



CITY OF LONG BEACH, CALIFORNIA

Single Audit Reports

Year ended September 30, 2012

(With Independent Auditors' Reports Thereon)

CITY OF LONG BEACH, CALIFORNIA

Table of Contents

	Page(s)
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 <i>Government Auditing Standards</i>	1–2
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	3–5
Schedule of Expenditures of Federal Awards	6–20
Notes to Schedule of Expenditures of Federal Awards	21–22
Schedule of Findings and Questioned Costs	23–41



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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, 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2013. Our report was modified to include a reference to another auditor and the City's adoption of Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 discretely presented component unit, 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 controls over financial reporting or compliance with other matters that are reported on separately by that auditor.

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.



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 March 29, 2013.

This report is intended solely for the information and use of the 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

March 29, 2013



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, *Audits of States, Local Governments, and Non-Profit Organizations*

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, 2012. 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 received \$10,042,516 in federal awards which is not included in the schedule of expenditures of federal awards for the year ended September 30, 2012. Our audit, described below, did not include the operations of the discretely presented component unit because the Long Beach Transportation Company 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, 2012. 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-12-01 through F-12-07.



Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items F-12-01 through F-12-07. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2012, and have issued our report thereon date March 29, 2013, which contained unqualified opinions on those financial statements. Our report was modified to include a reference to another auditor who audited the City's discretely presented component unit. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 29, 2013. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements 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 24, 2013

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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>
<u>Department of Agriculture Food and Nutrition Service:</u>			
Passed through the State of California Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	08-85418 A02	\$ 3,514
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	11-10440	<u>4,159,621</u>
Total Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)			<u>4,163,135</u>
Passed through the State of California Department of Education:			
Summer Food Service Program for Children	10.599	19-81908V	416,357
Passed through the State of California Department of Health Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	08-85135	(240)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	11-10227	<u>612,629</u>
Total SNAP Cluster (10.561)			<u>612,389</u>
Total Department of Agriculture Food and Nutrition Service			<u>5,191,881</u>
<u>Department of Commerce Economic Development Administration:</u>			
Direct:			
Economic Adjustment Assistance	11.307	07-49-05046	1,175,301
Passed through the State Coastal Conservancy:			
Habitat Conservation	11.463	NA10NMF4630082	<u>690,997</u>
Total Department of Commerce Economic Development Administration			<u>1,866,298</u>
<u>Department of Defense:</u>			
Direct:			
Estuary Habitat Restoration Program	12.130	W912PL-12-2-0001	\$ <u>835,000</u>
Total Department of Defense			<u>835,000</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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>
<u>Department of Housing and Urban Development:</u>			
Direct:			
Community Development Block Grant/Entitlement Grants	14.218	B-10-MC-06-0522	5,476,405
Community Development Block Grant/Entitlement Grants	14.218	B-11-MC-06-0522	2,335,230
			<hr/>
			7,811,635
Neighborhood Stabilization Program	14.218	B-08-MN-06-0511	558,360
Total CDBG – Entitlement Grants Cluster (14.218)			<hr/>
			8,369,995
Emergency Shelter Grants Program	14.231	S-10-MC-06-0522	66,118
Emergency Shelter Grants Program	14.231	E-11-MC-06-0522	290,599
			<hr/>
Total Emergency Shelter Grants Program (14.231)			356,717
Supportive Housing Program SHP09	14.235	CA06B9D060802	169,706
Supportive Housing Program SHP10	14.235	CA06B9D061003	3,774,238
Supportive Housing Program SHP11	14.235	CA06B9D061104	1,588,421
			<hr/>
Total Supportive Housing Program (14.235)			5,532,365
Shelter Plus Care	14.238	CA16C506-001	5,256
Shelter Plus Care	14.238	CA0645C9D060802	18,898
Shelter Plus Care	14.238	CA0645C9D061003	73,039
Shelter Plus Care	14.238	CA0646C9D061003	218,143
Shelter Plus Care	14.238	CA0646C9D061104	99,308
Shelter Plus Care	14.238	CA0647C9D061003	96,998
Shelter Plus Care	14.238	CA0647C9D061104	129,035
Shelter Plus Care	14.238	CA0932C9D061001	59,096
Shelter Plus Care	14.238	CA1014C9D061000	31,690
			<hr/>
Total Shelter Plus Care (14.238)			731,463

