



CITY OF LONG BEACH, CALIFORNIA

Single Audit Reports

Year ended September 30, 2011

(With Independent Auditors' Reports Thereon)

CITY OF LONG BEACH, CALIFORNIA

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

**Independent Auditors' 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, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 17, 2012. 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 City's discretely presented component, 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

Management of the City is responsible for establishing and maintaining effective 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-2011-01 and FS-2011-02. 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on the responses.

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

May 17, 2012



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditor's 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 City of Long Beach, California's (the City) compliance 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, 2011. 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, 2011. 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 of Long Beach, California 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, 2011. 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-11-01 through F-11-05.



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-11-01 through F-11-05. A significant deficiency in internal control over compliance is a deficiency, or 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 as of and for the year ended September 30, 2011, and have issued our report thereon date May 17, 2012. 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on the responses.



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 29, 2012, except as to the paragraph relating to the schedule of expenditures of federal awards, which is as of May 17, 2012.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Department of Agriculture:			
Passed through the State of California Department of Health Services: Women, Infants, and Children	10.557	08-85418 A02	\$ 4,954,619
Passed through the State of California Department of Education: Child Nutrition Cluster-Summer Food Service	10.559	19-81908V	357,475
Passed through the State of California Department of Health Services: Children Nutrition Network	10.561	08-85135	468,982
Children Nutrition Network	10.561	11-10227	4,072
Total Supplemental Nutrition Assistance Program	10.561		473,054
Total Department of Agriculture			5,785,148
Department of Commerce:			
Economic Development Cluster	11.307	07-49-05046	1,092,248
Total Department of Commerce			1,092,248
Department of Housing & Urban Development:			
Section 8 Housing Choice Vouchers	14.871	CA068VO	71,508,292
Veterans Affairs Supportive Housing (VASH)	14.871	CA068VASH	1,204,256
Total Housing Voucher Cluster			72,712,548
Community Development Block Grant/Entitlement Grant	14.218	B-09-MC-06-0522	3,369,606
Community Development Block Grant/Entitlement Grant	14.218	B-10-MC-06-0522	4,222,570
			7,592,176
Neighborhood Stabilization Program	14.218	B-08-MN-06-0511	1,128,019
Total Community Development Block Grants – Entitlement Grants Cluster	14.218		8,720,195
Emergency Shelter Grants Program	14.231	S-09-MC-06-0522	68,158
Emergency Shelter Grants Program	14.231	S-10-MC-06-0522	307,949
Total	14.231		376,107
Homeless Supportive Housing SHP08	14.235	CA06B9D060801	209,973
Homeless Supportive Housing SHP08	14.235	CA06B9D060802	3,342,004
Homeless Supportive Housing SHP08	14.235	CA06B9D061003	1,469,968
Total Supportive Housing Program	14.235		5,021,945
Shelter Plus Care	14.238	CA16C506-001	73,945
Shelter Plus Care	14.238	CA0645C9D060801	15,202
Shelter Plus Care	14.238	CA0645C9D060802	102,841
Shelter Plus Care	14.238	CA0646C9D060802	207,063
Shelter Plus Care	14.238	CA0647C9D060802	27,610
Shelter Plus Care	14.238	CA0648C9D060802	47,548
Shelter Plus Care	14.238	CA0646C9D061003	63,561
Shelter Plus Care	14.238	CA0647C9D061003	108,721
Total	14.238		646,491
HOME Investment Partnership Program	14.239	M-09-MC-06-0518	4,772,901
HOME Investment Partnership Program	14.239	M-10-MC-06-0518	513,374
Total Home Investment Partnerships Program	14.239		5,286,275
Passed through the City of Los Angeles: Housing Opportunities for Persons with AIDS (HOPWA)	14.241	98256	690,259
Department of Housing & Urban Development:			
Economic Development Initiative (EDI Special Project)	14.251	B-06-SP-CA-0075	148,500
Passed through the City of Los Angeles: HUD Economic Development Initiative	14.251	B-09-SP-CA-0144	17,288
Total	14.251		165,788
Department of Housing & Urban Development:			
ARRA – Neighborhood Stabilization Program 2	14.256	B-09-CN-CA-0045	12,841,076
ARRA – Homeless Prevention and Rapid Rehousing Program	14.257	S-09-MY-060522	1,569,871
ARRA – 2009 Recovery Act Lead Hazard Control	14.907	CALHB0408-08	1,254,339
ARRA – 2009 Recovery Act Lead Healthy Homes	14.908	CALHH0188-08	345,904
Total Lead Hazard Control Cluster			1,600,243
Total Department of Housing & Urban Development			109,630,798

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Department of the Interior:			
Reclaimed Water Expansion	15.504	R00AC35051	\$ 148,026
ARRA – Desalination Research and Development	15.504	R09AC35R11	223,221
Total	15.504		<u>371,247</u>
Water Desalination Research and Development	15.506	R02AC35053	166,081
Weather Based Irrigation Controllers	15.512	R09AP35264	54,647
Hydrants for Recycled Water System	15.512	R09AP35270	21,598
Total	15.512		<u>76,245</u>
Total Department of the Interior			<u>613,573</u>
Department of Justice:			
Asset Forfeiture	16.000	N/A	1,955,733
Police Earmark Program	16.541	2008-JL-FX-0010	82,828
Youth Earmark Program	16.541	2010-JL-FX-0532	111,763
Total Part E- Developing, Testing and Demonstrating Promising New Programs	16.541		<u>194,591</u>
Solving Cold Cases with DNA	16.560	2008 DN BX K412	71,276
Solving Cold Cases with DNA	16.560	2009 DN BX K044	101,651
Total	16.560		<u>172,927</u>
Community Capacity Development Office Weed and Seed Communities Competitive Program	16.595	2010-WS-QX-0012	156,248
Bulletproof Vest Partnership	16.607	N/A	1,349
Edward Bryne Justice Assistance Grant	16.738	2007-DJ-BX-0617	202,152
Edward Bryne Justice Assistance Grant	16.738	2008-DJ-BX-0229	20,818
Edward Bryne Justice Assistance Grant	16.738	2010-DJ-BX-0327	37,776
			<u>260,746</u>
Passed through the City of Los Angeles:			
Edward Bryne Justice Assistance Grant	16.738	C-118155	252,301
ARRA – Edward Bryne Justice Assistance Grant	16.804	2009 SB B9 2024	432,375
Total JAG Program Cluster			<u>945,422</u>
Passed through the State of California Office of Emergency Services:			
Paul Coverdell Forensic Science Improvement	16.742	CQ08067240	240
Paul Coverdell Forensic Science Improvement	16.742	CQ10077240	56,750
Total	16.742		<u>56,990</u>
Total Department of Justice			<u>3,483,260</u>
Department of Labor:			
Passed through the State of California Employment Development Dept:			
ARRA – Wagner Peyser Disability Program Navigator (DPN)	17.207	K078484/ES-17548-08-55-A-6	194,957
ARRA – Wagner Peyser DPN Assistive Technologies	17.207	K078484/ES-17548-08-55-A-6	46,930
Total Employment Service Cluster	17.207		<u>241,887</u>
Workforce Investment Act (WIA) Title I Adult Formula	17.258	K074146	(81)
Workforce Investment Act (WIA) Title I Adult Formula	17.258	K178665	1,732,139
Workforce Investment Act (WIA) Title I Adult Formula	17.258	K282480	364,478
			<u>2,096,536</u>
Workforce Investment Act (WIA) Integrated Services	17.258	R970542	10,000
CA New Start Prison to Employment 3	17.258	K074146/AA-17110-08-55-A-6	118,821
ARRA – Clean Energy Training Program “15% Funds”	17.258	K074146/AA-17110-08-55-A-6	39,959
ARRA – Reg Industry Cluster Award	17.258	K074146/AA-17110-08-55-A-6	168,027
ARRA – Workforce Investment Act (WIA) CA Green Jobs	17.258	R970542/AA-17110-08-55-A-6	494,240
ARRA – Workforce Investment Act (WIA) Title I Adult Formula	17.258	R970542/AA-17110-08-55-A-6	226,376
Passed through the City of Los Angeles:			
ARRA – Workforce Investment Act (WIA) Harbor Worksource Ctr Adult	17.258	C-115839	(1,998)
Workforce Investment Act (WIA) Harbor Worksource Ctr Adult	17.258	C-117651	392,170
Workforce Investment Act (WIA) Harbor Worksource Ctr Adult	17.258	C-119216	89,369
			<u>481,539</u>
Harbor Worksource Ctr Incentive	17.258	C-115347	3,000

