106
 - Highway Planning and Construction Program
 - Highway Planning and Construction Program, CFDA number 20.205
 - ARRA – Highway Planning and Construction Program, CFDA number 20.205
 - ARRA – Capitalization Grants for Clean Water State Revolving Funds, CFDA number 66.458
 - Immunization Grants Cluster
 - Immunization Subvention, CFDA number 93.268
 - ARRA – Immunization, CFDA number 93.712
 - Temporary Assistance for Needy Families Cluster
 - Temporary Assistance for Needy Families, CFDA number 93.558
 - ARRA – Temporary Assistance for Needy Families, CFDA number 93.714
 - Medical Assistance Program, CFDA number 93.778
 - Port Security Grant Program, CFDA number 97.056
- (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, 2010

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

FS-2010-01 Expenses/Accounts Payable

Condition and Context

During our testwork on internal control over the expenditure cycle, we noted \$5,900,000 of expenses that should have been accrued in fiscal year 2009 that were recorded in fiscal year 2010. Reporting expenditures in a period other than the period of service may result in a misstatement of 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, prior to August 2010, a second review of expenditures was not performed to ensure that the period of service date noted by the submitting department was reasonable.

Effect or Potential Effect

Failure to record 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/expenditure 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

The City performs cut-off procedures that entail reviewing all invoices 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. When appropriate, the City accrues the expense.

In August 2010, the City strengthened its processes by adding the service period date to the vouchering process to help ensure that all prior year transactions are identified and appropriate accruals are processed. 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.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

In an effort to improve consistent recording of liabilities and expenses Citywide, the City has updated the internal operating procedure governing accounts payable and continues to further develop an administrative regulation regarding accounts payable for departments Citywide. Finally, the City continues 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, 2010

FS 2010-02 Financial Reporting and Year-End Process

Condition and Context

During the audit, we identified that the financial reporting process began in October 2010 and continued through April 2011. Management identified and recorded over 50 post closing entries totaling more than \$387 million. Of these post closing entries, \$8.0 million or 2.1% likely involved grant-funded programs. Additionally, during our audit and review of the financial statements, we noted approximately 50 audit adjustments across all opinion units, primarily related to adjustments for the City's non-GAAP policies and various financial statement reclassifications. It was noted that none of these adjustments impacted grant-funded programs and none of the adjustments were deemed material to the financial statements.

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 fiscal year 2010 audit was completed in April 2010, seven months after year-end closing. This has changed the landscape of audits for the City; no longer is the audit period 3 to 5 months, but rather spans the majority of the fiscal year. 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 1099's and W-2's, and filing of payroll taxes, among other responsibilities. The remaining five 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 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 process and formally document these procedures in a policy that can be distributed to the City's departments. The City's policy, geared toward 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 the current year-end CAFR-related processes. The City has continued to emphasize a year round approach for CAFR preparation and will further delegate responsibilities and provide additional cooperative oversight

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

for work performed by the Department of Financial Management as well as contributing departments and component units.

This approach includes 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. To support the success of these efforts, the fiscal year 2010 CAFR and related audit were completed 66 days earlier than the previous year.

For fiscal year 2011, in addition to the implementation of GASB 54, the City has again identified key areas for improvement where efforts will be focused between now and year-end to provide the greatest impact on the above finding. The goal continues to be the automation of the initial financial statement compilation allowing management to focus on the proper recording of new operation/transactions, variance analysis, and strengthening internal control.

In response to this finding, as well as declining staffing levels, the City is looking to implement new processes and procedures that should also assist in further minimizing process inefficiencies and workload. The hope is to continue shortening the audit period, further mitigating the current time constraints and allowing for a more robust and complete year-end process.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

(3) Findings and Questioned Costs Relating to Federal Awards

F-10-01 Allowable Costs/Cost Principles: Indirect Costs

Program Information

Federal Program

FAA Airport Improvement Program (AIP), CFDA number 20.106

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
3-06-0127-29	8/8/2007	Long Beach
3-06-0127-031	8/25/2008	Airport
3-06-0127-032-2009	2/18/2009	
3-06-0127-033-2009	8/21/2009	

Federal Agency

Department of Transportation

Federal Aviation Administration

Specific Requirement

OMB A-133 compliance supplement guidance over Allowable Costs/Cost Principles determines that indirect costs are allowable when based on allowable direct costs as listed below:

Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B:

1. Advertising and public relations costs
2. Advisory councils
3. Alcoholic beverages
4. Audit costs and related services
5. Bad debts
6. Bonding costs
7. Communication costs
8. Compensation for personal services
9. Contingency provisions
10. Defense and prosecution of criminal and civil proceedings, and claims
11. Depreciation and use allowances
12. Donations and contributions
13. Employee morale, health, and welfare costs
14. Entertainment costs
15. Equipment and other capital expenditures
16. Fines and penalties
17. Fund-raising and investment management costs

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

18. Gains and losses on disposition of depreciable property and other capital assets and substantial relocation of federal programs
19. General government expenses
20. Goods or services for personal use
21. Idle facilities and idle capacity
22. Insurance and indemnification
23. Interest
24. Lobbying
25. Maintenance, operations, and repairs
26. Materials and supplies costs
27. Meetings and conferences
28. Memberships, subscriptions, and professional activity costs
29. Patent costs
30. Plant and homeland security costs
31. Pre-award costs
32. Professional service costs
33. Proposal costs
34. Publication and printing costs
35. Rearrangement and alteration costs
36. Reconversion costs
37. Rental costs of building and equipment
38. Royalties and other costs for the use of patents
39. Selling and marketing
40. Taxes
41. Termination costs applicable to sponsored agreements
42. Training costs
43. Travel costs.

Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment E:

A. General.

1. Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefitted cost objectives. A cost may not be allocated to a federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

Condition and Context

Of the 25 indirect expenditures sampled, 4 samples totaling \$1,154 were duplication of expenditures already charged to the grant and thus not allowable. We sampled \$244,676 in indirect expenditures out of \$6,060,093 in total federal expenditures for the program. As a result of the error noted, we expanded our analysis to all of the indirect expenditures in the amount of \$384,150 and noted \$22,113 were a duplication

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

of expenditures. The errors noted are 5.76% of total indirect expenditures and 0.36% of the total federal expenditures for the program.

Questioned Costs

\$22,113

This amount represents the duplicate indirect costs charged and reimbursed to the program.

Cause and Effect

Adequate monitoring controls over the indirect cost allocation process do not appear to be in place to ensure that management complies with the provisions under OMB Circular A-87. As a result, indirect charges were erroneously charged and reimbursed to the program.

Recommendation

We recommend that the management strengthen their policies and procedures to review indirect cost allocation charges to ensure compliance with the provisions under OMB Circular A-87.

Views of Responsible Officials and Planned Corrective Actions

The City has not and does not intentionally implement practices or policies that are inconsistent with OMB Circular A-133. The error noted occurred as result of the Department of Financial Management implementing an efficient process for the application of indirect costs to Airport capital projects. When Financial Management created a direct general ledger EZFAMIS query, the query inadvertently failed to exclude indirect cost transactions resulting in the application of the indirect rate to indirect costs posted during the month. The EZFAMIS query has been corrected so that this issue will not occur in future periods.

Once discovered, the disallowed costs were corrected in the billing to the grantor during the City's fiscal year 2011 to correct any overcharges to the grantor.

In addition, the City coordinated with its outside auditors a mandatory training program during May 2011 for all employees involved in administering grants.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

F-10-02 Activities Allowed or Unallowed, Allowable Costs/Cost Principles: Indirect Costs

Program Information

Federal Program

Women, Infants, and Children, CFDA number 10.557

HOME Investment Partnerships Program, CFDA number 14.239

Community Development Block Grants Cluster

- Community Development Block Grants, CFDA number 14.218
- ARRA – Community Development Block Grants, CFDA number 14.253

Immunization Grants Cluster

- Immunization Subvention, CFDA number 93.268
- ARRA – Immunization, CFDA number 93.712

Temporary Assistance for Needy Families Cluster

- Temporary Assistance for Needy Families, CFDA number 93.558
- ARRA – Temporary Assistance for Needy Families, CFDA number 93.714

Medical Assistance Program, CFDA number 93.778

Federal Grant Award Number and Grant Period

Program	Federal grant number	Grant period	Location
Women, Infants, and Children (WIC)	08-85418 ADO	October 1, 2008 – September 30, 2011	Department of Health and Human Services
HOME Investment Partnerships Program (HOME)	M-07-MC-06-0518	10/01/2007 to 9/30/2008	Neighborhood Services Bureau
	M-08-MC-06-0518	10/01/2008 to 9/30/2009	
	M-09-MC-06-0518	10/01/2009 to 9/30/2010	
Community Development Block Grants Cluster (CDBG)	B-08-MC-06-0522	10/01/2008 to 9/30/2009	Neighborhood Services Bureau
	B-09-MC-06-0522	10/01/2009 to 9/30/2010	
Immunization Grants Cluster (IGC)	09-11278	7/1/2009 to 6/30/2010	Department of Health and Human Services
	10-95378	7/1/2010 to 6/30/2011	

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

Program	Federal grant number	Grant period	Location
Temporary Assistance for Needy Families Cluster (TANF)	05-45244	7/1/2005 to 6/30/2010	Department of Health and Human Services
	09-H226	8/01/2009 to 6/30/2010	Workforce Development Bureau
Medical Assistance Program	CHDP 2009	7/1/2009 to 6/30/2010 and	Department of Health and Human Services
	CHDP – City Match 2009		
	CHDP – HCPCFC 2009	7/1/2010 to 6/30/2011	
	09-86022		

Federal Agency

Department of Agriculture – WIC

Department of Housing and Urban Development – HOME and CDBG

Department of Health and Human Services – IGC, TANF, and Medical Assistance Program

Pass-Through Agency

State Department of Health Care Services – WIC

State Department of Health Care Services – IGC, TANF, and Medical Assistance Program

City of Hawthorne – TANF

Specific Requirement

Title 2 – Grants and Agreements, Part 225 – cost principles for state, local, and Indian tribal governments (OMB Circular A-87):

Section 225.25 Definitions:

Definitions of key terms used in this part are contained in Appendix A to this part, Section B.

Appendix A, Part C – Basic Guidelines

3. Allocable costs:

D Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required as described in Appendices C, D, and E to this part.

Appendix A, Part F – Indirect Costs

General. Indirect costs are those: Incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

disproportionate to the results achieved. The term “indirect costs,” as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

Condition and Context

The technology services department allocates charges to departments within the City for various technological services and goods such as IT maintenance, telephones, pagers, and cell phones and their respective usage. Those costs are allocated to departments in the form of a memorandum of understanding (MOU) and are in fact indirect charges in nature which therefore should have been part of the indirect cost allocation plan approved by the City’s cognizant agency as required by OMB Circular A-87.

The following major programs charged such costs associated with the above mentioned MOU: Women, Infants, and Children, HOME Investments Partnerships Program, Community Development Block Grants Cluster, Immunization Grants Cluster, Temporary Assistance for Needy Families Cluster, and Medical Assistance Program.

Additionally, for the Immunization Grants Cluster, the authorized budget contained in the grant agreement provides for no indirect costs to be allocated to the program.

Questioned Costs

The following questioned costs represent indirect costs charged to the federal program that are not a part of the City’s approved cost allocation plan.