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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>
<u>Department of Housing and Urban Development (continued):</u>			
Direct:			
Home Investment Partnerships Program	14.239	M-10-MC-06-0518	\$ 3,554,978
Home Investment Partnerships Program	14.239	M-11-MC-06-0518	627,050
Total Home Investment Partnerships Program (14.239)			<u>4,182,028</u>
Passed through the City of Los Angeles:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	98256	758,807
Direct:			
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-09-SP-CA-0144	11,378
ARRA – Neighborhood Stabilization Program	14.256	B-09-CN-CA-0045	3,714,833
ARRA – Homeless Prevention and Rapid Re-Housing Program	14.262	S-09-MY-06-0522	917,912
Section 8 Housing Choice Vouchers	14.871	CA068VO	77,155,662
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	CALHB0514-12	56,589
ARRA – Lead-Based Paint Hazard Control in Privately Owned Housing	14.907	CALHB0408-08	468,448
ARRA – Healthy Homes Demonstration Grant Program	14.908	CALHH0188-08	144,050
Total Lead Hazard Control Cluster (14.907 and 14.908)			<u>612,498</u>
Total Department of Housing and Urban Development			<u>102,400,247</u>
<u>Department of the Interior Bureau of Reclamation:</u>			
Direct:			
ARRA – Water Reclamation and Reuse Program	15.504	R09AC35R11	22,823
Water Desalination Research and Development Program	15.506	R02AC35053	13,310
Passed through the State Parks Department:			
Outdoor Recreation Acquisition, Development and Planning	15.916	C8940014/06-01554	(5,682)
Total Department of the Interior Bureau of Reclamation			<u>30,451</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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 Justice:			
Direct:			
Asset Forfeiture	16.000	N/A	\$ 46,582
Part E – Developing, Testing and Demonstrating Promising New Programs	16.541	2010-JL-FX-0532	183,046
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2009 DN BX K044	109,806
Bulletproof Vest Partnership Program	16.607	N/A	44,846
COPS Technology Equipment	16.710	2010-CD-WX-0228	87,355
Child Sexual Predator Program	16.710	2011-CS-WX-0004	<u>162,075</u>
Total Public Safety Partnership and Community Policing Grants (16.710)			<u>249,430</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0327	256,625
Passed through the City of Los Angeles:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	C-118155	<u>83,488</u>
Total Edward Bryne Memorial Justice Assistance Grant Program (16.738)			340,113
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804	2009 SB B9 2024	<u>219,144</u>
Total JAG Program Cluster (16.738 and 16.804)			<u>559,257</u>
Direct:			
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2011-CD-BX-0067	171,673
Passed through the State of California Office of Emergency Services:			
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ10077240	<u>31,143</u>
Total Paul Coverdell Forensic Sciences Improvement Grant Program (16.742)			<u>202,816</u>
Total Department of Justice			<u>1,395,783</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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 Labor:			
Direct:			
H-1B Job Training Grants	17.268	HG-22609-12-60-A-6	\$ 396,097
Passed through the South Bay Workforce Investment Board, Inc.:			
Workforce Investment Act (WIA) National Emergency Grants	17.277	EM-22035-11-60-A-6/11-W128	735,497
Passed through the State of California Employment Development Department:			
CA New Start Prison to Employment 3	17.258	K074146/AA-17110-08-55-A-6	152,915
Workforce Development Incentives II	17.258	K178665	7,657
Workforce Investment Act (WIA) Title I Adult Formula	17.258	K282480	1,554,993
Workforce Investment Act (WIA) Title I Adult Formula	17.258	K386302	444,322
			<u>1,999,315</u>
Passed through the State of California Employment Development Department:			
Passed through the City of Los Angeles:			
City of LA Sector Initiative Adult	17.258	C-121134	4,635
Workforce Investment Act (WIA) Harbor Worksource Ctr Adult	17.258	C-119216	389,466
Workforce Investment Act (WIA) Harbor Worksource Ctr Adult	17.258	C-121276	104,831
			<u>494,297</u>
Passed through the State of California Employment Development Department:			
Passed through the County of Orange:			
OCWIB – Vet Assistance Employment Program	17.258	V1-V-09	23,908
OCWIB – Vet Assistance Employment Program II	17.258	V1-V-11	256,488
			<u>280,396</u>
Passed through the State of California Employment Development Department:			
Passed through the South Bay Center for Counseling			
SBCC – Vet Assistance Employment Program II	17.258	MOU	6,371
Total WIA Adult Program (17.258)			<u>2,945,586</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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 Labor (continued):			
Passed through the State of California Employment Development Department:			
High Concentration Youth 2	17.259	K178665	\$ 68,442
Workforce Investment Act (WIA) Title I Youth Formula	17.259	K282480	1,272,005
Workforce Investment Act (WIA) Title I Youth Formula	17.259	K386302	20,276
			<u>1,292,281</u>
Total WIA Youth Program (17.259)			<u>1,360,723</u>
ARRA – On-The-Job-Training Grant	17.260	K074146/AA-17110-08-55-A-6	369,720
Passed through the State of California Employment Development Department:			
Passed through the County of Orange			
OCWIB – Vet Assistance Employment Program	17.260	V1-V-09	16,877
Total WIA Dislocated Workers (17.260)			<u>386,597</u>
Passed through the State of California Employment Development Department:			
Workforce Investment Act (WIA) Dislocated Worker to Adult Transfer	17.278	K282480	641,461
Workforce Investment Act (WIA) Title I Dislocated Worker	17.278	K282480	878,491
Workforce Investment Act (WIA) Title I Dislocated Worker	17.278	K386302	222,694
			<u>1,101,185</u>
Workforce Investment Act (WIA) Rapid Response	17.278	K282480	192,986
Workforce Investment Act (WIA) Rapid Response	17.278	K386302	76,265
			<u>269,251</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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>
<u>Department of Labor (continued):</u>			
Passed through the State of California Employment Development			
Department:			
Passed through the City of Los Angeles:			
City of LA Sector Initiative Dislocated	17.278	C-121134	\$ 3,476
Workforce Investment Act (WIA) Harbor Worksource Ctr Dislocated Worker	17.278	C-119216	252,891
Workforce Investment Act (WIA) Harbor Worksource Ctr Dislocated Worker	17.278	C-121276	82,490
			<hr/>
			335,381
City of Los Angeles Lay Off Aversion	17.278	C-119706	100,000
City of Los Angeles Lay Off Aversion	17.278	C-121290	15,117
			<hr/>
			115,117
			<hr/>
Total WIA Dislocated Worker Formula Grants (17.278)			2,465,871
			<hr/>
Total WIA Cluster (17.258, 17.259, 17.260, and 17.278)			7,158,777
			<hr/>
Total Department of Labor			8,290,371
			<hr/>
<u>Department of Transportation:</u>			
Direct:			
Airport Improvement Program	20.106	AIP 3-06-0127-031	1,264
Airport Improvement Program	20.106	AIP 3-06-0127-032-2009	57,226
Airport Improvement Program	20.106	AIP 3-06-0127-033-2009	62,485
Airport Improvement Program	20.106	AIP 3-06-0127-034-2010	4,108
Airport Improvement Program	20.106	AIP 3-06-0127-035-2010	2,813,790
Airport Improvement Program	20.106	AIP 3-06-0127-036-2011	596,191
Airport Improvement Program	20.106	AIP 3-06-0127-037-2011	721,164
Airport Improvement Program	20.106	AIP 3-06-0127-038-2011	384,152
			<hr/>
Total Airport Improvement Program (20.106)			4,640,380
			<hr/>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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	20.205	BRLS-5108 (137)	\$ 16,837,525
Highway Planning and Construction	20.205	CML-5108 (125)	84,502
Highway Planning and Construction	20.205	CML-5108 (130)	14,645
Highway Planning and Construction	20.205	DPM-5108 (122)	174,399
Highway Planning and Construction	20.205	HPLUL-5108 (086)	306,999
Highway Planning and Construction	20.205	PNRSLN-5108 (116)	35,466,045
Highway Planning and Construction	20.205	RPSTPLE-5108 (080)	(112)
Highway Planning and Construction	20.205	RPSTPLE-5108 (081)	113,549
Highway Planning and Construction	20.205	STPL-5108 (106)	248,420
Highway Planning and Construction	20.205	STPL-5108 (118)	(2,666)
Highway Planning and Construction	20.205	STPL-5108 (119)	1,017,717
Highway Planning and Construction	20.205	STPL-5108 (134)	1,060,176
Highway Planning and Construction	20.205	STPL-5108 (143)	15,399
Highway Planning and Construction	20.205	STPL-5108 (144)	29,947
Highway Planning and Construction	20.205	STPL-5108 (146)	7,887
Highway Planning and Construction	20.205	STPL-5108 (147)	68,459
Highway Planning and Construction	20.205	STPLHSR-5108 (092)	13,667
Highway Planning and Construction	20.205	STPLX-5108 (044)	23,761
			55,480,319
Safe Routes to School	20.205	SRTSLNI-5108(123)	198,246
Safe Routes to School	20.205	SRTSNI-5108(149)	239
			198,485
ARRA – Highway Planning and Construction	20.205	ESPL-5108 (107)	22,550
ARRA – Highway Planning and Construction	20.205	ESPL-5108 (112)	(54,103)
ARRA – Highway Planning and Construction	20.205	ESPL-5108 (124)	(2,867)
ARRA – Highway Planning and Construction	20.205	ESPL-5108 (127)	(3,291)
ARRA – Highway Planning and Construction	20.205	ESPL-5108 (129)	858
ARRA – Highway Planning and Construction	20.205	ESPLE-5108 (132)	92,584
			55,731
ARRA – Caltrans	20.205	88A0073	74,438
Total Highway Planning and Construction Programs (20.205)			55,808,973