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Department of Labor (continued):			
Passed through the County of Orange:			
OCWIB – Vet Assistance Employment Program	17.258	V1-V-09	\$ 44,674
OCWIB – Vet Assistance Employment Program II	17.258	V1-V-11	164,784
Total	17.258		<u>3,845,958</u>
Passed through the State of California Employment Development Dept:			
Workforce Investment Act (WIA) Title I Youth Formula	17.259	K178665	1,642,368
Workforce Investment Act (WIA) Title I Youth Formula	17.259	K282480	470,955
			<u>2,113,323</u>
High Concentration Youth	17.259	K074146	56,368
High Concentration Youth 2	17.259	K178665	31,558
ARRA – Workforce Investment Act (WIA) – Youth	17.259	R970542/AA-17110-08-55-A-6	92,672
Total	17.259		<u>2,293,921</u>
ARRA – Dislocated Worker Training 25% Fund	17.260	K074146/AA-17110-08-55-A-6	38,699
ARRA – On-The-Job-Training Grant	17.260	K074146/AA-17110-08-55-A-6	147,437
ARRA – Workforce Investment Act (WIA) DW To Adult Transfer	17.260	R970542/AA-17110-08-55-A-6	23,092
ARRA – Workforce Investment Act (WIA) Rapid Response	17.260	R970542/AA-17110-08-55-A-6	83,660
ARRA – Workforce Investment Act (WIA) Title I Dislocated Worker	17.260	R970542/AA-17110-08-55-A-6	21,904
Passed through the County of Orange:			
OCWIB – Vet Assistance Employment Program	17.260	V1-V-09	46,703
Passed through the South Bay Workforce Investment Board, Inc.:			
California Multi Sector – National Emergency Grant	17.277	EM-22035-11-60-A-6	40,234
Passed through the State of California Employment Development Dept:			
Workforce Investment Act (WIA) Rapid Response	17.278	K178665	215,887
Workforce Investment Act (WIA) Rapid Response	17.278	K282480	51,383
			<u>267,270</u>
Workforce Investment Act (WIA) Title I Dislocated Worker	17.278	K178665	1,346,488
Workforce Investment Act (WIA) Title I Dislocated Worker	17.278	K282480	232,375
			<u>1,578,863</u>
Passed through the City of Los Angeles:			
Workforce Investment Act (WIA) Harbor Worksource Ctr DW	17.278	C-117651	246,518
Workforce Investment Act (WIA) Harbor Worksource Ctr DW	17.278	C-119216	70,254
Total	17.278		<u>316,772</u>
Total WIA cluster			<u>8,704,513</u>
Passed through the State of California Employment Development Dept:			
Passed through the City of Los Angeles:			
ARRA – Harbor Worksource Ctr Rapid Response	17.268	C-117763	39,350
Passed through the State of California Employment Development Dept:			
H-1B Job Training Grants	17.268	M182170	5,000
Passed through the State of California Employment Development Dept:			
Passed through the City of Los Angeles:			
ARRA – Patient Care Assistant Program	17.268	C-118835	47,563
Total H-1B Job Training Grants			<u>91,913</u>
Total Department of Labor			<u>9,038,313</u>
Department of Transportation:			
FAA Airport Improvement Program	20.106	AIP 3-06-0127-29	54,326
FAA Airport Improvement Program	20.106	AIP 3-06-0127-031	18,143
FAA Airport Improvement Program	20.106	AIP 3-06-0127-032-2009	152,792
FAA Airport Improvement Program	20.106	AIP 3-06-0127-033-2009	2,472,152
FAA Airport Improvement Program	20.106	AIP 3-06-0127-034-2010	2,217,517
FAA Airport Improvement Program	20.106	AIP 3-06-0127-035-2010	2,303,657
Total FAA Airport Improvement Program	20.106		<u>7,218,587</u>
Passed through the State of California Department of Transportation:			
Highway Planning and Construction Programs	20.205	CML-5108 (088)	97,233
Highway Planning and Construction Programs	20.205	CML-5108 (125)	8,568
Highway Planning and Construction Programs	20.205	DPM-5108 (122)	886,405
Highway Planning and Construction Programs	20.205	HPLUL-5108 (086)	7,432
Highway Planning and Construction Programs	20.205	HPLUL-5108 (090)	28,688
Highway Planning and Construction Programs	20.205	PNRSLN-5108 (116)	17,849,677
Highway Planning and Construction Programs	20.205	RPSTPLE-5108 (080)	63,154
Highway Planning and Construction Programs	20.205	RPSTPLE-5108 (081)	168,075
Highway Planning and Construction Programs	20.205	STPL-5108 (106)	8,485
Highway Planning and Construction Programs	20.205	STPL-5108 (117)	105,236
Highway Planning and Construction Programs	20.205	STPL-5108 (118)	172,336
Highway Planning and Construction Programs	20.205	STPL-5108 (119)	64,654
Highway Planning and Construction Programs	20.205	STPLER-5108 (060)	(90,167)
Highway Planning and Construction Programs	20.205	STPLHSR-5108 (092)	102,085