<u>Federal grant name</u>	<u>Questioned costs</u>
Women, Infants, and Children	\$ 140,478
HOME Investment Partnerships Program	52,088
Community Development Block Grants Cluster	239,358
Immunization Grants Cluster	20,722
Temporary Assistance for Needy Families Cluster	30,376
Medical Assistance Program	93,042

Cause and Effect

Adequate internal controls, specifically review and approval of indirect costs and costs allocated to the grant, do not appear to be in place to ensure that management complies with the indirect cost federal grant guidelines noted in OMB Circular A-87.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

Recommendation

We recommend that management create policies and procedures to ensure that all indirect costs are part of an approved indirect cost allocation plan.

Views of Responsible Officials and Planned Corrective Actions

The City has not and will not intentionally implement controls, policy, or procedures that are inconsistent with OMB Circular A-133 or OMB Circular A-87.

For costs considered by the City to be indirect costs, there are controls in place to ensure the compliance of OMB Circular A-87. The City completes an indirect cost plan through a third-party consultant incorporating the circular guidelines for allowable costs. Upon completion, the Plan is reviewed and approved by the consultant and City management to ensure compliance with the OMB Circular A-87 guidelines.

Central Services such as Technology Services may be billed as direct charges or part of an indirect cost plan. Under the current policy, Technology Services' costs are being billed Citywide as a direct cost similar to a third-party contract service agreement. The costs are being charged based on the computers, telephones, pages, and cell phones the respective end users use for their daily functions. Management will review the current policy to ensure the most effective and cost efficient policy is implemented in compliance with allowable costs.

In addition, the City coordinated with its outside auditors a mandatory training program during May 2011 for all employees involved in administering grants.

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Schedule of Findings and Questioned Costs

Year ended September 30, 2010

F-10-03 Cash Management, Period of Availability, Reporting

Program Information

Federal Program

Immunization Grants Cluster

- Immunization Subvention, CFDA number 93.268
- ARRA – Immunization, CFDA number 93.712

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
09-11278 and 10-95378	7/1/2009 to 6/30/2010 and 7/1/2010 to 6/30/2011	Department of Health and Human Services

Federal Agency

The Department of Human and Health Services

Pass – Through Agency

State Department of Health Care Services

Specific Requirement

Excerpt from the State of California Health and Human Services State Agency, California Department of Public Health grant agreements 09-11278, Exhibit B, Budget Detail and Payment Provisions, Section 1 Invoicing and Payment, A and B:

“A final undisputed invoice shall be submitted for payment no more than ninety (90) calendar days following the expiration or termination date of the agreement...”

Excerpt from the State of California Health and Human Services State Agency, California Department of Public Health grant agreement 10-95378, Exhibit B, Budget Detail and Payment Provisions, Section 1 Invoicing and Payment, B:

“Each monthly invoice for the month shall be submitted for payment no more than sixty (60) calendar days following the close of each month, unless an alternate deadline is agreed to in writing by the program contact manager.”

Condition and Context

Of the four reimbursement requests made for the fiscal 2010 period, we reperformed management’s review and approval of the reimbursement requests to understand the accuracy of the reports. We noted that two reimbursement requests did not have appropriate supporting documentation upon submission to the pass-through agency, and could not be agreed to the financial reporting system.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

Further, on the reimbursement request covering the period of April 1, 2010 through June 30, 2010, we noted the underlying obligation for two expenditures related to the August 2010 payroll were incurred outside the period of availability for the grant, which is July 1, 2009 through June 30, 2010. The pass-through agency reimbursed the City for the two expenditures incurred outside the period of availability in September 2010.

Questioned Costs

\$5,307

This amount represents the total amount that was requested for reimbursement for expenditures, which were incurred subsequent to the June 30, 2010 period of availability and that were ultimately reimbursed by the pass-through agency.

Cause and Effect

Adequate monitoring controls, specifically the review and approval of the reimbursement requests, do not appear to be in place to ensure that management complies with the provisions under the grant agreement. As a result, reports may not be accurately compiled.

Recommendation

We recommend that management strengthen their policies and procedures to review and approve reimbursement requests prior to submission and to retain supporting documentation for such requests to ensure compliance with the grant agreement.

Views of Responsible Officials and Planned Corrective Actions

The City has not and will not intentionally implement practice or policies that are inconsistent with OMB Circular A-133. The Health Department management will review the current policy and procedures and institute stronger policies and procedures to control and monitor reimbursement requests to ensure compliance with grant provisions and OMB compliance requirements. Each invoice will be prepared by a grant-invoicing specialist and reviewed by the grant coordinator, the Bureau's Administrative Analyst, and the Department's Senior Accountant. This policy will be communicated to appropriate program staff and adequate training will be provided.

In addition, the City coordinated with its outside auditors a mandatory training program during May 2011 for all employees involved in administering grants.

CITY OF LONG BEACH, CALIFORNIA

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F-10-04 Davis-Bacon Act

Program Information

Federal Program

Port Security Grant Program, CFDA number 97.056

FAA Airport Improvement Program, CFDA number 20.106

ARRA – Capitalization Grants for Clean Water State Revolving Funds, CFDA number 66.458

Highway Planning and Construction Program

- Highway Planning and Construction Program, CFDA number 20.205
- ARRA – Highway Planning and Construction Program, CFDA number 20.205

Community Development Block Grants Cluster

- Community Development Block Grants, CFDA number 14.218
- ARRA – Community Development Block Grants, CFDA number 14.253