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
<u>Department of Transportation (continued):</u>			
Passed through the State of California Office of Traffic Safety:			
State and Community Highway Safety	20.600	PT1141	\$ 109,222
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1141	<u>151,146</u>
Total Highway Safety Cluster (20.600 and 20.608)			<u>260,368</u>
Total Department of Transportation			<u>60,709,721</u>
<u>National Endowment for the Humanities:</u>			
Passed through California Council for the Humanities:			
Promotion of the Humanities Federal/State Partnership	45.129	CAR11-29	10,751
Promotion of the Humanities We the People	45.168	CAR11-29	<u>54</u>
Total National Endowment for the Humanities			<u>10,805</u>
<u>Environmental Protection Agency:</u>			
Direct:			
National Clean Diesel Emissions Reduction Program	66.039	00T37301	1,373,409
National Clean Diesel Emissions Reduction Program	66.039	00T66601	<u>127,358</u>
Total National Clean Diesel Emissions Reduction Program (66.039)			<u>1,500,767</u>
Passed through the State of California Department of Health Services:			
ARRA – Water Quality Management Planning	66.454	11-002	25,867
ARRA – Water Quality Management Planning	66.454	11-451-550	<u>19,882</u>
Total ARRA – Water Quality Management Planning (66.454)			<u>45,749</u>
Passed through the State of California Water Resources Control Board:			
ARRA – Capitalization Grants for Clean Water State Revolving Funds	66.458	C-06-6951-110/08-300-550	(2,331)
Passed through the State of California Department of Health Services:			
Beach Monitoring and Notification Program Implementation	66.472	11-10771	25,000
Beach Monitoring and Notification Program Implementation	66.472	12-040-250	<u>9,941</u>
Total Beach Monitoring and Notification Program Implementation (66.472)			<u>34,941</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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>
<u>Environmental Protection Agency (continued):</u>			
Direct:			
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	V-98972501-2	\$ 18,044
Total Environmental Protection Agency			<u>1,597,170</u>
<u>Department of Energy:</u>			
Passed through the South Coast Air Quality Management District (AQMD):			
ARRA – Conservation Research and Development	81.086	DE-EE0002547	22,758
Direct:			
ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0000866	<u>2,276,837</u>
Total Department of Energy			<u>2,299,595</u>
<u>Department of Education:</u>			
Passed through the State of California Department of Education:			
Even Start-State Education Agencies	84.213	11-14331-2199-2	96,884
Direct:			
Fund for the Improvement of Education	84.215	U215K090230	174,412
Passed through the State of California Department of Education:			
Passed through the Long Beach Unified School District:			
Twenty-First Century Community Learning Centers	84.287	11-14349-6472	<u>79,519</u>
Total Department of Education			<u>350,815</u>
<u>Department of Health & Human Services:</u>			
Passed through the County of Los Angeles:			
Public Health Emergency Preparedness	93.069	PH-001964	781,103
Public Health Emergency Preparedness	93.069	PH-002224	<u>146,665</u>
Total Public Health Emergency Preparedness (93.069)			<u>927,768</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

