



**CITY OF LONG BEACH, CALIFORNIA**

Single Audit Reports

Year ended September 30, 2006

## CITY OF LONG BEACH, CALIFORNIA

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KPMG LLP  
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**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City), as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Airport Enterprise Fund, Parking Authority (subfund of Tidelands Fund), and Air Quality Improvement Fund (subfund of Transportation Fund), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated June 28, 2007.

This report is intended solely for the information and use of the City of Long Beach, California's City Council and management, as well as federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 28, 2007



KPMG LLP  
Suite 2000  
355 South Grand Avenue  
Los Angeles, CA 90071-1568

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

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

**Compliance**

We have audited the compliance of the City of Long Beach, California (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended September 30, 2006. 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.

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.

As described in Findings 06-4, 06-6, and 06-7 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Davis-Bacon Act and Subrecipient Monitoring, respectively, that are applicable to the Hazard Mitigation Grant Program (Finding 06-4) and Homeless Supportive Housing Program (Findings 06-6 and 06-7). Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

~~In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 06-2, 06-3 and 06-5.~~

## **Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 06-1 through 06-7.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Findings 06-4, 06-6, and 06-7 to be material weaknesses.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City), as of and for the year ended September 30, 2006, and have issued our report thereon dated June 28, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The supplementary information included in Exhibits 2 through 5 (pages 35 through 40) is presented for purposes of additional analysis and is not a required part of the City's basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Long Beach, California's City Council and management, as well as federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 28, 2007

**CITY OF LONG BEACH**  
 Schedule of Expenditures of Federal Awards  
 Year ended September 30, 2006

<b>Federal Grantor Pass through Agency Program Title</b>	<b>Federal CFDA number</b>	<b>Grant ID number</b>	<b>Expenditures charged to grants</b>
<b>Department of Agriculture:</b>			
<b>State Dept of Health Services:</b>			
** Women, Infants and Children	10.557	02-25682	\$ (279)
** Women, Infants and Children	10.557	05-45766	3,565,965
** Women, Infants and Children	10.557	05-45766	2,662
Total			3,568,348
** Children Nutrition Network	10.557	03-75498	(80,810)
** Children Nutrition Network	10.557	05-45516	656,800
Total			575,990
Total expenditures	10.557		4,144,338
<b>State Dept of Education:</b>			
Summer Food Service	10.559	19-81908V	233,780
Total			233,780
<b>Department of Commerce:</b>			
Economic Development Act	11.307	07-4 905046	593,313
<b>Dept of Housing and Urban Development:</b>			
CDBG Entitlement	14.218	B04-MC060522	5,714,304
CDBG Entitlement	14.218	B04-MC060522	5,142,759
Total			10,857,063
Emergency Shelter	14.231	S04-MC060522	165,367
Emergency Shelter	14.231	S05-MC060522	109,523
Total			274,890
** Homeless Supportive Housing SHP98	14.235	CA16B80-6001,2,3,4	45,221
** Homeless Supportive Housing SHP99	14.235	CA16B90-6001,2,4,5	54,783
** Homeless Supportive Housing SHP00	14.235	CA16B00-6002,3...11	159,661
** Homeless Supportive Housing SHP01	14.235	CA16B10-6002,3,4,11	467,376
** Homeless Supportive Housing SHP02	14.235	CA16B206-001,2, 3...8	1,010,259
** Homeless Supportive Housing SHP03	14.235	CA16B306-001,2,3...14	1,204,243
** Homeless Supportive Housing SHP04	14.235	CA16B406-001,2,3...24	1,434,601
** Homeless Supportive Housing SHP05	14.235	CA16B506-001,2,3...30	130,696
Total			4,506,840
<b>Dept. of Housing and Urban Development:</b>			
Shelter Plus Care	14.238	CA16C96-0301	50,627
Shelter Plus Care	14.238	CA16C906-006	57,921
Shelter Plus Care	14.238	CA16C006-001	71,391
Shelter Plus Care	14.238	CA16C406-024	114,572
Shelter Plus Care	14.238	CA16C506-029	11,864
Shelter Plus Care	14.238	CA16C506-030	24,831
Total			331,206



**CITY OF LONG BEACH**  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2006

Federal Grantor Pass through Agency Program Title	Federal CFDA number	Grant ID number	Expenditures charged to grants
<b>Dept of Housing and Urban Development:</b>			
HOME Program	14.239	M01-MC060518	\$ (188,182)
HOME Program	14.239	M01-MC060518	870
HOME Program	14.239	M02-MC060518	2,049,618
HOME Program	14.239	M03-MC060518	2,132,616
HOME Program	14.239	M04-MC060518	606,992
Total			4,601,914
Home Ownership Zone	14.246	HZ97-011	362,000
Economic Development Initiative	14.246	B-02-SP-CA-0071	75,000
Economic Development Initiative	14.246	B-04-SP-CA-0089	149,115
Total			586,115
Housing Assist-Disaster Voucher	14.N/A	CA068DV	60,129
Housing Asst Program – New	14.182	SF 504	1,007,955
** Housing Asst Program – Vouchers	14.871	SF 504	57,705,440
Total HAP expenditures			58,713,395
Lead-based Paint Hazard Control Hsng	14.900	CALHB0174-01	18,980
Lead-based Paint Hazard Control Hsng	14.900	CALHB0174-04	713,084
Total			732,064
Healthy Homes Initiative	14.901	CALHH0072-04	292,453
<b>City of Los Angeles:</b>			
Housing Opportunities for Persons with Aids	14.241	98256	329,042
<b>Department of the Interior:</b>			
Reclaimed Water System Expansion	15.504	00-FC-30-0051	287,167
Desalination Research and Development	15.506	02-FC-35-0053	804,869
UPARR MLK Park Pool Rehabilitation	15.919	06CTY16100101	348,428
UPARR Silverado Park Pool Rehab	15.919	06CTY19700201	740,746
Total			1,089,174
<b>State Parks Department:</b>			
Cesar Chavez Park Amphitheater	15.916	06-01474	2,960
Seaside Park Development	15.916	06-01554	341
Total			3,301
<b>Department of Justice:</b>			
** Urban Area Security Initiative (Port)	16.011	2004-EU-T30046	315,642
Coverdell	16.560	2005-DN-BX-0005	79,958
Byrne Discretionary	16.580	2005-DD-BX-1166	98,664
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0981	257,534
COPS Technology Equipment	16.710	2004-CK-WX-0047	45,894
COPS Universal Hiring	16.726	2002-UL-WX-0062	2,062,837
Edward Bryne JAG	16.738	2005-DJ-BX-1190	168,362
<b>State Office of Emergency Services:</b>			
Domestic Preparedness Equipment	16.007	2003-035	2,643