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Federal grantor/pass-through entity identifying number</u>	<u>Federal disbursements/expenditures</u>
Department of Transportation (continued):			
Passed through the State of California Department of Transportation: Highway Planning and Construction Programs	20.205	STPLX-5108 (044)	\$ 613,701
			<u>20,085,562</u>
Safe Routes to School	20.205	SRTSLNI-5108(123)	301,754
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (094)	(289,501)
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (095)	(25,297)
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (096)	6,111
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (097)	624
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (103)	50,222
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (107)	849,314
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (109)	31,725
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (112)	904,757
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (124)	1,276,542
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (127)	1,501,277
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPL-5108 (129)	852,084
ARRA – Long Beach Local Streets/Roads Projects	20.205	ESPLE-5108 (115)	397,735
			<u>5,555,593</u>
ARRA – Caltrans	20.205	88A0073	45,486
Total Highway Planning and Construction Cluster	20.205		<u>25,988,395</u>
Passed through the State of California Office of Traffic Safety: Selective Traffic Enforcement Program	20.600	PT1141	94,000
Passed through the Regents of the University of California School of Public Health, Berkeley: Next Generation – Click it or Ticket	20.600	CT11234	11,163
Total Highway Safety Cluster	20.600		<u>105,163</u>
Passed through the State of California Office of Traffic Safety: Selective Traffic Enforcement Program	20.608	PT1141	180,110
Total Department of Transportation			<u>33,492,255</u>
Department of Treasury: Asset Forfeiture Program	21.000	N/A	456,499
Total Department of Treasury			<u>456,499</u>
Institute of Museum and Library Services: Passed through the State of California Library: Crossing the Digital Divide Together	45.310	40-7731	5,000
Total Institute of Museum and Library Services			<u>5,000</u>
US Environmental Protection Agency: ARRA – National Clean Diesel Emissions Reduction	66.039	00T13301-0	1,193,211
Passed through the State of California Department of Health Services: ARRA – Beach Water Quality Management	66.454	11-002	13,888
Passed through the State of California Water Resources Control Board: ARRA – Colorado Lagoon Clean Beaches Init	66.458	C-06-6951-110/08-300-550	3,568
ARRA – Clean Water State Revolving Fund	66.458	08-320-550	20,639
ARRA – Clean Water State Revolving Fund	66.458	08-327-550	98,382
ARRA – Clean Water State Revolving Fund	66.458	08-330-550	60,952
			<u>179,973</u>
Total	66.458		<u>183,541</u>
Passed through the State of California Department of Health Services: Beach Water Quality and Public Notification	66.472	10-95345	25,000
US Environmental Protection Agency: Palos Verdes Shelf fish Contamination	66.716	V-98972501-2	41,741
ARRA – Brownfields Job Training Project	66.815	2J-00T31901-0	168,602
Total US Environmental Protection Agency			<u>1,625,983</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Department of Energy:			
Passed through the State of California Department of Employment Development, Energy Commission:			
Passed through the Community College District of Long Beach:			
ARRA – Clean Energy	81.041	99663.6/DE-EE0000221	\$ 50,477
ARRA – Natural Gas Trucks Education and Outreach	81.086	DE-EE0002547	11,278
ARRA – Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000866	1,284,785
Total Department of Energy			<u>1,346,540</u>
Department of Education:			
Passed through the State of California Department of Education:			
Evenstart Family Literacy			
Evenstart Family Literacy	84.213	10-14331-2199-2	127,380
Evenstart Family Literacy	84.213	11-14331-2199-2	12,216
Total	84.213		<u>139,596</u>
Youth Earmark Program	84.215	U215K090230	436,832
Passed through the State of California Department of Education:			
Passed through the Long Beach Unified School District:			
21 Century Community Learning Center			
Reaching Amazing Potential (WRAP)	84.287	10-14349-6472	93,971
Reaching Amazing Potential (WRAP)	84.287	11-14349-6472	44,794
Total	84.287		<u>138,765</u>
Total Department of Education			<u>715,193</u>
Department of Health & Human Services:			
Regional Senior Services Collaboration			
	93.048	90MA0041/01	91,936
Passed through the County of Los Angeles:			
Bioterrorism Preparedness			
Bioterrorism Preparedness	93.069	H-701583-12	885,409
Bioterrorism Preparedness	93.069	PH-001964	99,284
			<u>984,693</u>
Pandemic H1N1 Flu Preparedness	93.069	H-701583-9	493,740
Total Public Health Emergency Preparedness	93.069		<u>1,478,433</u>
Passed through the State of California Department of Health Services:			
Tuberculosis Prevention Program			
	93.116	5U52PS900515	129,529
Childhood Lead Poisoning Prevention	93.197	08-85064	263,651
Immunization Subvention	93.268	10-95378	153,290
Immunization Subvention	93.268	11-10545	50,000
Total Immunization Cluster	93.268		<u>203,290</u>
Passed through the County of Los Angeles:			
Public Health Infrastructure			
Public Health Infrastructure	93.507	PH-001655	11,425
Public Health Infrastructure	93.507	PH-001655	2,500
Total	93.507		<u>13,925</u>
Family Support	93.556	05-027-13	26,705
Family Support	93.556	31035	5,626
			<u>32,331</u>
Passed through the South Bay Center for Counseling:			
Family Services/CNA			
	93.556	70906	34,594
Total Family Support/Services	93.556		<u>66,925</u>
Department of Health & Human Services:			
Passed through the State of California Department of Health Services			
Community Challenge Grant Program/TANF	93.558	05-45244	161,558
Passed through the Los Angeles Homeless Services Authority:			
Temporary Assistance for Needy Families			
	93.558	2010 DPSS01	110,600
Total Community Challenge Grant Program/TANF	93.558		<u>272,158</u>
Passed through the State of California Department of Health Services:			
Passed through the County of Los Angeles Department of Public Social Services:			
Passed through the City of Hawthorne/South Bay Workforce Investment Board:			
ARRA – Transitional Subsidized Employment Program:	93.714	09-H226	25,000
Total Temporary Assistance for Needy Families Cluster			<u>297,158</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Department of Health & Human Services (continued):			
Passed through the County of Los Angeles:			
ARRA – Healthy Food Initiative – RENEW	93.724	PH-001138/ 1U58DP002485-01	\$ 200,362
ARRA – Smoking Cessation Initiative – TRUST	93.724	PH-001138/ 1U58DP002543-01	244,422
ARRA – Exercise and Wellness – RENEW	93.724	PH-001147	58,710
Total	93.724		503,494
Passed through the State of California Department of Health Services:			
Childhood Health and Disability	93.778	CHDP 2009	(67,342)
Childhood Health and Disability	93.778	N/A	425,927
Childhood Health and Disability	93.778	V#002713-00	133,000
			491,585
Medical Gateway	93.778	CHDP – City Match 2009	7,993
Medical Gateway	93.778	V#002713-00	124,476
			132,469
Children in Foster Care	93.778	CHDP – HCPCFC 2009	7,139
Children in Foster Care	93.778	N/A	(35,814)
			(28,675)
MAA/ TCM Administration	93.778	09-86022	45,814
Nursing MAA Claiming	93.778	09-86022	715,142
Nursing TCM Claiming	93.778	61-0712	17,491
Nursing TCM Claiming	93.778	61-0712A1	75,000
			92,491
Total Medicaid Cluster	93.778		1,448,826
AIDS/HIV AIDS/HIV Benefits Specialty	93.915	H-210813	25,167
Passed through the County of Los Angeles:			
AIDS EIP Outpatient Medical	93.915	H209210	119,583
AIDS Case Management	93.915	H210813	168,099
Total	93.915		312,849
Passed through the State of California Department of Health Services:			
AIDS Surveillance	93.940	10-95266	239,976
HIV Care Coordination	93.940	10-95266	699,571
HIV Prevention – Counseling and Testing	93.940	10-95266	373,661
Outreach/Prev. for HIV Positive (Bridge)	93.940	10-95266	79,467
Total	93.940		1,392,675
Maternal and Child Health Svcs Allocation	93.994	201060-MCH	196,289
MCH Black Infant Health	93.994	200960-BIH	12,728
MCH Black Infant Health	93.994	201060-BIH	184,024
MCH Black Infant Health	93.994	201060-BIH	53,267
			250,019
Total	93.994		446,308
Total Department of Health & Human Services			6,648,999
Department of Homeland Security:			
Passed through the State of California – California Emergency Management Agency			
2005 Winter Storm (February)	97.036	FEMA 1585	(6,060)
Passed through the County of Los Angeles:			
Emergency Management Performance Grant	97.042	2005-0015 2006-08	161
Department of Homeland Security:			
FY2006 Port Security Grant Program	97.056	2006-GB-T6-0099	1,318,747
FY2007 Port Security Grant Program	97.056	2007-GB-T7-K095	234,732
FY2007B Port Security Grant Program	97.056	2007-GB-T7-K429	591,904
Passed through the Marine Exchange of Los Angeles – Long Beach Harbor:			
Port Security Grants Program	97.056	2010-PU-T0-K004	8,223
Total Port Security Grant Program	97.056		2,153,606