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 State of California Department of Health Services:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	\$ (214)
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	106,477
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	<u>27,088</u>
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs (93.116)			<u>133,351</u>
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	08-85064	150,523
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	11-10545	<u>48,654</u>
Total Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children (93.197)			<u>199,177</u>
Immunization Grants	93.268	11-10575	212,952
Passed through the County of Los Angeles:			
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	PH-001655-2	165,422
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	PH-002196	92,530
Promoting Safe and Stable Families	93.556	31035	27,690
Promoting Safe and Stable Families	93.556	04-025-14	26,852
Promoting Safe and Stable Families	93.556	05-027-10	11,934
Promoting Safe and Stable Families	93.556	05-028-5	<u>20,885</u>
Total Promoting Safe and Stable Families (93.556)			<u>87,361</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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>
<u>Department of Health & Human Services (continued):</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:			
Calworks Transitional Subsidized Emp Pro	93.558	H1372	\$ 71,012
Los Angeles County Summer Youth Calworks	93.558	IA1101	<u>94,523</u>
Total Temporary Assistance for Needy Families (93.558)			165,535
Passed through the State of California Department of Health Services:			
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	09-H226	<u>8,000</u>
Total TANF Cluster (93.558 and 93.714)			<u>173,535</u>
Passed through RAND Corporation:			
ARRA – Trans-NIH Recovery Act Research Support	93.701	R01HD050150/ 9920100098	88,341
Passed through the County of Los Angeles:			
ARRA – Healthy Food Initiative – RENEW	93.724	PH-001138/1U58DP002485-01	87,808
ARRA – Smoking Cessation Initiative – TRUST	93.724	PH-001138/1U58DP002543-01	138,652
ARRA – Exercise and Wellness – RENEW	93.724	PH-001147	<u>12,104</u>
Total ARRA – Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) (93.724)			<u>238,564</u>
Passed through the State of California Department of Health Services:			
Childhood Health and Disability	93.778	V#002713-00	521,532
Medical Gateway	93.778	V#002713-00	71,722
MAA/TCM Administration	93.778	09-86022-A01	45,188
Nursing MAA Claiming	93.778	09-86022-A01	416,585
Nursing TCM Claiming	93.778	61-0713A2	<u>103,212</u>
Total Medicaid Cluster (93.778)			<u>1,158,239</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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 Health & Human Services (continued):			
Passed through the State of California Department of Health and Human Services:			
AIDS/HIV AIDS/HIV Benefits Specialty	93.915	H-210813	\$ 72,150
Passed through the County of Los Angeles:			
AIDS EIP Outpatient Medical	93.915	H209210	75,352
AIDS Case Management	93.915	H210813	194,015
Total AIDS Case Management (93.915)			<u>341,517</u>
Passed through the State of California Department of Health Services:			
AIDS Surveillance	93.940	10-95266 A02	286,081
HIV Care Coordination	93.940	10-95266 A02	797,482
HIV Prevention – Counseling and Testing	93.940	10-95266 A02	653,848
Outreach/Prevention for HIV Positive (Bridge)	93.940	10-95266 A02	74,068
Total HIV Prevention Activities – Health Department Based (93.940)			<u>1,811,479</u>
Maternal and Child Health Services Block Grant to the States	93.994	201160-MCH	127,548
Maternal and Child Health Services Block Grant to the States	93.994	201260-MCH	81,765
			<u>209,313</u>
Maternal and Child Health Services Block Grant to the States -Black Infant Health	93.994	201160-BIH	200,882
Maternal and Child Health Services Block Grant to the States -Black Infant Health	93.994	201260-BIH	78,820
			<u>279,702</u>
Total Maternal and Child Health Services Block Grant to the States (93.994)			<u>489,015</u>
Total Department of Health & Human Services			<u>6,119,251</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
U.S. Department of Homeland Security:			
Passed through the State of California – California Emergency Management Agency:			
State Domestic Preparedness Equipment Support Program (State Homeland Security Grant Program)	97.004	2004-GE-T4-0045	\$ (1,644)
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1577	(907)
Passed through the State of California – California Emergency Management Agency:			
Passed through the County of Los Angeles:			
Emergency Management Performance Grant	97.042	2005-0015 2006-08	9,528
Passed through Port of Los Angeles:			
Port Security Grant Program	97.056	2007-GB-T7-K429	1,260,763
Port Security Grant Program	97.056	2008-GB-T8-K014	4,486,982
Passed through the Marine Exchange of Los Angeles – Long Beach Harbor:			
Port Security Grant Program	97.056	2009-PU-T9-K020	245,008
Port Security Grant Program	97.056	2010-PU-T0-K004	56,316
Port Security Grant Program	97.056	EMW-2011-PU-K00001	520,769
Port Security Grant Program	97.056	2008-GB-T8-K014	2,408,140
Port Security Grant Program	97.056	2010-PU-T0-K004	128,322
Total Port Security Grant Program (97.056)			<u>9,106,300</u>
Passed through the State of California – California Emergency Management Agency:			
Passed through the County of Los Angeles:			
Homeland Security Grant Program	97.067	2009-0019	480,614
Homeland Security Grant Program	97.067	2010-0085	3,991
			<u>484,605</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