**CITY OF LONG BEACH**  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2006

Federal Grantor Pass through Agency Program Title	Federal CFDA number	Grant ID number	Expenditures charged to grants
<b>Department of Labor:</b>			
<b>Long Beach Community College:</b>			
Wagner Peyser Const Apprent Pathways	17.207	R492684/CN 99637.6	\$ 18,615
<b>State Employment Development Dept:</b>			
Wagner Peyser Health Collaborative	17.207	R588729	71,527
Total expenditures	17.207		90,142
<b>Long Beach Community College:</b>			
WIA Const Apprenticeship Pathways	17.258	R592666/CN 99637.6	222,030
<b>State Employment Development Dept.:</b>			
South Bay Center for Counseling			
Petrochemical Career Pathways Prog	17.258	R659710	8,792
WIA Title I Health Collaborative	17.258	R588729	191,791
WIA Title I Nursing Educ Capacity	17.258	R692480	61,570
WIA Title I Adult Formula	17.258	R692480	2,012,085
WIA Title I Adult Formula	17.258	R760328	81,553
Total			2,346,999
WIA Title I Youth Formula	17.259	R692480	1,599,599
WIA Title I Youth Formula	17.259	R760328	36,592
Total			1,636,191
Disability Program Navigation	17.261	R692480	149,017
WIA Nat'l Emergency Transport	17.260	R485283	12,411
WIA Technology to Teachers	17.260	R588729	8,601
WIA Title I Dislocated Worker	17.260	R692480	306,495
WIA Title I Dislocated Worker	17.260	R692480	736,226
WIA Rapid Response	17.260	R692480	120,341
WIA Rapid Response	17.260	R692480	220,816
WIA Katrina Evacuees	17.260	R692480	9,187
WIA Hurricane Evacuees	17.260	R692480	2,016
WIA New Business Network	17.260	R692480	159,279
WIA Title I Dislocated Worker	17.260	R760328	45,240
WIA Rapid Response	17.260	R760328	65,288
Total			1,685,900
Total WIA expenditures			6,048,929
<b>Department of Transportation:</b>			
FAA Airport Improvement Proj	20.106	DTFA08-02-C-21568 23	104,400
FAA Airport Improvement Proj	20.106	DTFA08-04-C-21734 25	1,160,870
FAA Airport Improvement Proj	20.106	DTFA08-05-C-21946 26	996,009
FAA Airport Improvement Proj	20.106	DTFA08-06-C-22070 27	1,753,757
Total			4,015,036

**CITY OF LONG BEACH**  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2006

<b>Federal Grantor Pass through Agency Program Title</b>	<b>Federal CFDA number</b>	<b>Grant ID number</b>	<b>Expenditures charged to grants</b>
<b>Department of Transportation:</b>			
Port Security	20.401	DTMA1G02027	\$ 365,990
Port Security	20.401	DTMA1G02046	2,137
Total			368,127
Port Security Round 2	20.420	DTSA20-03-G-01091	1,095,718
State Dept of Transportation: TEA	20.205	STPL 07-5108	13,495,737
<b>County of Los Angeles – M.T.A.:</b>			
Three-Car Train Improvement	20.500	F402-800201-CN-001/002	564,792
Train Signs	20.507	F402-800201-DT-04-01	232,555
<b>State Office of Traffic Safety:</b>			
Family Safety Initiative	20.600	OPO601	131,120
Driving While Impaired Impact Proj	20.600	AL0670	109,116
Sobriety Checkpoint	20.600	AM05087	11,554
Interagency Bicycle and Pedestrian Safety	20.600	PS0506	326,593
Pedestrian Countdown Heads	20.600	PS0507	69,821
Seatbelt Compliance Campaign	20.600	IN61929	72,219
Total expenditures	20.600		720,423
<b>State Office of Emergency Services:</b>			
Hazardous Material Emer Preparedness	20.703	3033-110, OES#037-4300	8,719
<b>Nat'l Foundation on the Arts and Humanities</b>			
<b>California State Library:</b>			
Library Services Technology Act	45.310	40-6449	710
Total			710
<b>Environmental Protection Agency:</b>			
Studies, Investigation and Spcl Pur Grnt	66.606	XP-97993501-0	240,695
<b>State Dept of Health Services:</b>			
Beach Water Quality and Public Notification	66.472	06-55292	4,425
Total			4,425
<b>Department of Energy:</b>			
Increasing Heavy Oil Reserves	81.089	DE-FC22-95BC14939	167,865
<b>Department of Education:</b>			
<b>State Dept of Education:</b>			
Evenstart Family Literacy	84.213	05-06-14331-G156-01	174,593
Evenstart Family Literacy	84.213	06-07-14331-G156-01	6,233
Total			180,826
<b>Dept of Health and Human Services</b>			
Metropolitan Medical Response Sys	N/A	282-99-0031	1,161
Metropolitan Medical Response Sys	N/A	233-03-0094	119,209

**CITY OF LONG BEACH**  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2006

Federal Grantor Pass through Agency Program Title	Federal CFDA number	Grant ID number	Expenditures charged to grants
<b>Dept of Health and Human Services</b>			
<b>County of Los Angeles:</b>			
Bioterrorism Preparedness	93.283	H-701583	\$ 1,456,103
Bioterrorism Preparedness	93.283	H-701583	234,866
Total			1,690,969
<b>State Dept of Health Services</b>			
Childhood Lead Poisoning Prevention	93.197	03-27851	(1)
Childhood Lead Poisoning Prevention	93.197	05-45143	213,178
Childhood Lead Poisoning Prevention	93.197	05-45143	75,000
Total			288,177
Immunization Subvention	93.268	05-45409	165,339
Immunization Subvention	93.268	06-55180	50,000
Total			215,339
Childhood Health and Disability	93.778	CHDP-EPSDT	14,536
Childhood Health and Disability	93.778	CHDP-EPSDT	436,459
Childhood Health and Disability	93.778	CHDP-EPSDT	133,000
Total			583,995
Medical Gateway	93.778	CHDP-EPSDT	(94,477)
Medical Gateway	93.778	CHDP-EPSDT	211,399
Medical Gateway	93.778	CHDP-EPSDT	58,395
Total			175,317
Children in Foster Care	93.778	HEPCFC-FY 04-06	86,709
Children in Foster Care	93.778	HEPCFC-FY 05-07	25,600
Total			112,309
Nursing MAA Claiming	93.778	—	394,298
Nursing MAA Claiming	93.778	—	150,000
Total			544,298
Nursing TCM Claiming	93.778	—	43,813
Nursing TCM Claiming	93.778	—	73,506
Nursing TCM Claiming	93.778	—	12,004
Total			129,323
Targeted Case Mgmt – Community	93.778	—	(28,545)
MAA / TCM Administration	93.778	—	24,094
MAA / TCM Administration	93.778	—	14,000
Total			38,094
Total expenditures	93.778		1,554,791
Maternal and Child Health Svcs Allocation	93.994	200460	(5,008)
Maternal and Child Health Svcs Allocation	93.994	200560	252,872
Maternal and Child Health Svcs Allocation	93.994		120,000
Total			367,864