Federal Grant Award Number and Grant Period

Program	Federal grant number	Grant period	Location
Port Security Grant Program (PSGP)	2005-GB-T5-0130	9/01/2005 to 8/31/2010	Harbor Department
	2006-GB-T6-0099	10/01/2006 to 3/31/2011	
	2007-GB-T7-K095	6/01/2007 to 9/30/2010	
FAA Airport Improvement Program (AIP)	3-06-0127-29	8/8/07	Long Beach Airport
	3-06-0127-031	8/25/08	
	3-06-0127-032-2009	2/18/09	
	3-06-0127-033-2009	8/21/09	
ARRA – Capitalization Grants for Clean Water State Revolving Funds (CWSR)	C-06-6951-110/08-300-550	12/18/2008 to 11/01/2011	Department of Public Works
	08-320-550	12/18/2008 to 10/31/2011	
	08-327-550	12/18/2008 to 1/31/2012	
	08-330-550	01/01/2009 to 11/30/2011	
Highway Planning and Construction Program (HPCP)	HPLUL-5108 (090)	4/23/2009 to 4/23/2016	Department of Public Works
	ESPL-5108 (112)	2/18/2010 to 2/18/2017	
	CML-5108(088)	11/3/2008 to 11/3/2015	Port of Long Beach

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Schedule of Findings and Questioned Costs

Year ended September 30, 2010

Community Development Block Grants Cluster (CDBG)	B-08-MC-06-0522	10/01/2008 to 9/30/2009	Neighborhood Service Bureau
	B-09-MC-06-0522	10/01/2009 to 9/30/2010	
	B-09-MY-06-0522	10/01/2009 to 9/30/2010	Department of Public Works

Federal Agency

Transportation Security Administration/Department of Homeland Security – PSGP

Department of Transportation/Federal Aviation Administration – AIP

Environmental Protection Agency (EPA) – CWSR

Department of Transportation – HPCP

Department of Housing and Urban Development – CDBG

Pass-Through Agency

California State Water Resources Control Board – CWSR

State Department of Transportation – HPCP

Specific Requirement

Title 40 – Protection of Environment, Chapter 1: Environmental Protection Agency, Part 31 – Uniform Administrative Requirements For Grants and Cooperative Agreements to State and Local Governments, Section 31.36:

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, and 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).

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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, Section. 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, and 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).

Title 29 – Labor, Part 5-Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction, Section. 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 Section. 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).

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Year ended September 30, 2010

- (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 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 Section. 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.
- (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; and
 - (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

Management is required to obtain, on a weekly basis, certified payrolls and statements of compliance from each contractor for each week in which contracted work is performed under the Davis-Bacon Act. For all major programs cited below, we noted that management did not have adequate controls in place to ensure that certified payrolls and compliance statements are received on a weekly basis as required by the Davis-Bacon Act (29 CFR Sections 5.5 and 5.6).

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Port Security Grant Program

Of the 65 certified payrolls and compliance statements sampled, 3 compliance statements were not received from 1 of the contractors selected for testwork prior to our audit but the statements were subsequently requested and received by management. Additionally, the receipt date could not be determined for any of the 65 samples and, therefore, it could not be determined whether the documents were received on a weekly basis. We were, however, able to note that for 46 of the samples, there was only up to a week lag between the payroll week ending dates and the dates noted on the compliance statements provided by the contractor.

FAA Airport Improvement Program

Of the 65 certified payrolls and compliance statements sampled, 63 were not received on a weekly basis. We noted that 14 of the exceptions were received on a biweekly basis, 25 of the exceptions were received on a monthly basis, 20 of the exceptions were received on a greater than monthly basis, and the other 4 exceptions had no evidence of when the certified payroll and compliance statements were received.

ARRA – Capitalization Grants for Clean Water State Revolving Funds

Of the 65 certified payrolls and compliance statements sampled, 40 were not received on a weekly basis. We noted that 6 of the exceptions were received on a biweekly basis, 19 of the exceptions were received on a monthly basis, 12 of the exceptions were received on a greater than monthly basis, and the other 3 exceptions had no evidence of when the certified payroll and compliance statements were received.

Highway Planning and Construction Program

Of the 65 certified payrolls and compliance statements sampled, 32 were not received on a weekly basis. We noted that 11 of the exceptions were received on a biweekly basis, 14 of the exceptions were received on a monthly basis, and the other 7 exceptions were received on a greater than monthly basis.

Community Development Block Grants Cluster

Of the 65 certified payrolls and compliance statements sampled, 58 were not received on a weekly basis. We noted that 13 of the exceptions were received on a biweekly basis, 15 of the exceptions were received on a monthly basis, 20 of the exceptions were received on a greater than monthly basis, and the other 10 exceptions had no evidence of when the certified payroll and compliance statements were received.

Questioned Costs

None noted.

Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure that management complies with the provisions under the Davis-Bacon Act. As a result, compliance statements and certified payrolls may not be obtained and reviewed for compliance with the Davis-Bacon Act, on a weekly basis, as required.

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Schedule of Findings and Questioned Costs

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Recommendation

We recommend that management strengthen their policies and procedures to obtain and review compliance statements and certified payrolls from each contractor and subcontractor on a weekly basis and ensure compliance with the provisions under the Davis-Bacon Act.

Views of Responsible Officials and Planned Corrective Actions

It has been and will continue to be the City and Port policy to not make payment until appropriate documentation has been received. It has always been and will continue to be City and Port policy to assure the most qualified and cost-effective contractor is employed for City and Port projects. This at times may result in working with a contractor that does not pay on a weekly basis but on a biweekly or otherwise different from weekly pay cycle. The City and Port will continue to work closely with these contractors to ensure all compliance is met on the accuracy and timeliness of these certified payrolls and the compliance to prevailing wage.

Port Security Grant Program and Port Highway Planning and Construction Program

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 has strengthened its processes and trained both staff and contractors on the Davis-Bacon Act requirements. The Port requires contractors to submit certified payroll documentation and staff is tracking submittals. Staff prepares 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. Staff notifies contractors when they are out of compliance with payroll submittals. Staff continually reminds contractors that they will not be paid until they are in compliance.

Community Development Block Grants Cluster

The U.S. Department of Housing and Urban Development (HUD) has issued several documents to assist grantees in ensuring Davis-Bacon compliance in the CDBG program. These documents are used by the City and include "HUD Handbook 1344.1, Federal Labor Standards Compliance in Housing and Community Development Programs" and "Making Davis-Bacon Work: A Practical Guide for States, Indian Tribes and Local Agencies." Both documents contain language addressing the issue of payroll reviews and timeliness.