<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>
<u>U.S. Department of Homeland Security (continued):</u>			
Passed through the State of California – California Emergency Management Agency:			
Passed through the City of Los Angeles:			
Urban Area Security Initiative Program	97.067	2007-0008	\$ (137)
Urban Area Security Initiative Program	97.067	2008-0006	2,456,094
Urban Area Security Initiative Program	97.067	2009-0019	4,015,315
Urban Area Security Initiative Program	97.067	2010-0085	289,825
Urban Area Security Initiative Program	97.067	2011-SS-077	4,087
			<u>6,765,184</u>
Total Homeland Security Grant Program (97.067)			<u>7,249,789</u>
Direct:			
Law Enforcement Officers Reimbursement Agreement Program	97.090	HSTS02-08-H-SLR324	289,300
ARRA Port Security Grant Program	97.116	2009-PU-R1-0191	3,144,756
ARRA Port Security Grant Program	97.116	2009-PU-R1-0211	99,089
			<u>3,243,845</u>
Total Port Security Grant (97.116)			3,243,845
Advanced Surveillance Program (ASP)	97.118	HSTS04-09-H-CT7027	218,494
			<u>218,494</u>
Total Department of Homeland Security			<u>20,114,705</u>
Total Federal Expenditures			\$ <u><u>211,212,093</u></u>