**CITY OF LONG BEACH**  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2006

Federal Grantor Pass through Agency Program Title	Federal CFDA number	Grant ID number	Expenditures charged to grants
<b>Dept of Health and Human Services:</b>			
<b>State Dept of Health Services:</b>			
MCH Black Infant Health	93.994	200460	\$ 5,393
MCH Black Infant Health	93.994	200560	439,536
MCH Black Infant Health	93.994		95,000
Total			539,929
Total expenditures	93.994		907,793
AIDS Community Ed and Prevention	93.940	04-35356	(194,967)
AIDS Community Ed and Prevention	93.940	04-35356 PREV 04-59	443,062
AIDS Community Ed and Prevention	93.940	04-35356 PREV 04-59	63,996
Total			312,091
Alternative Test Sites	93.940	04-35356 HIV 04-59	2,713
Alternative Test Sites	93.940	04-35356 HIV 04-59	106,874
Alternative Test Sites	93.940	04-35356 HIV 04-59	29,058
Total			138,645
Early Intervention Project	93.940	04-35356 EIP 04-59	340,946
Early Intervention Project	93.940	04-35356 EIP 04-59	115,640
Total			456,586
AIDS Surveillance	93.940	04-35356 SP 04-59	163,443
AIDS Surveillance	93.940	04-35356 SP 04-59	65,339
Total			228,782
Testing Outreach Education	93.940	04-35356 PREV 04-59	76,867
Testing Outreach Education	93.940	04-35356 PREV 04-59	22,933
Total			99,800
HIV High Risk Behavior	93.940	04-35356 PREV 04-59	251,115
HIV High Risk Behavior	93.940	04-35356 PREV 04-59	21,514
Total			272,629
<b>County of Los Angeles:</b>			
HIV/AIDS Education and Risk Reduction	93.940	212369-1	(3,266)
HIV/AIDS Education and Risk Reduction	93.940	H701036	120,174
HIV/AIDS Education and Risk Reduction	93.940	H701036	36,143
Total			153,051
Total expenditures	93.940		1,661,584
Family Support	93.556	29755	24,618
Family Support	93.556	29755	5,973
Total			30,591
Family Services / CNA	93.556	70906	38,996
Family Services / CNA	93.556	70906	18,577
Total			57,573
Total expenditures	93.556		88,164

## CITY OF LONG BEACH

## Schedule of Expenditures of Federal Awards

Year ended September 30, 2006

Federal Grantor Pass through Agency Program Title	Federal CFDA number	Grant ID number	Expenditures charged to grants
<b>Dept of Health and Human Services:</b>			
<b>County of Los Angeles:</b>			
AIDS Case Management	93.915	H210813-5	\$ 15,637
AIDS Case Management	93.915	H210813-6	106,360
AIDS Case Management	93.915	H210813-6	84,398
Total			206,395
AIDS EIP Outpatient Medical	93.915	H209210-5	18,361
AIDS EIP Outpatient Medical	93.915	H209210-6	37,063
AIDS EIP Outpatient Medical	93.915	H209210-6	40,854
Total			96,278
Total expenditures	93.915		302,673
<b>Dept of Homeland Security:</b>			
Assistance to Firefighters	97.044	EMW-2005-FG-19340	708,406
TSA Ports Grant Round 4	97.056	HSTS04-04-G-GPS575	12,896
TSA-POLA Operation Safe Commerce	97.058	2300	9,796
<b>State Office of Homeland Security:</b>			
Enhancement of Emergency Operations	97.004	2004-GE-T4-0045	476,554
** Urban Area Security Initiative Phase 2	97.008	2003-EU-T3-0023	1,042,423
** Urban Area Security Initiative Phase 3	97.008	2004-TU-T4-0014	6,225,426
** Urban Area Security Initiative Phase 4	97.008	2005-15	1,976,239
Total			9,244,088
State Homeland Security Grant	97.073	—	414,186
Law Enforcement Terrorism Prev'n Prgm	97.074	—	74,371
2005 Winter Storm ( January )	97.036	FEMA 1577	16,357
2005 Winter Storm ( February )	97.036	FEMA 1585	43,601
Total			59,958
** Hazard Mitigation Pub Safety Bldg	97.039	FEMA 1008 HMG 3132	3,286,360
Housing Assist-Katrina Disaster	97.N/A	CA068KD	7,884
<b>Total federal expenditures</b>			<b>\$ 139,831,645</b>

\*\* Denotes major program.

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

## **CITY OF LONG BEACH, CALIFORNIA**

### **Notes to Schedule of Expenditures of Federal Awards**

Year ended September 30, 2006

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards 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 of the notes to the City's basic financial statements.

**(2) Basis of Accounting**

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

**(3) Relationship to Federal Financial Reports**

Total expenditure amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the total expenditure amounts reported in the related federal financial reports.

**(4) Food Instruments/Vouchers**

Food instruments/vouchers expenditures represent the value of the Women, Infants and Children (WIC) food instruments as communicated by the State Department of Health Services distributed during the year. The food instruments/vouchers totaled \$18,802,148 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2006.

# CITY OF LONG BEACH, CALIFORNIA

## Schedule of Findings and Questioned Costs

Year ended September 30, 2006

### (1) Summary of Auditors' Results

#### (a) Basic Financial Statements

The type of auditors' report issued on the basic financial statements: **Unqualified opinion.**

Internal control over financial reporting:

- Material weaknesses identified in internal control over financial reporting: **None noted.**
- Reportable conditions identified in internal control over financial reporting that are not considered to be material weaknesses: **None reported.**

Noncompliance which is material to the basic financial statements: **None noted.**

#### (b) Federal Awards

Internal control over major programs:

- Material weaknesses identified in internal control over major programs: **Yes, see Findings 06-4, 06-6 and 06-7.**
- Reportable conditions in internal control over major programs that are not considered to be material weaknesses: **Yes, see Findings 06-1, 06-2, 06-3 and 06-5.**

The type of report issued on compliance for major programs:

- Women, Infants, and Children/Children Nutrition Network – Unqualified
- Housing Assistance Program-Voucher – Unqualified
- Urban Areas Security Initiative – Unqualified
- Hazard Mitigation Grant Program – Qualified
- Homeless Supportive Housing Program – Qualified

Any audit findings which are required to be reported in accordance with Section 510(a) of OMB Circular A-133: **Yes, see Findings 06-1 through 06-7.**

The following programs have been identified as major programs:

- Department of Agriculture:
  - State Department of Health Services:
    - CFDA 10.557 – Women, Infants, and Children/Children Nutrition Network
- Department of Housing and Urban Development:
  - CFDA 14.871 – Housing Assistance Program-Voucher
  - CFDA 14.235 – Homeless Supportive Housing Program



**CITY OF LONG BEACH, CALIFORNIA**

**Schedule of Findings and Questioned Costs**

**Year ended September 30, 2006**

- Department of Justice:
  - CFDA 16.011 – Urban Areas Security Initiative Program
- Department of Homeland Security
  - State Office of Homeland Security
    - CFDA 97.008 – Urban Areas Security Initiative Program
    - CFDA 97.039 – Hazard Mitigation Grant Program

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

Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: No.

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

None noted.