In HUD Handbook 1344.1, Chapter 2-12, HUD advises that contractors are required to submit weekly payrolls to local agencies. However, it also states "weekly payrolls shall be completely and submitted promptly, *preferably* no later than seven work days following completion of the work week" (emphasis added). The word preferably clearly indicates that the 7-day timeliness component of Davis-Bacon is the recommended turnaround time, rather than a hard and fast requirement. This is further supported in the "Making Davis-Bacon Work" document provided by the HUD Office of Labor Relations. This document describes steps HUD took to streamline Davis-Bacon and clarifies the position of the Office of Labor Relations that Davis-Bacon intends to protect the statutory rights of workers and that procedures and paperwork requirements should contribute to meeting the key objectives of ensuring these rights are

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Schedule of Findings and Questioned Costs

Year ended September 30, 2010

provided. The 27-page document outlines the responsibilities of local agencies in Davis-Bacon enforcement and, on page 10, contains the following streamlining measure:

“In addition, date stamping payrolls on receipt and dating and initialing payrolls on review are actions inconsistent with a results-oriented approach and therefore are no longer mandated.”

The streamlining document confirms that the goal of Davis-Bacon enforcement is to ensure that reviews are occurring and that enforcement actions are undertaken when violations are discovered. The City has provided sufficient documentation verifying that the reviews were completed and that Davis-Bacon prevailing wage was in compliance. The reception date of the reports is not aligned with the Key Objectives of Davis-Bacon as documented by HUD’s Office of Labor Relations and, therefore, the date of receipt should not be considered a finding within the scope of this audit.

Furthermore, this methodology for Davis-Bacon reviews has been used for the past several years and has been subjected to KPMG audits as recently as 2009. This issue has never been raised in prior audits and if it had, staff would have considered changing the practice sooner.

FAA Airport Improvement Program, ARRA – Capitalization Grants for Clean Water State Revolving Funds and City Highway Planning and Construction Program

For the projects in question, certified payrolls and compliance statements were submitted and received, but significant staff turnover affected the compliance monitoring to be done timely and accurately. It has always been Public Works’ policy that payment is not made to a contractor until all appropriate documentation including certified payrolls is received.

The following procedures will be put into effect to prevent future discrepancies for projects monitored by Public Works staff:

- (a) Public Works will eliminate the log-in sheet that was previously used and instead date stamp each individual-certified payroll submittal to better document when it was received.
- (b) Certified payroll will continue to be reviewed prior to processing monthly progress payments. If noncompliance is determined, the contractor will be placed on written notice that their progress payment will be held until compliance is reached. A stamped notice that will require staff to date and initial will be placed on all contractor payment requests to help assure proper proof that Public Works staff verified compliance with Davis-Bacon prior to processing.
- (c) Public Works maintains an updated Labor Compliance Manual (LCM) that outlines the policies and procedures required to comply with all labor laws, including Davis-Bacon requirements. All employees responsible for ensuring Davis-Bacon compliance are required to learn the policies and procedures in the LCM. Public Works Management will assure all Public Works Staff is adequately trained on the LCM.

In addition, the City coordinated with its outside auditors a mandatory training program during May 2011 for all employees involved in administering grants.

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F-10-05 Eligibility

Program Information

Federal Program

Women, Infants, and Children (WIC Program), CFDA number 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	Department of Health and Human Services

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

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.

210-10 Determining Anthropometric Nutrition Need for All Categories Required procedures:

- I. Height and weight measurements are required at each certification.

210-03 Determination of Income Eligibility

III. Applicants/participants lacking income documentation

- B. Cannot provide documentation

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1. Self-declaration of income is not allowed for more than 30 days except for persons to whom proof of income presents an unreasonable barrier to participation. Examples of unreasonable barriers include instances when an applicant/participant is a:
 - d. Victim of a disaster, or
2. In such instances, the applicant/participant must sign a statement attesting to the family's income. Such statement shall be kept in the local agency daily file.

210-07 Presence Requirement

I. Exemption to required presence during initial certification

- A. Infants under eight weeks of age who cannot be present at certification for a reason determined appropriate by the LA [local agency], and for whom all necessary certification information is provided, may be exempt from the physical presence requirement.
- B. LA [local agency] staff shall require the parent(s)/caretaker(s) to bring the infant to the next appointment **by** eight weeks of age.
- C. Food instruments shall be single issued only once until the infant has been presented **within** 8 weeks of age, except if the infant meets the exemption criteria as disabled.
- D. Food Instruments shall not be issued **after** the infant reaches eight weeks of age unless the infant has been present at the local WIC agency or the infant is disabled.

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 65 participants, of which 8 had no indication of a biochemical test taken. Additionally, 5 participants indicated that the last blood test taken was more than the required time period of within 90 days after the certification or enrollment date.

In accordance with WIC Program Manual 210-10, height and weight measurements are required at each certification. We sampled a total of 65 participants, of which 1 had no evidence that an anthropometric detail was taken.

In accordance with WIC Program Manual 210-03, certain applicants that cannot provide income documentation should have a signed statement attesting to the family's income (Signed Self-Declaration) that should be kept in the daily file. We sampled a total of 65 participants; of which 1 had no evidence of a signed self-declaration in the daily agency file even though she was coded as "D" for Disaster Victim.

In accordance with WIC Program Manual 210-07, infants under eight weeks of age can be exempted to be present at certification however should be brought to the next appointment period within 8 weeks of age except if the infant meets the exemption criteria as disabled and that food instruments shall not be issued after the infant reaches eight weeks of age unless the infant has been present at the local agency or is disabled. We sampled a total of 65 participants of which 1 infant was not brought in within the 8-week requirement yet still continued to receive benefits.