CITY OF LONG BEACH, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

(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 Schedule does not include federal expenditures of \$10,042,516, for the year ended September 30, 2012 of the Long Beach Transportation Company (LBTC), a discretely presented component unit of the City, as LBTC engaged other auditors to perform audits in accordance with OMB Circular A-133. 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 (CDBG) – Entitlement Grants Cluster, Home Investment Partnerships Program, and the Neighborhood Stabilization Program were \$5,004,387, \$62,679,062, and \$10,181,644 at September 30, 2012, 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, 2012. Program income of \$3,743,093 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 Special Supplemental Nutrition Program for Women, Infants, and Children food instruments as communicated by the State Department of Health Services distributed during the year. The food instruments/vouchers totaled \$19,414,956 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2012.

CITY OF LONG BEACH, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2012

(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>
Supportive Housing Program	14.235	\$ 4,558,420
Part E – Developing, Testing, and Demonstrating Promising New Programs	16.541	112,616
H-1B Job Training Grants	17.268	174,574
Workforce Investment Act Cluster	17.258, 17.259, 17.260, and 17.278	581,108
National Clean Diesel Emissions Reduction Program	66.039	1,373,409
Even Start-State Education Agencies	84.213	89,644

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

(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: **No.**

(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-12-01 through F-12-07.**

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

(f) Any audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: **Yes. See items F-12-01 through F-12-07.**

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

(h) Major programs:

- Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA number 10.557

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

- Community Development Block Grants – Entitlements Grants Cluster:
 - Community Development Block Grants/Entitlement Grants, CFDA number 14.218
 - Neighborhood Stabilization Program, CFDA number 14.218
 - Supportive Housing Program, CFDA number 14.235
 - Home Investment Partnerships Program, CFDA number 14.239
 - ARRA-Neighborhood Stabilization Program, CFDA number 14.256
 - Section 8 Housing Vouchers, CFDA number 14.871
 - Lead Hazard Control Cluster:
 - ARRA-Lead-Based Paint Hazard Control in Privately Owned Housing, CFDA number 14.907
 - ARRA-Healthy Homes Demonstration Grant Program, CFDA number 14.908
 - Airport Improvement Program, CFDA number 20.106
 - Highway Planning and Construction Programs:
 - Highway Planning and Construction, CFDA number 20.205
 - Safe Routes to School, CFDA number 20.205
 - ARRA-Highway Planning and Construction, CFDA number 20.205
 - ARRA-Caltrans, CFDA number 20.205
 - Port Security Grant Program, CFDA number 97.056
 - Homeland Security Grant Program, CFDA number 97.067
 - 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.**

(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, 2012

(3) Findings and Questioned Costs Relating to Federal Awards

F-12-01 Eligibility

Program Information

Federal Program

Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA number 10.557

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
08-85418 A02	10/1/2008 to 9/30/2011	Department of Health and Human Services
11-10440	10/1/2011 to 9/30/2014	

Federal Agency

Department of Agriculture Food and Nutrition Service

Pass-Through Agency

State of California Department of Health Services

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 is required to obtain the biochemical results within 90 days.

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 2 participants hematological test was taken beyond the required time period of 90 days.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

Questioned Costs

\$156

Two participants were found to have received monthly vouchers during periods of ineligibility. The aggregate period of ineligibility was equivalent to 2.5 months. The average voucher cost according to the California Department of Health was \$62.45 (2.5 x \$62.45 = \$156).

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 the grant. Over the past few years the City has hired registered nurses to provide free hemoglobin testing to WIC participants without health insurance and invested in hemoglobin test equipment for each site and trained staff on use of the equipment.

As quoted in these findings from the WIC Program Manual, WIC participants have 90 days to provide an up-to-date hemoglobin test result. This test has been cumbersome to provide because it involves a pin prick, blood and a trained nurse to provide the test. If a nurse was not available, the participant would have to schedule a separate visit for the test. Often times the participant would not be able to return for the test within the 90 days. There is now new testing equipment called the Masimo Pronto that is noninvasive, quick and provides immediate results without the need of a nurse to administer. DHHS is in the process of acquiring Masimo Pronto hemoglobin test equipment for each site by August 2013. This will allow a participant to be tested if they do not have a primary health care provider for this service.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

F-12-02 Eligibility

Program Information

Federal Program

ARRA Neighborhood Stabilization Program, CFDA Number. 14.256

Federal Grant Award Number and Grant Period

Federal grant number	Grant period	Location
B-09-CN-CA-0045	2/11/2010 to 2/11/2013	Department of Development Services

Federal Agency

Department of Housing and Urban Development

Pass-Through Agency

N/A

Specific Requirements

Department of Housing and Urban Development Docket No. FR-5321-N-01

Notice of Fund Availability (NOFA) for the Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act, 2009

Current market appraised value: The current market appraised value means the value of a foreclosed upon home or residential property that is established through an appraisal made in conformity with the appraisal requirements of the URA at 49 CFR 24.103 and completed within 60 days prior to an offer made for the property by a recipient, subrecipient, developer, or individual homebuyer; provided, however, if the anticipated value of the proposed acquisition is estimated at \$25,000 or less, the current market appraised value of the property may be established by a valuation of the property that is based on a review of available data and is made by a person the recipient determines is qualified to make the valuation.

Condition and Context

In accordance with the Department of Housing and Urban Development's Notice of Funds Available, an appraisal must be completed within 60 days prior to an offer made for the property by a the City. In our sample of 8 properties out of 13 total, we noted an appraisal for one property was completed 77 days prior to making an offer.

Questioned Costs

None noted

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

Cause and Effect

Eligibility requirements are established so that benefits of the program will be distributed in accordance with HUD standards. Adequate monitoring controls do not appear to be in place to ensure that the City complies with the eligibility provisions noted in the grant agreement.