**CITY OF LONG BEACH, CALIFORNIA**

Schedule of Findings and Questioned Costs

Year ended September 30, 2006

**(3) Summary of Current Year Findings and Recommendations Relating to Federal Awards**

**Finding 06-1 – Suspension and Debarment**

***Program Information***

***Federal Programs:***

Urban Areas Security Initiative Program (UASI Program), CFDA Nos. 97.008 and 16.011

Hazard Mitigation Grant Program (HMG Program), CFDA No. 97.039

***Federal Grant Award Numbers and Years:***

**UASI Program**

2004-EU-T3-0046	December 1, 2003 – November 30, 2004
2003-23, OES ID #037-43000	July 1, 2003 – December 31, 2006
2004-14, OES ID #037-43000	December 1, 2003 – February 28, 2007
2005-15, OES ID #037-43000	October 1, 2004 – March 31, 2007

**HMG Program**

FEMA-DR-1008-CA, HMGP 1008-3132      August 19, 1998 – March 16, 2005

***Federal Agency:***

UASI Program – U.S. Department of Homeland Security, U.S. Department of Justice

HMG Program – U.S. Department of Homeland Security

***Pass-through Agency:***

UASI and HMG Programs – U.S. State Office of Homeland Security

***Specific Requirement***

**UASI and HMG Programs**

TITLE 28-JUDICIAL ADMINISTRATION, CHAPTER I DEPARTMENT OF JUSTICE, PART 66-UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C-Post-Award Requirements, Sec. 66.35 and TITLE 44-EMERGENCY MANAGEMENT AND ASSISTANCE, CHAPTER I – FEDERAL EMERGENCY MANAGEMENT AGENCY, PART 13 – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C – Post-Award Requirements, Sec. 13.35:

## CITY OF LONG BEACH, CALIFORNIA

### Schedule of Findings and Questioned Costs

Year ended September 30, 2006

Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

#### OMB A-133 Compliance Supplement

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Under nonprocurement suspension and debarment rules in effect prior to November 26, 2003, covered transactions included procurement contracts for goods or services equal to or in excess of \$100,000 (the small purchase or simplified acquisition threshold). A change in the nonprocurement suspension and debarment rule took effect on November 26, 2003. As of that date "covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. §\_\_220 of the governmentwide nonprocurement debarment and suspension common rule contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions—this was the case before November 26, 2003, and was not changed by the revised rules.

Under rules in effect prior to November 26, 2003, contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. Effective November 26, 2003, when a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (§\_\_300).

#### *Condition*

##### UASI and HMG Programs

We inspected all procurement contracts, of the UASI and HMG programs' covered transactions, and determined that the vendors and subrecipients were not federally suspended or debarred. However, the City did not have internal controls in place prior to August 2006 to ensure that vendors and subrecipients receiving federal funds were not federally suspended or debarred.

#### *Questioned Costs*

None

#### *Cause and Effect*

At the time of the UASI and HMG contract subawards, Management indicated that the City was not aware that contractors receiving individual federal awards for \$25,000 and all subrecipients could not be federally suspended or debarred. As such, the City had not yet implemented internal controls to comply with federal procurement, suspension and debarment requirements.

## CITY OF LONG BEACH, CALIFORNIA

### Schedule of Findings and Questioned Costs

Year ended September 30, 2006

#### *Recommendation*

We recommend that the City continue to verify, prior to making any awards or permitting any awards (subgrant or contract), that all contractors and subrecipients receiving federal awards for \$25,000 or more are not federally suspended or debarred. The City should maintain documentation of such verification in their procurement files.

#### *Views of responsible officials and planned corrective actions*

This finding was previously noted by KPMG in the City of Long Beach's Single Audit for FY 2005. In August 2006, the City instituted numerous internal control procedures to comply with Federal requirements. The Department of Financial Management worked with the Federal government to obtain and download a copy of the EPLS database and match it to all existing vendors in FAMIS/ADPICS and was able to confirm that Federal monies were not paid to vendors on the debarred and suspended list. On September 8, 2006, the City of Long Beach's Department of Financial Management drafted an amended Financial Policies and Procedures 5-1 (FPP5-1) *Policy for Grants Processing* to include specific reference to the Federal Excluded Parties List System and the need for Departments to check this list during the vendor selection process for the purpose of confirming vendors' eligibility prior to awarding new contracts. The City has done matches subsequent to September 2006 and will continue to do future matches on a monthly or quarterly basis, as time permits.

As an added measure, we also amended the City's Accounting and Purchasing procedures to require that new vendors are checked against the EPLS database before they are issued a vendor ID or added to the City's financial system. The City will also implement a mandatory training program appropriate for all employees involved in administering grants to achieve improved productivity and efficiency. Lastly, to assure full compliance, the City Controller will work closely with the City's Purchasing Agent to further amend the City's purchasing processes so that all future procurement contracts that are equal to or exceeding \$25,000 include language, which would officially certify that contracting entities and/or their principals are not suspended or debarred. In the case of existing vendors actively using federal monies, the City Controller will work with the City Attorney's Office and the City's Purchasing Agent on the feasibility of issuing contract addendums to comply with Suspension and Debarment requirements.

It is important to note that KPMG and the City staff did not find that the City of Long Beach contracted with any suspended or debarred parties during fiscal years 2005 and 2006. Although the amended FPP5-1 *Policy for Grants Processing* is still in the distribution phase, appropriate policies and internal control procedures indicated therein are now in place and currently being implemented.

# CITY OF LONG BEACH, CALIFORNIA

## Schedule of Findings and Questioned Costs

Year ended September 30, 2006

### Finding 06-2 – Reporting

#### Program Information

##### Federal Program:

Urban Areas Security Initiative Program (UASI Program), CFDA Nos. 97.008 and 16.011

##### Federal Grant Award Numbers and Years:

2004-EU-T3-0046	December 1, 2003 – November 30, 2004
2003-23, OES ID #037-43000	July 1, 2003 – December 31, 2006
2004-14, OES ID #037-43000	December 1, 2003 – February 28, 2007
2005-15, OES ID #037-43000	October 1, 2004 – March 31, 2007

##### Federal Agency:

U.S. Department of Homeland Security, U.S. Department of Justice

##### Pass-through Agency:

State Office of Homeland Security

#### Specific Requirement

TITLE 28 – JUDICIAL ADMINISTRATION, CHAPTER I – DEPARTMENT OF JUSTICE, PART 66\_UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C\_Post-Award Requirements, Sec. 66.42 Retention and access requirements for records:

- (a) Applicability. (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:
  - (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
  - (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement.
- (b) Length of retention period. (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.
- (c) Starting date of retention period – (1) General. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its

## CITY OF LONG BEACH, CALIFORNIA

### Schedule of Findings and Questioned Costs

Year ended September 30, 2006

final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.

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

#### ***Condition***

The City is required to submit a BISR semi-annually for each grant award under the UASI program. We inspected a total of five BISR reports, representing 100% of the BISR report population during the current year. However, management could not provide supporting documentation to verify the accuracy of the information reported to the pass-through agency.

#### ***Questioned Costs***

None

#### ***Cause and Effect***

Management indicated that information and amounts on the federal reports were obtained from the various agencies under the program and then adjusted, when necessary, based on more recent and current information available at the time the report was submitted. These calculations and amounts were not fully documented or traceable to any worksheet or other supporting documentation maintained by the City. Failure to properly maintain underlying supporting documents, worksheets and/or calculations to support reports submitted to the federal government may result in inaccurate federal reporting.

#### ***Recommendation***

We recommend that the City strengthen their internal control process to ensure that underlying supporting documentation and/or supporting calculations for the program's reports are retained.