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2011

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Federal grantor/pass-through entity identifying number</u>	<u>Federal disbursements/expenditures</u>
Department of Homeland Security (continued):			
Passed through the State of California – California Emergency Management Agency:			
Passed through the County of Los Angeles:			
Homeland Security Cluster-- Homeland Security Grant	97.067	2008-0006	\$ 271,702
Passed through the City of Los Angeles:			
Urban Area Security Initiative Program	97.008	2006-0071	23,481
Urban Area Security Initiative Program	97.008	2007-0008	5,439,393
Urban Area Security Initiative Program	97.008	2008-0006	<u>1,939,052</u>
Total Urban Area Security Initiative Program	97.008		<u>7,401,926</u>
Threat Assessment and Sector Management	97.090	HSTS02-08-H-SLR324	326,892
FY2009 ARRA – Port Security Grant Program	97.116	2009-PU-R1-0191	4,310,126
Office of Acquisition (Security – CCTV)	97.118	HSTS04-09-H-CT7027	<u>285,909</u>
Total Department of Homeland Security			<u>14,744,262</u>
Total federal expenditures			<u>\$ 188,678,071</u>

See accompanying notes to schedule of expenditures of federal awards and the independent auditors' 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, 2011

(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, HOME Investment Partnerships and the Neighborhood Stabilization Program were \$5,090,682, \$61,334,953 and \$8,803,938 at September 30, 2011, 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, 2011. Program income of \$3,789,014 generated from the rental rehabilitation grants were used for eligible purposes under other affordable housing activities. There were no continuing compliance requirements noted for this income and therefore these loans have been excluded from the schedule.

(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 \$20,045,989, but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2011.

CITY OF LONG BEACH, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

(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	\$	4,154,218
Youth Earmark Program	16.541		2,384
Workforce Investment Act Cluster	17.258, 17.259, 17.260, 17.278		717,572
ARRA – National Clean Diesel Emmissins Reduction	66.039		1,193,211
Evenstart Family Literacy	84.213		130,094
Department of Education Earmark	84.215		197,573
Port Security Grant Program	97.056		1,299,949

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

(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.**
- Discretely presented component unit (Long Beach Transportation Company*): **Unqualified.**

* Another auditor audited the financial statements of the Long Beach Transportation Company 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-2011-01 and FS-2011-02.**

(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-11-01 through F-11-05.**

(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-11-01 through F-11-05.**

(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
- Community Development Block Grants – Entitlements Grants Cluster, CFDA number 14.218

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

- HOME Investment Partnerships Program, CFDA number 14.239
 - ARRA – Neighborhood Stabilization Program 2, CFDA number 14.256
 - Housing Vouchers Cluster, CFDA number 14.871
 - Lead Hazard Control Cluster
 - ARRA – 2009 Recovery Act Lead Hazard Control, CFDA number 14.907
 - ARRA – 2009 Recovery Act Lead Healthy Homes, CFDA number 14.908
 - FAA Airport Improvement Program, CFDA number 20.106
 - Highway Planning and Construction Cluster
 - Highway Planning and Construction Programs, CFDA number 20.205
 - ARRA – Long Beach Local Streets/Road Projects, CFDA number 20.205
 - Temporary Assistance for Needy Families Cluster
 - Community Challenge Grant Program/TANF, CFDA number 93.558
 - ARRA – Transitional Subsidized Employment Program, CFDA number 93.714
 - Port Security Grant Program, CFDA number 97.056
 - FY 2009 ARRA –Port Security Grant Program, CFDA number 97.116
- (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, 2011

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

FS 2011-01 Financial Reporting and Year-end Process

Condition and Context

During the audit, we identified that the financial reporting process began in October 2011 and continued through May 2012. Management identified and recorded nearly 100 postclosing entries totaling more than \$309.2 million. Additionally, during our audit and review of the financial statements, we noted approximately 55 audit adjustments across all opinion units, primarily related to adjustments for the City's non-GAAP policies, cutoff, and various financial statement reclassifications. It was noted that 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

Management's postclosing entries as well as the adjustments we identified appear to be due to the impact of the length of the annual audit as well as the impact of accounting staff not having adequate time to process and review the necessary adjustments to properly state the City's financial statement each year in a timely manner. The fiscal year 2011 audit was completed in May 2012, eight months after year-end closing. This has changed the landscape of financial statement compilation for the City; no longer is the 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 the year-end closing process. As such, some of the year-end closing processes take place subsequent to the beginning of the annual audit.