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Questioned Costs

\$4,621

Fourteen participants were found to have received monthly vouchers during periods of ineligibility. The aggregate period of ineligibility was equivalent to 77 months. The average voucher cost according to the California Department of Health was \$60.01 (77 x \$60.01= \$4,621).

Cause and Effect

Eligibility requirements are established so that benefits of the WIC program will be distributed in accordance with priority levels set by participant needs. Adequate monitoring controls do not appear to be in place to ensure that participants comply with the eligibility provisions noted in the grant agreement. As a result, participants received monthly vouchers during periods of ineligibility.

Recommendation

We recommend that management implements 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 Action

The City has not and will not intentionally implement practice or policies that are inconsistent with OMB Circular A-133. The Health Department management continues to take measures with providing Registered Nurses to provide free Hemoglobin testing to WIC participants without health insurance. All staff members will continue to be trained to refer participants to RN's when necessary and to not issue WIC Food Instruments when the last blood test is beyond the 90-day time period.

Health Department Management will work with staff to implement measures to ensure all anthropometric values are recorded during all certification periods. Periodic site audits will be conducted to determine staff compliance.

In the one file that was audited that did not have a signed self-declaration form, it was noted during the audit that staff made an error in coding "D" for disaster victim. The individual should have been coded "B" for disability; therefore, the self declaration form was not needed. Staff will be instructed to be careful when completing work and to review files prior to submission to avoid unnecessary errors. The goal is to always strive for accuracy and compliance.

Health Department management has taken steps to be in accordance with infants present at certification within the eight-week age requirement. Staff will be retrained biannually to ensure that policy is implemented and Food Instrument Checks be withheld if not in compliance.

The calculation of questioned costs does not take into account that the test or documentation was subsequently completed or obtained. In the case of the self-declaration those costs were allowable since it was a clerical error on entering a "D" and not a "B".

The Health Department will continue to strengthen policies and procedures to assure compliance in all areas of grant administration.

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In addition, the City coordinated with its outside auditors a mandatory training program during May 2011 for all employees involved in administering grants.

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F-10-06 Reporting

Program Information

Federal Program

ARRA – Capitalization Grants for Clean Water State Revolving Funds, CFDA number 66.458

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
08-320-550	12/18/2008 to 10/31/2011	City of Long Beach City Hall
08-327-550	12/18/2008 to 1/31/2012	City of Long Beach City Hall
08-330-550	01/01/2009 to 11/30/2011	City of Long Beach City Hall

Federal Agency

Environmental Protection Agency (EPA)

Pass-Through Agency

California State Water Resources Control Board

Specific Requirement

California State Water Resources Control Board Grant Agreements 08-330-550, 08-320-550, and 08-327-550

Clause 2.9: Reports

(a) Quarterly Reports. The Recipient agrees to expeditiously provide status reports no less frequently than quarterly. At a minimum, the reports will contain the following information: a summary of progress to date including a description of progress since the last report, percent construction complete, percent contractor invoiced, and percent schedule elapsed; a listing of change orders including amount, description of work, and change in contract amount and schedule; any problems encountered, proposed resolution, schedule for resolution, status of previous problem resolutions, and number of jobs created or preserved due to the Project.

(b) As Needed Reports. The Recipient agrees to expeditiously provide, during the term of this Agreement, such reports, data, and information as may be reasonably required by the Division, including but not limited to material necessary or appropriate for evaluation of the CWSRF Program or to fulfill any reporting requirements of the federal government.

Clause 3.3: Disbursement of Project Funds; Availability of Funds

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- (a) Except as may be otherwise provided in this Agreement, disbursement of Project Funds will be made as follows:
- i. Upon execution and delivery of this Agreement, the Recipient may request immediate disbursement of any eligible incurred planning and design allowance as specified in Exhibit B from the Project Funds through submission to the State Water Board of the Disbursement Request Form 260, or any amendment thereto, duly completed and executed.
 - ii. The Recipient may request disbursement of eligible construction and equipment costs consistent with the budget amounts referenced in Exhibit B.
 - iii. Additional Project Funds will be promptly disbursed to the Recipient upon receipt of Disbursement Request Form 260, or any amendment thereto, duly completed and executed by the Recipient for incurred costs consistent with this Agreement, along with receipt of status reports due under Section 2.9 above.
 - iv. The Recipient agrees that it will not request disbursement for any project cost until such cost has been incurred and is currently due and payable by the Recipient, although the actual payment of such cost by the Recipient is not required as a condition of disbursement request.
 - v. Recipient shall spend Project Funds within thirty (30) days of receipt. Any interest earned on Project Funds shall be reported to the State Water Board and may be required to be returned to the State Water Board or deducted from future disbursements.
 - vi. Recipient shall request its final disbursement no later than six (6) months after Completion of Construction unless prior approval is granted by the Division. If the Recipient fails to do so, then the undisbursed balance of this Agreement will be obligated. Notwithstanding any other provision of this Agreement, no disbursement shall be required at any time or in any manner which is in violation of or in conflict with federal or state laws, policies, or regulations.
 - vii. The Recipient agrees that it shall not be entitled to any interest on undisbursed Project Funds.
- (b) The State Water Board's obligation to disburse Project Funds is contingent upon the availability of sufficient funds to permit the disbursements provided for herein. If sufficient funds are not available for any reason, including but not limited to failure of the federal or state government to appropriate funds necessary for disbursement of Project Funds, the State Water Board shall not be obligated to make any disbursements to the Recipient under this Agreement. This provision shall be construed as a condition precedent to the obligation of the State Water Board to make any disbursements under this Agreement. Nothing in this Agreement shall be construed to provide the Recipient with a right of priority for disbursement over any other agency. If any disbursements due the Recipient under this contract are deferred because sufficient funds are unavailable, such disbursement will be made to the Recipient when sufficient funds do become available.