#### ***Views of responsible officials and planned corrective actions***

The Disaster Management Division of the City's Fire Department will strengthen internal control processes to ensure that underlying documentation and/or supporting calculations for the program's reports are maintained and kept on file. Moreover, the City's Department of Financial Management will monitor this activity to ensure compliance with Federal requirements and the City of Long Beach's Financial Policy and Procedure FPP5-1, *Policy for Grants Processing* which states in Section V.E.1 and 2(c) under Grants Administration:

1. The initiating department shall have primary responsibility for grant administration. Staff for the initiating department shall serve as the liaison with the granting agency, coordinate activities necessary for successful program performance, maintain program performance data, cause the preparation of all reports required by the granting agency and forward the reports to the granting

## **CITY OF LONG BEACH, CALIFORNIA**

### **Schedule of Findings and Questioned Costs**

**Year ended September 30, 2006**

agency. The initiating department shall contact Financial Management, Grants Accounting Division, for assistance in setting up the necessary financial records, coding and procedures in support of the grant. The maintenance of these records will be coordinated by Grants Accounting. The initiating department may delegate a portion of its financial record-keeping responsibility to the Grants Accounting Division by mutual agreement.

2. The initiating department shall take the following action:

Tracking and recording all expenditures and ensuring that only those expenditures that are eligible under the terms of the grant are charged against the grant.

Moreover, the City will implement a mandatory training program appropriate for all employees involved in administering grants, a move that is intended to achieve improved productivity and efficiency.

# CITY OF LONG BEACH, CALIFORNIA

## Schedule of Findings and Questioned Costs

Year ended September 30, 2006

### Finding 06-3 – Procurement

#### *Program Information*

##### *Federal Program:*

Hazard Mitigation Grant Program, CFDA No. 97.039

##### *Federal Grant Award Number and Years:*

FEMA-DR-1008-CA, HMGP 1008-3132      August 19, 1998 – March 16, 2005

##### *Federal Agency:*

U.S. Department of Homeland Security

##### *Pass-through Agency:*

State Office of Homeland Security

#### *Specific Requirement*

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

TITLE 44 – EMERGENCY MANAGEMENT AND ASSISTANCE, CHAPTER I – FEDERAL EMERGENCY MANAGEMENT AGENCY, DEPARTMENT OF HOMELAND SECURITY, PART 13 UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C Post-Award Requirements, Sec. 13.36:

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



## CITY OF LONG BEACH, CALIFORNIA

### Schedule of Findings and Questioned Costs

Year ended September 30, 2006

- (i) Contract provisions. A grantee's and subgrantee's contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy.
- (4) Compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR Part 3).  
(All contracts and subgrants for construction or repair)
- (7) Notice of awarding agency requirements and regulations pertaining to reporting.
- (8) Notice of awarding agency requirements and regulations pertaining to patent rights with respect to any discovery or invention which arises or is developed in the course of or under such contract.
- (10) Access by the grantee, the subgrantee, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions.
- (13) Mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871).

#### ***Condition***

The City's procurement policies and procedures do not include the required information noted above in 44CFR Section 13.36, Subsections b-1, f-2, i-4, i-7 and i-8 and i-10 and i-13.

#### ***Questioned Costs***

None

#### ***Cause and Effect***

The City's Department of Public Works follows the Cal-Trans Procurement Policy. However, the Cal-Trans Procurement Policy does not include all required information noted in 44CFR Section 13.36, resulting in noncompliance with federal procurement guidelines.

#### ***Recommendation***

We recommend that the City's procurement policies and procedures, when procuring goods and services with federal funds, meet federal procurement requirements as outlined in 44CFR Section 13.36.

#### ***Views of responsible officials and planned corrective actions***

The City's Department of Public Works and Department of Financial Management will work together to ensure compliance with A 102 Common Rule 44CFR Section 13.36, Subsections b-1, f-2, i-4, i-7 and i-8 and i-10 through i-13 Post-Award Requirements. The Department of Public Works' current policy is to follow the Cal-Trans Procurement Policy. The departments will review the Cal-Trans Policy to assure it

**CITY OF LONG BEACH, CALIFORNIA**

**Schedule of Findings and Questioned Costs**

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adheres to all the Federal requirements. The Department of Financial Management will work closely with the Department of Public Works in monitoring their procurement policy to ensure compliance in all contracts. The Department of Financial Management will also amend the City of Long Beach's Financial Policy and Procedure FPP5-1, Policy for Grants Processing to include language under "Section D. Grant Notification, to clearly explain the procurement policy for Federal grants.

Moreover, the City will implement a mandatory training program appropriate for all employees involved in administering grants, a move that is intended to achieve improved productivity and efficiency.

## CITY OF LONG BEACH, CALIFORNIA

### Schedule of Findings and Questioned Costs

Year ended September 30, 2006

#### **Finding 06-4 – Davis Bacon Payroll Certification**

##### ***Program Information***

###### *Federal Program:*

Hazard Mitigation Grant Program, CFDA No. 97.039

###### *Federal Grant Award Number and Years:*

FEMA-DR-1008-CA, HMGP 1008-3132      August 19, 1998 – March 16, 2005

###### *Federal Agency:*

U.S. Department of Homeland Security

###### *Pass-through Agency:*

State Office of Homeland Security

##### ***Specific Requirement***

TITLE 29-LABOR, PART 3 CONTRACTORS AND SUBCONTRACTORS ON PUBLIC BUILDING OR PUBLIC WORK FINANCED IN WHOLE OR IN PART BY LOANS OR GRANTS FROM THE UNITED STATES, Sec. 3.3, Weekly statement with respect to payment of wages:

- (a) As used in this section, the term employee shall not apply to persons in classifications higher than that of laborer or mechanic and those who are the immediate supervisors of such employees.
  - (b) Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this chapter during the preceding weekly payroll period. This statement shall be executed by the contractor or subcontractor or by an authorized officer or employee of the contractor or subcontractor who supervises the payment of wages, and shall be on form WH 348, "Statement of Compliance", or on an identical form on the back of WH 347, "Payroll (For Contractors Optional Use)" or on any form with identical wording. Sample copies of WH 347 and WH 348 may be obtained from the Government contracting or sponsoring agency, and copies of these forms may be purchased at the Government Printing Office.
- 
- (c) The requirements of this section shall not apply to any contract of \$2,000 or less.

##### ***Condition***

We selected three of the four construction contracts to review for compliance with the Davis Bacon Act requirements. Of the 15 certified payrolls and 60 employees selected for testwork, management was not able to provide documentation to support that the contractors submitted 10 certified payrolls and that the

## **CITY OF LONG BEACH, CALIFORNIA**

### **Schedule of Findings and Questioned Costs**

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contractors had paid 40 of their employees the prevailing labor wages in compliance with the Davis Bacon Act.

#### ***Questioned Costs***

Unknown

#### ***Cause and Effect***

Management indicated that this finding is attributed to lack of document retention. Lack of documentation (i.e. certified payrolls) to support that all laborers and mechanics employed by contractors are paid, at a minimum, the prevailing labor wages at the time of the award could result in noncompliance with federal requirements.

#### ***Recommendation***

We recommend that the City implement policies and procedures that require all construction contractors federally funded and with contract amounts over \$2,000 to periodically submit to the City a copy of the payroll and a statement of compliance with the Davis Bacon Act. Further, we recommend that the City retain all documentation supporting their compliance with the Davis Bacon Act requirements pertaining to certified payrolls and prevailing labor wages.