Effect or Potential Effect

The length of time required for year-end processes and financial report compilation reduces the timeliness and may limit the reliability of financial reporting.

Recommendation

We recommend that the City continue to evaluate ways to improve its year-end and financial reporting process and formally document these procedures in a policy that can be distributed to the City's departments to help reduce the amount of postclosing entries and required audit adjustments. The City's policy should include the requirement to document the nature of the adjustments expected to be recorded and also include the requirement to have all adjustments recorded within 90 days after year-end.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

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. As part of these efforts, the City will emphasize the need for midyear review and corrections of accounting transactions as opposed to relying on primarily postperiod 12 corrections. With these changes, along with those already implemented, the City believes that it will be able to exceed or meet its minimum reporting responsibilities in future periods, beginning with the fiscal year 2012 financial report.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

FS-2011-02 Revenue and Expense/Expenditure Recognition

Condition and Context

During our testwork on internal control over the revenue and expense/expenditure cycle, we noted an aggregate of \$4.4 million of revenues and \$2.5 million of expenses/expenditures that were accrued in the incorrect fiscal year. Of this amount, \$175 thousand of revenues and \$722 thousand of expenses were from the General Fund. There were no amounts noted related to grant programs.

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

Revenues are typically recorded when payment has been received as payment typically coincides with period of service. However, on several occasions, the period of service was in fiscal year 2010; however, payment was received and revenue was recognized in fiscal year 2011. In addition, certain departments do not submit invoices to the Accounts Payable department in a timely manner resulting in expense recognition in a period different from the period of service.

Effect or Potential Effect

Failure to record revenues and expenses/expenditures in the proper period results in a misstatement of amounts reported in the City's financial statements.

Recommendation

We recommend that the City enhance its internal controls related to the recognition, documentation, and communication of the recognition criteria for revenues and expenses/expenditures.

Views of Responsible Officials

The City will strengthen its year-end processes and procedures related to revenue recognition with a particular focus on the year-end accrual for solid waste revenues. To this end, a new process has been developed to ensure a more accurate measurement of revenues for this function. In addition, we will include this subject area as an area of emphasis within our year-end training and communications.

The City continues to develop ways to improve its controls related to expenditure/expense recognition. In the coming year, the City will move toward decentralizing the data entry component of most accounts payable transactions. This will allow the City to compress the payment process and Financial Management to focus on improving the accuracy and appropriateness of, among other things, the recognition of the expenditures/expenses.

In addition, the City will continue to strengthen communications with departments, through periodic and year-end workshops, training, memos, and e-mails.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

It should be noted that the City was one of two cities in the State who had to adjust their financial statements as result of a State Supreme Court decision that eliminated Redevelopment Agencies. This decision, along with the significant ambiguities contained within the legislation the Court upheld, resulted in six-week delay as the impact of the decision was evaluated, ambiguities were clarified, and significant adjustments were made to the City's financial statements.

Finally, the Financial Accounting Management Information Systems (FAMIS) has certain limitations that reduce the City's ability to minimize the number of accounting entries made after the 12th accounting period is closed. One of these limitations is the number of accounting periods that the system supports. FAMIS only allows 13 accounting periods. Given the system's limitations, the City provides KPMG with lead sheets that contain financial data through period 12 data. The City continues to book accrual and cleanup entries in period 13 for several weeks before the audit begins and these entries are included within the finding. The City hopes to have a system modification that will allow for an additional accounting period implemented within the next few periods.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

(3) Findings and Questioned Costs Relating to Federal Awards

F-11-01 Davis-Bacon Act

Federal Program Information

<u>Federal catalog number</u>	<u>Federal program name</u>	<u>Federal agency</u>	<u>Pass-through entity</u>	<u>Federal award number</u>	<u>Federal award year</u>
14.907	ARRA – 2009 Recovery Act Lead Hazard Control	U.S. Department of Housing & Urban Development	None	CALHN0408-08	2008
14.908	ARRA-2009 Recovery Act Lead Healthy Homes	U.S. Department of Housing & Urban Development	None	CALHH0188-08	2008
20.106	FAA Airport Improvement Program	U.S. Department of Transportation	None	AIP 3-06-0127-29; AIP 3-06-0127-03; AIP 3-06-0127-032-2009; AIP 3-06-0127-033-2009; AIP 3-06-0127-034-2010; AIP 3-06-0127-035-2010	2007 2008 2009 2009 2010 2010
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction Programs	U.S. Department of Transportation	State of California Department of Transportation	CML-5108 (088); CML-5108 (125); DPM-5108 (122); HPLUL-5108 (086); HPLUL-5108 (090); PNRSLN-5108 (116); RPSTPLE-5108 (080); RPSTPLE-5108 (081); STPL-5108 (106); STPL-5108 (117); STPL-5108 (118); STPL-5108 (119); STPLER-5108 (060); STPLHSR-5108 (092); STPLX-5108 (044)	2008 2010 2010 2010 2009 2009 2007 2008 2010 2009 2009 2010 2002 2010 2010
20.205	ARRA – Highway Planning and Construction Cluster – Long Beach Local Streets/Roads Project	U.S. Department of Transportation	State of California Department of Transportation	ESPL-5108 (094) ESPL-5108 (095) ESPL-5108 (096) ESPL-5108 (097) ESPL-5108 (103) ESPL-5108 (107) ESPL-5108 (109) ESPL-5108 (112) ESPL-5108 (124)	2009 2009 2009 2009 2009 2009 2009 2009 2009

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

<u>Federal catalog number</u>	<u>Federal program name</u>	<u>Federal agency</u>	<u>Pass-through entity</u>	<u>Federal award number</u>	<u>Federal award year</u>
				ESPL-5108 (127)	2009
				ESPL-5108 (129)	2009
				ESPL-5108 (115)	2009
97.056	Port Security Grant	U.S.		2006-GB-T6-0099	2006
	Program:				
	FY 2006 Port Security Grant Program;	U.S.		2006-GB-T6-0099	2006
	FY 2007 Port Security Grant Program;	Department of Homeland Security	None	2007-GB-T7-K095	2007
	FY 2007B Port Security Grant Program			2007-GB-T7-K429	2007
97.116	FY 2009 – ARRA Port Security Grant Program	U.S. Department of Homeland	None	2009-PU-R1-0191	2009

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).