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Appendix A-4: Table of Items for Review

- 1) Invoicing, Quarterly
- 2) Reports:
 - a. Progress Reports by the twentieth (20th) of the month following the end of the calendar quarter (March, June, September, and December)
 - b. Natural Resource Projects Inventory (NRPI) Project Survey Notification (before final invoice)
 - c. Draft Project Certification (9/30/2011)
 - d. Final Project Certification (10/31/2011)

Condition and Context

The Long Beach Public Works Department (PW) is required to submit on a quarterly basis, performance reports and reimbursement requests for each project based on the specified grant requirements.

Of the three projects reviewed for the Pump grant, one quarterly reimbursement request was submitted for each project on November 5, 2010. At the time of our audit, the fourth quarterly reimbursement requests had not been submitted for any of the three projects.

Additionally, for one of the projects under the Pump grant, the quarterly reimbursement request was incorrectly compiled resulting in an overpayment by the state to the City in the amount of \$9,016. Management discovered the error and resubmitted the first invoice billing for the correct amount and the State subsequently reduced the second invoice billing by the amount in question.

Further, of the four quarterly progress reports required for each project under the Pump grant, one progress report per project was submitted. All other quarterly progress reports had not been submitted as required by the grant.

Questioned Costs

None noted.

Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure that management complies with the reporting provisions under the respective grant agreements. As a result, accurate quarterly reimbursement requests and progress reports may not be submitted in a timely manner, as required.

Recommendation

We recommend that management strengthen their policies and procedures to review and submit quarterly reimbursement requests and progress reports, to ensure compliance with the specified provisions in the grant agreements.

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Views of Responsible Officials and Planned Corrective Actions

The Storm Water Management Division (SWMD) was undergoing significant turnover during fiscal year 2010, the time of the compliance statements named in this Clean Water Pump finding. The entire staff was replaced due to retirements, life changes, and employment opportunities. The SWMD was fully reorganized in July 2010 and began work to come in compliance with state and ARRA quarterly reimbursements, performance reports, and progress report requirements. Management has strengthened its policies and procedures and endorses and supports procedures to prevent future discrepancies. As of the fourth quarter reporting December 2010, due January 2011, the City has been consistent in submitting all quarterly reimbursement request and reports on time with the appropriate signatures to be in compliance with ARRA procedures.

In addition, the City coordinated with its outside auditors a mandatory training program during May 2011 for all employees involved in administering grants.

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F-10-07 Special Tests and Provisions: Housing Quality Standards Inspections and Enforcement

Program Information

Federal Program

Section 8 Housing Choice Vouchers, CFDA number 14.871

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
CA068VO	10/1/2009 to 9/30/2010	Housing

Federal Agency

Department of Housing and Urban Development (HUD)

Specific Requirement

Code of Federal Regulations: Title 24 – *Housing and Urban Development*, Section 982.405 – PHA initial and periodic unit inspection states: (a) The PHA must inspect the unit leased to a family prior to the initial term of the lease, at least annually during assisted occupancy, and at other times as needed, to determine if the unit meets the HQS. (See 982.305(b)(2) concerning timing of initial inspection by the PHA.) (b) The PHA must conduct supervisory quality control Housing Quality Standards inspections. (c) In scheduling inspections, the PHA must consider complaints and any other information brought to the attention of the PHA. (d) The PHA must notify the owner of defects shown by the inspection. (e) The PHA may not charge the family or owner for initial inspection or reinspection of the unit.

Code of Federal Regulations: Title 24 – *Housing and Urban Development*, Section 982.158 – Program accounts and records states:

(a) The PHA must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit. The records must be in the form required by HUD, including requirements governing computerized or electronic forms of record-keeping. The PHA must comply with the financial reporting requirements in 24 CFR part 5, subpart H.

(b) The PHA must furnish to HUD accounts and other records, reports, documents, and information, as required by HUD. For provisions on electronic transmission of required family data, see 24 CFR part 908.

(c) HUD and the Comptroller General of the United States shall have full and free access to all PHA offices and facilities, and to all accounts and other records of the PHA that are pertinent to administration of the program, including the right to examine or audit the records, and to make copies. The PHA must grant such access to computerized or other electronic records, and to any computers, equipment, or facilities containing such records, and shall provide any information or assistance needed to access the records.

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- (d) The PHA must prepare a unit inspection report.
- (e) During the term of each assisted lease, and for at least three years thereafter, the PHA must keep:
 - (1) A copy of the executed lease;
 - (2) The Housing Assistance Payment contract; and
 - (3) The application from the family.
- (f) The PHA must keep the following records for at least three years:
 - (1) Records that provide income, racial, ethnic, gender, and disability status data on program applicants and participants;
 - (2) An application from each ineligible family and notice that the applicant is not eligible;
 - (3) HUD-required reports;
 - (4) Unit inspection reports;
 - (5) Lead-based paint records as required by part 35, subpart B of this title.
 - (6) Accounts and other records supporting PHA budget and financial statements for the program;
 - (7) Records to document the basis for PHA determination that rent to owner is a reasonable rent (initially and during the term of a HAP contract); and
 - (8) Other records specified by HUD.

Code of Federal Regulations: Title 24 – *Housing and Urban Development*, Section 982.404 – *Maintenance: Owner and family responsibility*; PHA remedies states:

- (a) *Owner obligation.*
 - (1) The owner must maintain the unit in accordance with Housing Quality Standards.
 - (2) If the owner fails to maintain the dwelling unit in accordance with HQS, the PHA must take prompt and vigorous action to enforce the owner obligations. PHA remedies for such breach of the HQS include termination, suspension, or reduction of housing assistance payments and termination of the HAP contract.
 - (3) The PHA must not make any housing assistance payments for a dwelling unit that fails to meet the HQS, unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension).