#### ***Views of responsible officials and planned corrective actions***

The City's Department of Financial Management will work closely with the Department Public Works to ensure compliance with the Davis Bacon Act. The Department of Public Works will document their adherence to the federal policy on all construction contracts federally funded with payroll expenditures over \$2,000. All documentation will be permanently kept with the project documentation within the Department of Public Works. The Department of Financial Management will require a certification from the Department of Public Works that the documentation required to conform with the Davis Bacon Act has been reviewed and filed within the Department of Public Works prior to any invoice being processed for a federally funded construction project.

Moreover, the City will implement a mandatory training program appropriate for all employees involved in administering grants, a move that is intended to achieve improved productivity and efficiency.

**CITY OF LONG BEACH, CALIFORNIA**

**Schedule of Findings and Questioned Costs**

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**Finding 06-5 – Eligibility**

***Program Information***

***Federal Program:***

Homeless Supportive Housing Program, CFDA No. 14.235

***Federal Award Numbers and Years***

<b>Award Numbers</b>	<b>Award Dates</b>
CA16B106-004	August 1, 2003 – July 31, 2006
CA16B506-022	August 1, 2006 – July 31, 2007
CA16B306-008	December 1, 2004 – November 30, 2005
CA16B306-007	December 1, 2004 – November 30, 2005
CA16B406-012	February 1, 2005 – January 31, 2006
CA16B406-013	April 1, 2005 – March 31, 2006
CA16B406-003	April 1, 2005 – March 31, 2006
CA16B006-004	November 1, 2001 – October 31, 2006
CA16B406-004	December 1, 2005 – November 30, 2006
CA16B406-010	December 1, 2005 – November 30, 2006
CA16B506-010	April 1, 2006 – March 31, 2007
CA16B106-010	December 1, 2003 – November 30, 2007
CA16B406-015	June 1, 2005 – May 31, 2006
CA16B906-008	June 1, 2001 – October 31, 2005
CA16B006-009	February 1, 2002 – January 31, 2006
CA16B506-019	June 1, 2006 – May 31, 2007

***Federal Agency:***

U.S. Department of Housing and Urban Development

***Specific requirement***

TITLE 24 – HOUSING AND URBAN DEVELOPMENT, CHAPTER V – OFFICE OF ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, PART 583\_SUPPORTIVE HOUSING PROGRAM, Subpart A\_General, Sec. 583.5 Definitions:

Homeless person means an individual or family that is described in section 103 of the McKinney Act (42 U.S.C. 11302).

## **CITY OF LONG BEACH, CALIFORNIA**

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Per Title IV, Subtitle C, Section 103 of the McKinney-Vento Homeless Assistance Act (42 USC 11301), a homeless individual or homeless family includes: (1) an individual who lacks a fixed, regular, and adequate nighttime residence; and (2) an individual who has primary nighttime residence that is:

- a) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);
- b) an institute that provides a temporary residence for individuals intended to be institutionalized; or
- c) a public or private place not designated for, or ordinarily used as, a regular sleeping accommodation for human beings.

#### ***Condition***

During procedures performed over the City's eligibility requirements, we noted that the City has established controls over the review of the client's eligibility files through a random quality control inspection. However, no actual inspections were made since April 2006.

Furthermore, out of the 60 client files tested for eligibility, management was unable to provide two of the client files requested.

#### ***Questioned Costs***

None

#### ***Cause and Effect***

Management indicated that the lack of the eligibility quality control review since April 2006 is attributed to staff turnover. Further, management states that there are no eligibility files for the two clients in question because they were not in fact program clients, even though they were in the City's eligibility database. However, management was not able to provide documentation to support that the two clients in question were not program clients.

The lack of eligibility quality control review and eligibility document retention may result in the City's noncompliance with federal eligibility requirements.

#### ***Recommendation***

We recommend that the City ensure that policies and procedures in place over the eligibility requirement are implemented and are operating effectively. Further, eligibility determinations and related supporting documents should also be properly documented and retained.

#### ***Views of responsible officials and planned corrective actions***

The City's Human and Social Services Bureau does have a Quality Assurance Process for the Multi Service Center (MSC) and is implemented by the MSC Coordinator. The position has been vacant since April 2006 and was being implemented prior to the vacancy. The position has been filled and the City fully intends to reinstate the Quality Assurance Process when the new MSC Coordinator starts on July 16, 2007.

**CITY OF LONG BEACH, CALIFORNIA**

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The Financial Management Department will work with the program staff of the Health Department to develop an approach in accomplishing the task of providing sufficient quality control review that are up to the standards required by the federal agency during all staffing levels. Moreover, the City will implement a mandatory training program appropriate for all employees involved in administering grants, a move that is intended to achieve improved productivity and efficiency.

# CITY OF LONG BEACH, CALIFORNIA

## Schedule of Findings and Questioned Costs

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### Finding 06-6 – Subrecipient Monitoring – During-the-Award Monitoring

#### *Program Information*

##### *Federal Program:*

Homeless Supportive Housing Program, CFDA No. 14.235

##### *Federal Award Numbers and Years*

<u>Awards Numbers</u>	<u>Award Dates</u>
CA16B406-007	October 1, 2005 – September 30, 2006
CA16B406-014	April 1, 2005 – March 31, 2006
CA16B506-005	April 1, 2006 – March 31, 2007
CA16B906-003	January 1, 2002 – December 31, 2005
CA16B406-021	January 1, 2006 – January 31, 2007
CA16B006-007	June 1, 2002 – May 31, 2007
CA16B406-018	October 1, 2005 – September 30, 2007
CA16B306-006	July 1, 2004 – June 30, 2006
CA16B406-023	July 1, 2006 – January 31, 2008
CA16B106-011	May 1, 2003 – April 30, 2006
CA16B506-009	May 1, 2006 – April 30, 2007
CA16B406-009	February 1, 2005 – January 31, 2006
CA16B506-008	February 1, 2006 – January 31, 2007

##### *Federal Agency:*

U.S. Department of Housing and Urban Development

##### *Specific Requirement:*

TITLE 24 – HOUSING AND URBAN DEVELOPMENT, PART 85\_ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS, Subpart C\_Post-Award Requirements, Sec. 85.40, Monitoring and reporting program performance:

- (a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

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##### *Condition*

The City granted Homeless Supportive Housing Program subawards to 14 subrecipients during the fiscal year under audit. The subrecipients may determine eligibility of potential participants and also provide emergency shelter, transitional and/or permanent housing in conjunction with supportive services to homeless individuals. The City did not monitor 5 of the 14 subrecipients' compliance with the federal eligibility requirements.



## CITY OF LONG BEACH, CALIFORNIA

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#### *Questioned Costs*

None

#### *Cause and Effect*

Management indicated that the lack of the subrecipient monitoring was attributed to the lack of staff and staff turnover in the recent fiscal year. The lack of programmatic reviews over subgrantee activities involving the review of eligibility files could result in noncompliance with federal subrecipient monitoring requirements.

#### *Recommendation*

We recommend that policies and procedures be implemented regarding programmatic reviews over the City's subrecipients to help ensure compliance with the federal eligibility requirements.