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).

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

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).
 - (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.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

- (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). Although not obtained in a timely manner, we verified that all certified payrolls were obtained and reviewed prior to contract payment.

Port Security Grant Program (97.116)

Of the 40 certified payrolls and compliance statements sampled 33 were not received on a weekly basis. We noted that 8 of the exceptions were received within 14 days, 12 of the exceptions were received within 30 days, 8 of the exceptions were received after 30 days, and the other 5 exceptions had no evidence of when the certified payroll and compliance statements were received.

Port Security Grant Program (97.056)

Of the 65 certified payrolls and compliance statements sampled, 52 were not received on a weekly basis. We noted that 8 of the exceptions were received within 14 days, 17 of the exceptions were received within 30 days, 22 of the exceptions were received after 30 days, and the other 8 exceptions had no evidence of when the certified payroll and compliance statements were received.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2011

FAA Airport Improvement Program

Of the 65 certified payrolls and compliance statements sampled, 32 were not received on a weekly basis. We noted that 5 of the exceptions were received within 14 days, 10 of the exceptions were received within 30 days, 6 of the exceptions were received after 30 days, and the other 11 exceptions had no evidence of when the certified payroll and compliance statements were received.

ARRA – 2009 Recovery Act Lead Hazard Control and ARRA – 2009 Recovery Act Lead Healthy Home

Of the 40 certified payrolls and compliance statements sampled, 34 were not received on a weekly basis. We noted that 1 of the exceptions was received within 14 days, 5 of the exceptions were received within 30 days, 8 of the exceptions were received after 30 days, and the other 20 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 at both the City Hall and Port locations, 55 were not received on a weekly basis. We noted that 5 of the exceptions were received within 14 days, 15 of the exceptions were received within 30 days, 19 of the exceptions were received after 30 days, and the other 16 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.

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. Furthermore the City and Port do not make any payments to contractors unless all documentation including the certified payrolls are received, reviewed and approved. This is confirmed as to there was no finding as to missing certified payrolls and there were no questioned costs.

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Port Security Grant Programs and Port Highway Planning and Construction Program

The Port includes the federal policy on all federally funded construction contracts with labor related expenditures over \$2,000, including the collection of weekly certified payrolls. The Port reviews the requirement to submit weekly certified payroll records with the vendor at contract kick-off meetings. Port staff track submittal of certified payroll documentation from contractors. Port staff contacts contractors who are not compliant with the weekly submittal requirement. Port staff allow vendors to submit payroll records and certifications via email. This practice enables the vendors to submit their documentation in a simpler, more timely manner.

Staff prepares certified payroll status sheets for management review prior to vendor invoice processing. If a vendor is not compliant with submittal of weekly payroll records, Port management does not approve their invoices for payment. Invoices are not paid until the proper payroll records and certifications are received and documented by staff and management. Certified payroll documents are kept permanently with the contract files.

Port management will continue to monitor certified payroll compliance of contractors and enforce the submittal requirement by seeking compliance from vendors, by allowing electronic submittal, and by withholding payment of invoices until the vendor is compliant

FAA Airport Improvement Program and City Highway Planning and Construction Program

In fiscal year 2011, the Department of Public Works (PW) implemented procedures to prevent future discrepancies for projects monitored by PW staff. However, by the date of notification, it was too late to correct all incidences for fiscal year 2011 despite the provided training and learning process.

The following procedures were put into effect for projects monitored by PW staff:

- (a) PW eliminated the login sheet that was previously used and instead date stamps each individual-certified payroll submittal to better document when it was received.
- (b) Certified payroll 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.
- (c) A stamped notice placed on all contractor payment requests will require staff to date and initial to help assure proper proof that PW staff verified compliance with Davis-Bacon prior to processing.
- (d) PW 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 PW Staff is adequately trained on the LCM.

The Department of PW has seen an improvement from contractors in complying and continues to work with none compliant contractors.

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PW staff will continue to review the procedures and improve appropriately. One improvement that will be implemented in fiscal year 2012 is improved communication to the contractors at pre-construction meetings to include the requirement to submit weekly certified payroll records. In addition, the contractors will be instructed to direct their certified payrolls to one contact to avoid any delays in receiving of these documents and to reduce the chance of these documents would be received by other departments.

Furthermore PW does not make any payments to contractors unless the contractor is in compliance with Davis-Bacon. This has resulted greater compliance by contractors as demonstrated by there being no missing certified payrolls. There are no questioned PW costs associated with this finding.

ARRA – 2009 Recovery Act Lead Hazard Control and ARRA—2009 Recovery Act Lead Healthy Home

The Lead Hazard Control Program, funded through a grant by the U.S. Department of Housing and Urban Development (HUD), attempted in good faith to comply with the requirements with the Davis-Bacon Act for the duration of the grant (April 24, 2009 through April 23, 2012).

As a result of this finding, Lead Hazard Control management added in June 2012 additional Davis-Bacon procedures to ensure Davis-Bacon Act compliance.

- Notify all Lead Hazard Program approved contractors of their responsibility to submit certified payroll within seven days of the last day of the work week that is being certified
- Contractors will be required to scan and send signed, certified payroll by e-mail to the program manager or Davis-Bacon Act compliance coordinator; and, it will require contractors to send original documents via first class mail or other comparable delivery on the same day the documents are e-mailed.
- Certified payrolls received via-e-mail will be printed, reviewed, approved and filed, along with the e-mail message which has a time and date of receipt notation.
- All certified payrolls received, regardless of delivery service, will have a well documented receipt date for reference.

These new requirements will be in addition to compliance with all other applicable Davis-Bacon Act requirements. Further, in compliance with City, and the Department of Health and Human Services program policy, no payments were made to vendors before the receipt, review, and approval of certified payrolls, per Title 29 Labor, Part 5.6.

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F-11-02 Activities Allowed or Unallowed, Allowable Costs/Cost Principles: Indirect Costs

Program Information

Federal Program

Federal catalog number	Federal program name	Federal agency	Pass-through entity	Federal award number	Federal award year
14.907	ARRA – 2009 Recovery Act Lead Hazard Control	U.S. Department of Housing & Urban Development	None	CALHB0408-08	2008
14.908	ARRA-2009 Recovery Act Lead Healthy Homes	U.S. Department of Housing & Urban Development	None	CALHH0188-08	2008
10.557	Woman, Infant and Children	U.S. Department of Agriculture	State of California Department of Health Services	08-85418 A02	2008
14.239	HOME Investment Partnership Program	U.S. Department of Housing & Urban Development	None	M-09-MC-06-0518 M-10-MC-06-0518	2009 2010
14.218	Community Development Block Grant – Entitlement Grants Cluster	U.S. Department of Housing & Urban Development	None	B-09-MC-06-0522 B-10-MC-06-0522	2009 2010
14.871	Housing Vouchers Cluster	U.S. Department of Housing & Urban Development	None	CA068VO	2010/2011

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.