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- (4) The owner is not responsible for a breach of the HQS that is not caused by the owner, and for which the family is responsible (as provided in § 982.404(b) and § 982.551(c)). (However, the PHA may terminate assistance to a family because of HQS breach caused by the family.)

(b) *Family obligation.*

- (1) The family is responsible for a breach of the HQS that is caused by any of the following:
 - (i) The family fails to pay for any utilities that the owner is not required to pay for, but which are to be paid by the tenant;
 - (ii) The family fails to provide and maintain any appliances that the owner is not required to provide, but which are to be provided by the tenant; or
 - (iii) Any member of the household or guest damages the dwelling unit or premises (damages beyond ordinary wear and tear).
- (2) If an HQS breach caused by the family is life threatening, the family must correct the defect within no more than 24 hours. For other family caused defects, the family must correct the defect within no more than 30 calendar days (or any PHA-approved extension).

Condition and Context

Under 24 CFR Section 982.405(a), the Long Beach Housing Department (Housing) is required to inspect all units on an annual basis. Of the 40 active participants in the program, 1 participant's unit was not inspected as required upon annual recertification. As a result, an annual inspections report of the unit was not prepared as required by 24 CFR Section 982.158(d).

Under 24 CFR Section 982.404(a)(3), Housing is required to abate HAP beginning no later than the first of the month following the specified correction period or must terminate the HAP contract, if the owner does not correct the cited HQS deficiencies. Of the 40 selections over abated participants, there were two cases where participants received housing assistance payments the month after they were abated. In both cases, there was not a subsequent adjustment noted for the overpayment.

Questioned Costs

\$9,905

This amount represents the total annual housing assistance payments (HAP) paid to the one participant that did not have the required inspection during FY2010.

\$1,642

This amount represents the total HAP paid to abated participants and not subsequently recovered during FY2010.

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Schedule of Findings and Questioned Costs

Year ended September 30, 2010

Cause and Effect

Adequate monitoring controls are in place but do not appear to be operating effectively to ensure that inspections are performed annually upon recertification as required and that abated participants do not receive the following month's housing assistance payment, which resulted in the findings noted above.

Recommendation

We recommend that Housing implement policies and procedures to ensure annual inspections for all participants are performed. Additionally, we recommend that Housing implement policies and procedures to ensure abated participants do not receive the following month HAP payment, and that subsequent adjustments are made to recover overpayment amounts.

Views of Responsible Officials and Planned Corrective Actions

In February 2010, Housing Authority City of Long Beach migrated to a new inspections module with our existing software database provider as a recommendation from an earlier HUD OIG Audit. This allowed us to implement the use of handheld devices to electronically gather inspection data in the field. Unfortunately, there were numerous challenges in the implementation process.

In regards to the annual recertification, the unit in question was due by September 16, 2010. On July 20, 2011 the inspector went to the unit; however, there was no entry because the participant is completely disabled and the caregiver was not present. The new system was supposed to automatically reschedule no entries/no access and failed inspections; however, this did not occur due to a software bug during the uploading from the tablet PC to the Elite database. What was found was information was randomly being scrambled during the upload to incorrect fields, thus failing to trigger the system to generate inspections based on the date of the next annual inspection. We worked diligently with our software provider and other housing authorities that used the module to identify the problems so solutions could be implemented. We later discovered that the module as purchased was in the beta testing stages. To get the software to perform as it was marketed to us we needed additional technology support. The unit was subsequently inspected on November 1, 2011. All HAP funds paid on behalf of the unit were allowable costs.

Now we have established a new process to ensure that all inspections are conducted in a timely manner.

1. Inspectors leave an NCR form with the participant or on the door of the unit indicating the inspection outcome and a reschedule date if there is no access.
2. A letter is generated to the owner and participant with the outcome and new schedule date, if needed.
3. Two different variance reports have been created. One report checks the field for "next inspection date" to make sure the inspection process is completed for all units. and the other generates unscheduled inspections that are approaching the annual inspection date.

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In regards to the abated participants, a work flow gap was discovered in our process as a result of the new software. When a unit fails the annual inspection the first time, a second inspection is scheduled for 28 – 30 days later. If the unit does not pass the second inspection, payment to the owner is stopped. If this second inspection fails after the 23rd or 24th of the month, payment is already being processed. (Due to electronic file transfer processing of housing assistance payments (HAP), our cutoff date for the first of the month check run is generally the 23rd or 24th of the month and does not allow for individual adjustments of the file once created.)

In one situation, the participants failed to allow access to the unit with two attempts and subsequently vacated without notice. The abatement was entered at the appropriate time but payment had already been processed. Due to the workflow gap, the overpayment was not identified until later. Upon discovery of the error, an overpayment letter was sent and the entire amount was recaptured.

In the second situation, the unit failed two inspections and an abatement was entered at the appropriate time but payment had already been processed. Upon identification of this error, an overpayment letter was generated and all funds were recaptured.

With the new system, adjustments are automated. Once the items are corrected on a later date and payment resumes to the owner for the corrected unit, the system reduces subsequent HAP by the amount owed for the period that the unit was out of compliance.

The inspections division enters all payment holds and when the contract terminates they have historically turned the file over to the occupancy division to ensure the participant is placed in the move process and the payment hold remains in place. However with the new system, the payment hold follows the participant and not the owner. In order to assist the participant in a new unit; the payment hold was removed by the move specialist who prepared the new contract and did not review prior adjustments. The following procedures and safeguards have been put in place to remedy the situation:

1. The new process will require that only the person who entered the payment hold be allowed to remove it, therefore ensuring that it has been reviewed and cleared for subsequent action.
2. Staff preparing new contracts must check for recent payment holds to verify that overpayment letters have been generated or system adjustments have been made to recapture funds owed. The file will then be transferred to the Program Integrity/Accounts Receivables division for appropriate tracking.

In addition, the City coordinated with its outside auditors a mandatory training program during May 2011 for all employees involved in administering grants.