#### *Views of responsible officials and planned corrective actions*

Eligibility for SHP programs are accomplished by the universal use of the Homeless Verification Form, developed by the City and approved by HUD. All subrecipients funded through the Long Beach Continuum of Care (CoC) are required by contract to use the form for homeless verification. The form has been distributed to all subrecipients and discussed at the CoC mandatory trainings. The Monitoring Guideline Manual, which contains the form is distributed to all subrecipients at the initial contract and is updated as needed throughout the year. For all subrecipients located at the Multi-Service Center (MSC), the homeless verification forms are completed as part of the general intake paper done through city employed intake workers. Note that of the 14 subrecipients audited, 9 are located at the Multi-Service Center (MSC). The 5 subrecipients at the remote locations are required to use the standard form and attend the mandatory CoC training. The City's Human and Social Services Bureau does do site visits reviewing a three page list of points on the condition of the facility such as beds filled, services occurring, site clean etc and a financial review is also completed.

The Health Department and Financial Management Department will work together to review the existing Monitoring Guideline Manual and ensure it complies with federal requirements for subrecipient monitoring particularly as it relates to eligibility determinations. Moreover, the City will implement a mandatory training program appropriate for all employees involved in administering grants, a move that is intended to achieve improved compliance and efficiency.

# CITY OF LONG BEACH, CALIFORNIA

## Schedule of Findings and Questioned Costs

Year ended September 30, 2006

### Finding 06-7 – Subrecipient Monitoring

#### Program Information

##### *Federal Program:*

Homeless Supportive Housing Program, CFDA No. 14.235

##### *Federal Award Numbers and Years*

<u>Award Numbers</u>	<u>Award Dates</u>
CA16B106-009	November 1, 2003 - October 31, 2006
CA 16B306-002	November 1, 2005 - October 31, 2007
CA16B206-001	January 1, 2005 - December 31, 2007
CA16B206-002	January 1, 2005 - December 31, 2007

##### *Federal Agency:*

U.S. Department of Housing and Urban Development

Specific Requirement: TITLE 24-HOUSING AND URBAN DEVELOPMENT, CHAPTER V – OFFICE OF ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, PART 583\_SUPPORTIVE HOUSING PROGRAM, Subpart D, Program Requirements, Sec. 583.330, Applicability of other Federal requirements, in addition to the requirements set forth in 24 CFR part 5, use of assistance provided under this part must comply with the following Federal requirements:

- (e) Conflicts of interest. (1) In addition to the conflict of interest requirements in 24 CFR part 85, no person who is an employee, agent, consultant, officer, or elected or appointed official of the recipient and who exercises or has exercised any functions or responsibilities with respect to assisted activities, or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for himself or herself or for those with whom he or she has family or business ties, during his or her tenure or for one year thereafter. Participation by homeless individuals who also are participants under the program in policy or decision-making under Sec. 583.300(f) does not constitute a conflict of interest.

TITLE 24 – HOUSING AND URBAN DEVELOPMENT, PART 85\_ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS, Subpart C\_Post-Award Requirements, Sec. 85.40, Monitoring and reporting program performance:

- (a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

## **CITY OF LONG BEACH, CALIFORNIA**

### **Schedule of Findings and Questioned Costs**

Year ended September 30, 2006

#### ***Condition***

The City Auditor's Office noted a conflict of interest issue related to one of the City's subrecipients. Based on a title search conducted as part of an external fraud investigation, properties leased by the City's subrecipient are either owned by the subrecipient's president or a direct family member. The property leases were part of the subrecipient's reimbursement request to the City for the Homeless Supportive Housing Program.

Upon discovery of the subrecipient's conflict of interest in December 2006, the City Attorney and City Auditor's offices had engaged an independent CPA firm to conduct a fraud investigation. Additionally, the City's Financial Management Department is aware of the conflict of interest issue and has withheld all further payments to the subrecipient in question.

Lastly, the City was not able to obtain the latest single audit report from the subrecipient in question, despite two requests sent by the City as part of their monitoring process. The last single audit report received was for the period ended December 31, 2004. In that report, the subrecipient expended over \$500,000 in federal funds.

#### ***Questioned Costs***

\$445,603 (Total Homeless Supportive Housing Program grant expenditures reimbursed to the subrecipient in question. This amount represents approximately 10% of the total Homeless Supportive Housing Program federal expenditures totaling \$4,506,840.)

#### ***Cause and Effect***

Management indicated that this finding is attributed to the subrecipient's noncompliance with conflict of interest federal regulations. The subrecipient's actions resulted in a violation of the conflict of interest federal requirement.

#### ***Recommendation***

We recommend that the City continue to monitor the external fraud investigation being performed, and to further improve current policies and procedures over subrecipient monitoring to ensure compliance with federal conflict of interest requirements.

#### ***Views of responsible officials and planned corrective actions***

The City Attorney's Office in conjunction with the City Auditor's Office is investigating the violation of Federal conflict of interest requirements by the subrecipient in question. In addition, both offices engaged an independent CPA firm to conduct a fraud investigation and review the financial documents and recordkeeping for the subrecipient. Additional payments to the subrecipient have been withheld pending the results of this investigation. The City has informed the Federal Housing and Urban Development Department of this issue and has met with HUD to provide an update of the status of the investigation. The City also disclosed to HUD its current decision to withhold further reimbursement from the subrecipient and HUD agreed with that approach. The City will continue to monitor the situation closely and will continue to keep HUD apprised of the situation.

**CITY OF LONG BEACH, CALIFORNIA**

**Schedule of Findings and Questioned Costs**

**Year ended September 30, 2006**

In addition, the City's Department of Financial Management will work closely with the Health Department to ensure compliance with Federal requirements for subrecipient monitoring.

On September 8, 2006, the City's Department of Financial Management drafted an amendment to the City's Financial Policy and Procedure FPP5-1, *Policy for Grants Processing* under "Section E. Grant Administration, Subsection 3(b). Federal Grants" which clearly described the responsibilities of pass-through entities.

Finally, the City will implement a mandatory training program appropriate for all employees involved in administering grants, a move that is intended to achieve improved productivity and efficiency.

## CITY OF LONG BEACH

## Asset Forfeiture Program

## Statement of Program Receipts, Expenditures and Changes in Fund Balance

Year ended September 30, 2006

(Unaudited)

	U.S. Department		
	Justice funds	Treasury funds	Total
Fund balance at October 1, 2005	\$ 793,019	954,099	1,747,118
Program receipts:			
Federal funds received	52,830	—	52,830
Interest income accrued	24,147	33,584	57,731
Total program receipts	76,977	33,584	110,561
Program expenditures:			
Public safety	302,395	220,353	522,748
Fund balance at September 30, 2006	\$ 567,601	767,330	1,334,931

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

## CITY OF LONG BEACH

## Spousal Abuser Prosecution Program

Reconciliation of Financial Activity  
for all Grants with Activity

Years ended September 30, 2006, 2005 and 2004

(Unaudited)

		Grant activity		
	Cumulative	FY 2006	FY 2005	FY 2004
Grant Award No. : 04 SA11F009				
Cash receipts	\$ 43,557	8,860	34,697	—
Expenditures:				
To Grant : Staff	\$ 43,557	—	36,865	6,692
Match : Staff	23,919	—	16,260	7,659
Operational	203	—	203	—
Total expenditure	\$ 67,679	—	53,328	14,351
Grant Award No. : 05 SA12F009				
Cash receipts	\$ 43,557	43,557	—	—
Expenditures:				
To Grant : Staff	\$ 43,557	29,885	13,672	—
Match : Staff	25,623	21,952	3,671	—
Operational	360	292	68	—
Total expenditure	\$ 69,540	52,129	17,411	—
Grant Award No. : 06 SA13F009				
Cash receipts	\$ —	—	—	—
Expenditures:				
To Grant : Staff	\$ 13,339	13,339	—	—
Match : Staff	3,103	3,103	—	—
Operational	—	—	—	—
Total expenditure	\$ 16,442	16,442	—	—
Total City Expenditures for Program in FY 2006		\$ 68,571		