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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 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 that, 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, Housing Choice Voucher Program and Lead Hazard Program.

Questioned Costs

The following questioned costs represent indirect costs charged to the federal program that are in excess of the programs indirect cost limitations.

Federal grant name costs	Questioned Costs
Women, Infants, and Children	\$ 142,397
ARRA – 2009 Recovery Act Lead Hazard Control and ARRA-2009 Recovery Act Lead Healthy Home	22,357

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.

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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 a practice or policy that is inconsistent with OMB Circular A-133 or a grant agreement. The City previously believed that these costs were allowable as direct costs. During the fiscal year 2010 single audit, the City was made aware of the problems with these costs. The nexus of the issue resulted from a change adopted by Technology Services (TS) that was intended to increase the availability of services while reducing the costs associated with providing those same services. In practice, the change did make for a more efficient use of funds, but it appears, the billing model may not meet the OMB threshold to be considered a direct cost. Since the finding was noted as a result of the fiscal year 2010 Single Audit report, issued in June of 2011, some of these costs had already been distributed and submitted to grantors as allowable costs for reimbursement.

Effective fiscal year 2012, the City no longer allocates these costs to grant programs. As the direct portion of these TS costs can be isolated and supported with appropriate back-up documentation, the City will resume charging grant programs for these direct costs.

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F-11-03 Special Tests and Provisions: Rent Reasonableness and Housing Quality Standards Inspections and Enforcement

Program Information

Federal Program

Housing Vouchers Cluster, CFDA number 14.871

Federal Grant Award Number and Grant Period

Federal grant number	Grant period	Location
CA068VO	10/1/2010 to 9/30/2011	Housing

Federal Agency

Department of Housing and Urban Development (HUD)

Specific Requirement

Code of Federal Regulations: Title 24 – *Housing and Urban Development*, Section 982.507–

(a) *PHA determination.*

- (1) The PHA may not approve a lease until the PHA determines that the initial rent to owner is a reasonable rent.
- (2) The PHA must redetermine the reasonable rent:
 - (i) Before any increase in the rent to owner;
 - (ii) If there is a five percent decrease in the published FMR in effect 60 days before the contract anniversary (for the unit size rented by the family) as compared with the FMR in effect 1 year before the contract anniversary; or
 - (iii) If directed by HUD.
- (3) The PHA may also redetermine the reasonable rent at any other time.
- (4) At all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined or redetermined by the PHA.

(b) *Comparability.* The PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the PHA must consider:

- (1) The location, quality, size, unit type, and age of the contract unit; and

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- (2) Any amenities, housing services, maintenance, and utilities to be provided by the owner in accordance with the lease.
- (c) *Owner certification of rents charged for other units.* By accepting each monthly housing assistance payment from the PHA, the owner certifies that the rent to owner is not more than rent charged by the owner for comparable unassisted units in the premises. The owner must give the PHA information requested by the PHA on rents charged by the owner for other units in the premises or elsewhere.

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.
- (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.

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- (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).
- (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;

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- (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 982.507(b), Housing is required to determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. Of the 45 selections over abated participants, there was one case where participant rental assistance was more than the amount computed based on the attributes of the unit.

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 45 selections over abated participants, there were fifteen (15) cases where participants received housing assistance payments the month after they were abated.

Questioned Costs

\$5,057

This amount represents the total annual housing assistance payments (HAP) paid to the participants in the fifteen (15) cases noted above that did not have the required reinspection during fiscal year 2011.

Cause and Effect

Adequate monitoring controls are in place but do not appear to be operating effectively to ensure that participants do not receive assistance payment for more than the rent for comparable units and that participants do not receive the following month's housing assistance payment.

Recommendation

We recommend that Housing implement policies and procedures to ensure participants receive the proper rental assistance payments.

Views of Responsible Officials and Planned Corrective Actions

To ensure that participants receive the proper rental assistance payments, effective August 2011, the Housing Authority implemented a new automated rent reasonableness database system called GoSection8. GoSection8 is the largest rental listing service for the Section 8 housing program and is used by approximately 300 Housing Authorities across the country. This new automated system eliminated the manual process of staff calculating points for the unit amenities. GoSection8 automatically generates the comps for rent reasonableness including the basic amenities as identified by the owner and input to the system. In addition, GoSection8 prompts a warning window when the Inspections Clerk attempts to

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propose a rent that is higher than the rent approved by GoSection8, further ensuring the rent given is reasonable for the market.

The City and Housing Authority want to note the one case found in this finding was prior to the implementation of the GoSection8 database system and no exceptions to the approved rent were found after implementation. Furthermore management will be implementing in fiscal year 2012 additional quality control to enhance further the controls in place with GoSection8. The Inspections Coordinator will perform a monthly quality control check of 3% – 5% of all GoSection8 approved rents to ensure accuracy of approved rents. The Housing Assistance Officer will provide an additional layer of review of the quality assurance checks done by the Inspection Coordinator.

The use of GoSection8 and the additional quality control check will ensure that the contract rents are reasonable and therefore the proper rental assistance payments can be calculated.

The City and the Housing Authority has not and will not intentionally implement controls, policy, or procedures that are inconsistent with OMB Circular 133 or the Housing and Urban Development Grant Regulations. For the fifteen (15) cases noted in the finding the required inspections did occur timely, but they did not pass the HQS inspections, and therefore were abated. The Housing Authority will review all of these cases again, and prepare the appropriate overpayment letters in an effort to collect the overpayments from the owners.

To resolve the issues that abated participants do not receive the following month HAP payment and that an effort is made to recover overpayment amounts, the Housing Authority implemented in June 2012 the following policies and procedures:

- In all identified cases of non-compliant abatements, the deficiencies were never cured because the participant either vacated the unit or their assistance was terminated. In situations where the abatement is cured and assistance continues, an adjustment is made in the following month's HAP. To correct the uncured abatements two reports are now generated from the Elite database twice monthly just prior to each check processing. It will identify all abatements that remain outstanding after 45 days from commencement of the abatement. In these cases the contract has terminated and actions will be taken to generate the overpayment letter to the owner and or make a manual adjustment to other accounts payable to owners with another assisted units on the program. The report identifying those abatements that have reached the lease contract termination date will be reviewed by the Inspections Clerk to determine if an adjustment for future HAP or an overpayment letter is required and the appropriate action will be taken. The Inspections Coordinator will review this process for all monthly abatements to ensure appropriate action was taken and formulas are correct. The final signed report will be forwarded to the Housing Assistance Officer and a quality assurance review will be conducted on 3-5% of the monthly abatements and provide a final approval.
- To recover overpayment amounts from owners, the Inspections unit now generates a manual overpayment letter for any/all units that reach the lease contract term. The letter is being sent to the owner requesting any funds that are due to the Housing Authority.
- During the audit, an error in the calculation used to determine the number of abatement days was discovered. The error has been corrected and additional training for staff was conducted in June

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2012. In addition, two documents were created to calculate abatement and overpayment amounts. Both documents include an excel formula to calculate abated/overpaid days and abated/overpaid dollar amounts—this will reduce the number of clerical errors and further ensure the correct amount of the abatements.

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F-11-04 Eligibility

Program Information

Federal Program

Women, Infants, and Children (WIC Program), CFDA number 10.557

Federal Grant Award Number and Grant Period

Federal grant number	Grant period	Location
08-85418A02	10/1/2008 to 9/30/2011	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

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- B. Cannot provide documentation
 - 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 3 participants indicated that the hematological test was taken beyond the required time period of 90 days. 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 210-03, 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. Additionally, 1 participant of the 65 sampled failed to provide proof of address.

Questioned Costs

\$3,379

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Ten participants were found to have received monthly vouchers during periods of ineligibility. The aggregate period of ineligibility was equivalent to 54 months. The average voucher cost according to the California Department of Health was \$62.57 (54 x \$62.57= \$3,379).

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. Additionally, we recommend that the annual self-auditing is not frequent enough to catch errors in a timely manner and that the procedure be performed more frequently.

Views of Responsible Officials and Planned Corrective Action

The City has not and will not intentionally implement practices or policies that are inconsistent with OMB Circular A-133 or the WIC program manual. The Department of Health and Human Services (DHHS) has and continues to take measures to improve their management of this grant. The hiring of registered nurses to provide free hemoglobin testing to WIC participants without health insurance during the last two years has allowed for the testing to take place. However, in some cases, the tests were not conducted within the required 90-day grace period as specified by the WIC Program Manual. Management wants to note that the required tests have been taking place. To ensure that the tests occur within 90 days, DHHS will invest in hemoglobin test equipment for each site and ensure that additional staff, at least one staff member per location, is trained and certified to provide the test. Furthermore, starting in fiscal year 2012, a DHHS analyst will conduct a quarterly audit of client files to ensure that the procedure is being followed.

The City and DHHS have conducted and will continue to conduct training courses for staff in the various areas of grant management and of WIC requirements. DHHS will have all WIC staff members participate in training scheduled for August 2012. The training will cover various aspects of the WIC requirements including the documentation and procedure required to update the income and/or address documentation screen in ISIS to reflect the type of documentation that was provided after the 30-day grace period. Staff members will be reminded to withhold WIC benefits until any missing documentation is provided. Furthermore, starting in fiscal year 2012; a DHHS analyst will conduct a quarterly audit of client files to ensure that the procedure is being followed.

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F-11-05 Reporting

Program Information

Federal Program

Highway Planning and Construction Cluster – Highway Planning and Construction Programs,
CFDA 20.205

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
STPL-5108 (075)	10/1/2010 to 9/30/2011	Public works
STPL-5108 (118)	10/1/2010 to 9/30/2011	

Federal Program

ARRA - Highway Planning and Construction Cluster – Long Beach Local Streets/Roads Project,
CFDA 20.205

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
ESPL-5108 (097)	10/1/2010 to 9/30/2011	Public works
ESPL-5108 (096)	10/1/2010 to 9/30/2011	
ESPL-5108 (094)	10/1/2010 to 9/30/2011	
ESPL-5108 (095)	10/1/2010 to 9/30/2011	
ESPL-5108 (103)	10/1/2010 to 9/30/2011	
ESPL-5108 (109)	10/1/2010 to 9/30/2011	

Federal Agency

Department of Transportation (DOT)

Pass through Agency

The State of California Department of Transportation

Specific Requirement

In the agreements between the DOT and the City of Long Beach, the City is required to submit the final report documents that collectively constitute a “Report of Expenditures” within one hundred eighty (180) days of the Project completion. Failure of the administering agency to submit a “Final Report of

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Expenditures” within 180 days of the project completion will result in the State imposing sanctions upon the administering agency in accordance with the current Local Assistance Procedures Manual.

Condition and Context

Under 24 CFR Section 982.404(a)(3), the City is required to complete the Final Report of Expenditures within in 180 days after the project is completed. In our sample of nine, this which represents 100% of the population, eight reports were submitted after 180 days. The average delay in submitting the final report of expenditures is 413 days, the earliest the reports were submitted 245 days after the project completion, and the latest the reports were submitted was 635 days after the project was completed.

Questioned Costs

None Noted

Cause and Effect

Adequate monitoring controls are in place but do not appear to be operating effectively to ensure that the close out reports are submitted within the required time frame.

Recommendation

We recommend that City implement policies and procedures to ensure reports are submitted when required.

Views of Responsible Officials and Planned Corrective Actions

The City has not and will not intentionally implement a practice or policy that is inconsistent with OMB Circular A-133 or a grant agreement. The City does concur there was a lapse in communication between City Departments as to how to define the completion date for a project. This shortcoming impacted the timely submission of documentation between departments as well as the timely submission of the Final Report of Expenditures to the grantor.

The Department of Financial Management (FM) completes the Final Report of Expenditures in cooperation with the Department of Public Works (PW). The Departments have been working together to improve the current procedures to ensure either the timely submission of the Final Report of Expenditures consistent with OMB guidance or an approved extension for submitting the Final Report of Expenditures.

As a corrective action, during fiscal year 2012 FM implemented an internal department procedure to review financial system data for all open projects each month for activity. For any projects that do not have any activity noted for a 30 to 60 day period, FM will inquire from PW the status of the project with the intent on identifying projects that have been completed and initiating the Final Report of Expenditures process. In cases where the Final Report of Expenditure cannot be submitted within the 180 days of project completion, FM will work with the grantor on any necessary actions to be taken.

In addition, in June of 2012, the requirement for PW to submit to FM the Notice of Completion as provided by the County Assessor’s Office within 10 days of receipt has been formalized. Once FM has received the Notice of Completion, FM will proceed in obtaining and processing all appropriate documentation needed to complete and submit the Final Report of Expenditures.