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

## CITY OF LONG BEACH

State of California, Business, Transportation and Housing Agency  
Office of Traffic Safety

## Schedule of Revenue and Expenditures

Years ended September 30, 2006, 2005 and 2004

(Unaudited)

Grant Title : Long Beach Family Safety

Initiative

Grant No : CB0403

Grant Award : \$330,000

		Grant activity		
	Cumulative	FY 2006	FY 2005	FY 2004
Total expenditures	\$ 323,490	—	166,876	156,614
Cash receipts	323,490	49,525	153,511	120,454
Receivable (deferred)	\$ —	(49,525)	13,365	36,160

Grant Title : Long Beach Family Safety

Initiative

Grant No : OP0601

Grant Award : \$376099

		Grant activity		
	Cumulative	FY 2006	FY 2005	FY 2004
Total expenditures	\$ 131,120	131,120	—	—
Cash receipts	39,761	39,761	—	—
Receivable (deferred)	\$ 91,359	91,359	—	—

Grant Sobriety Checkpoint

Grant No : AM05087

Grant Award : \$35460

		Grant activity		
	Cumulative	FY 2006	FY 2005	FY 2004
Total expenditures	\$ 35,460	11,554	23,906	—
Cash receipts	35,460	35,460	—	—
Receivable (deferred)	\$ —	(23,906)	23,906	—

Grant Title : Pedestrian Countdown

Grant No : PS0507

Grant Award : \$70,000

		Grant activity		
	Cumulative	FY 2006	FY 2005	FY 2004
Total expenditures	\$ 69,821	69,821	—	—
Cash receipts	69,821	69,821	—	—
Receivable (deferred)	\$ —	—	—	—

## CITY OF LONG BEACH

State of California, Business, Transportation and Housing Agency  
Office of Traffic Safety

## Schedule of Revenue and Expenditures

Years ended September 30, 2006, 2005 and 2004

(Unaudited)

Grant Title : Interagency Bicycle &  
Pedestrian Safety

Grant No : PS0506

Grant Award : \$355,638

		Grant activity		
	Cumulative	FY 2006	FY 2005	FY 2004
Total expenditures	\$ 355,638	326,593	29,045	—
Cash receipts	65,066	53,290	11,776	—
Receivable (deferred)	\$ 290,572	273,303	17,269	—

Grant Title : Driving While Impaired  
Impact Project

Grant No : AL0670

Grant Award : \$283,901

		Grant activity		
	Cumulative	FY 2006	FY 2005	FY 2004
Total expenditures	\$ 109,116	109,116	—	—
Cash receipts	69,972	69,972	—	—
Receivable (deferred)	\$ 39,144	39,144	—	—

Grant Title : Seatbelt Compliance  
Campaign

Grant No : IN61929

Grant Award : \$89,995

		Grant activity		
	Cumulative	FY 2006	FY 2005	FY 2004
Total expenditures	\$ 72,219	72,219	—	—
Cash receipts	72,219	72,219	—	—
Receivable (deferred)	\$ —	—	—	—

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



## CITY OF LONG BEACH

Payments to Subrecipients

Year ended September 30, 2006

(Unaudited)

Federal program	Subrecipient name	Program title	Cash payments
Department of Housing and Urban Development:			
Homeless Supportive Housing Program (SHP)	1736 Family Crisis Center	DV I & DV II	\$ 756,742
"	Atlantic Recovery Services	TH for Single Women	445,603
"	Beyond Shelter	Case Mgmt – MSC	132,660
"	Catholic Charities	Case Mgmt – Outreach	18,049
"	Children Today	ChildCare I	267,602
"	Comprehensive Child Development	Cabrillo Child Development	210,421
"	Goodwill Industries	Employment Placement	50,979
"	Interval House	DV Shelter	108,732
"	Mental Health Association	Safe Haven PH	385,799
"	New Image	TH or SSO	196,357
"	Salvation Army	Transitional Living Center	208,413
"	Substance Abuse Foundation	MSC Services	34,376
"	Travellers' Aid Society-MSC	REAPP	53,562
"	US Veterans	ADVANCE	533,134
	Total for SHP Subrecipients		\$ 3,402,429
Department of Labor:			
Workforce Investment Act (WIA)	California State University, Long Beach	Adult Youth	\$ 100,614
		Dislocated Worker	89,438
		Healthcare Collaborative	41,899
		Nursing Educ. Cap	29,369
		Nat'l Emergency	7,680
	Total for CSULB		10,932
			279,932
Workforce Investment Act (WIA)	Cambodian Association of America	Youth	42,463
"	Centro Cha, Inc	Youth	36,479
"	Harbor View Group Home	Youth	3,170
"	Long Beach Memorial Medical Center	OC Nursing Init	207,216
"	Long Beach Unified School District	Youth	6,118
"	St. Mary Medical Center Foundation	Youth	9,428
"	United Auto Workers	Adult	78,905
		Dislocated Worker	36,943
		Work Incentive	24,814
	Total for United Auto Workers		140,662
	Total for WIA Subrecipients		\$ 725,468
Wager-Peyser Act	California State University, Long Beach	Healthcare Collaborative	\$ 21,021
	Total for Wagner-Peyser Subrecipient		\$ 21,021

## CITY OF LONG BEACH

Payments to Subrecipients

Year ended September 30, 2006

(Unaudited)

Federal program	Subrecipient name	Program title	Cash payments
Department of Health and Human Services:			
Children and Families	Better World Advertising	HIV High Risk	\$ 182,000
"	Being Alive Long Beach	HIV/AIDs Educ & Prev	81,600
		HIV/AIDs Case Mgmt	69,542
	Total for Being Alive Long Beach		151,142
Children and Families	California State University, Long Beach	HIV/AIDs Educ & Prev	102,000
"	St. Mary Medical Center	HIV/AIDs Educ & Prev	66,666
	Total for Children and Families Subrecipients		\$ 501,808
Department of Education:			
Elementary and Secondary Education	United Auto Workers	Evenstart Family Literacy	\$ 6,629
"	Long Beach Unified School District	Evenstart Family Literacy	114,450
	Total for Elem and Secondary Educ Subrecipients		\$ 121,079
Department of Homeland Security			
Urban Area Security Initiative	City of Bellflower	UASI 03	\$ 42,120
"	City of Carson	UASI 03	149,423
"	City of Compton	UASI 03	390
"	Los Angeles County	UASI 03 Fire	62,000
		UASI 03 Health	79,046
		UASI 03 Sheriff	26,952
		UASi 04 Sheriff	378,360
	Total for Los Angeles County		546,358
Urban Area Security Initiative	City of Signal Hill	UASI 03	46,200
		UASI 04	205,157
	Total for City of Signal Hill		251,357
	Total for Urban Area Security Initiative Subrecipients		\$ 989,648

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