Recommendation

We recommend that management implements policies and procedures to strengthen existing internal controls to ensure eligibility is properly documented when verified to ensure eligibility requirements are properly followed.

Views of Responsible Officials and Planned Corrective Action

The finding referenced above is a concurrence of a finding that was previously noted by the Office of the Inspector General (OIG) during their audit. The OIG audit culminated with their September 21, 2012 Audit Report, No. 2012-LA-1012, to the Department of Housing and Urban Development (HUD).

Subsequently, on March 13, 2013, the City, in its response to HUD management decision letter dated December 27, 2012, outlined and submitted a change in policy and procedure to address this particular finding mentioned in this single audit report. The changes are documented in the City's NSP2 Process Changes and Policy Additions/Clarification Manual. In addition, the changes were communicated to staff via written communication.

The manual states:

- Residential appraisal reports must be completed within 60 days of the date escrow is opened as evidenced by the date of Confirmation of Acceptance of the Agreement between Buyer and Sell under the Escrow Holder Acknowledgement on the California Residential Purchase Agreement
- If closing does not occur before the 60 days has expired, an update to the initial appraisal is required and shall be submitted to the City within five (5) business days of the Effective Date of Appraisal.
- Appraisals exceeding 120 days will be considered invalid and require the submission of a new appraisal to the City

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

F-12-03 Special Tests and Provisions

Program Information

Federal Program

Section 8 Housing Choice Vouchers, CFDA number 14.871

Federal Grant Award Number and Grant Period

Federal grant number	Grant period	Location
CA068VO	10/1/2011 to 9/30/2012	Housing Authority

Federal Agency

Department of Housing and Urban Development (HUD)

Pass-Through Agency

N/A

Specific Requirement

Code of Federal Regulations: Title 24 – *Housing and Urban Development*, Section 982.405 – Public Housing Authority (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 Housing Quality Standard (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 and (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

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

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

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

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.
- (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.
- (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 982.404(a)(3), the City is required to abate HAP beginning no later than the first of the month following the specified correction period or must terminate the HAP contract if the owner does not correct the cited HQS deficiencies. Of the 40 selections over abated participants, there were two cases where participants received housing assistance payments the month after they were abated.

Questioned Costs

\$1,893

This amount represents the total annual housing assistance payments paid to the participants that did not have the required reinspection during fiscal year 2012.

Cause and Effect

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

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

Recommendation

We recommend that the City implement policies and procedures to ensure abated participants do not receive the following month HAP payment, and that subsequent adjustments are made to recover overpayment amounts.

Views of Responsible Officials and Planned Corrective Actions

The City and Housing Authority of the City of Long Beach (HACLB) has not and will not intentionally implement controls, policies or procedures that are inconsistent with OMB Circular or the Housing and Urban Development Grant Regulations. For the two (2) cases noted in the finding the inspections did occur timely and the owner was properly cited for not being in compliance. Due to staff oversight overpayment letters did not go out and funds were not recaptured in a timely manner. As of this date, the funds have been received.

To further explain the process, previously abatements required the manual intervention of staff to enter into the system and calculate the correct amount to deduct based on the prorated rent amount for the month. This required reviewing the certification for the correct subsidy amount and the number of days for the month. While we have had challenges in this area over the years, improvement has been shown but human oversight or error of this very manual process has occurred. To ensure that abated owners do not receive Housing Assistance Payment (HAP), HACLB implemented the use of automatic HAP Abatements and adjustments effective March 2013 as a result of new software capability.

With the new enhancement to the Elite software, once the second fail is entered into the system, the software automatically abates payment for any future HAP. Once the abatement is cured due to a passed inspection or a cancelled inspection, the inspection documents are reviewed by the Housing Assistance Coordinator. The Housing Assistance Coordinator updates the abatement in the Elite system by entering the second failed inspection date and the pass date. The automated adjustment uses the failed and passed dates to calculate and deduct overpaid HAP during the abatement period and releases outstanding HAP to the payee. The process no longer requires the manual placement of the abatement and manual calculation of the pro-rated rent; the process is automated when the inspector uploads field inspections. The system then automatically checks for the correct amount of HAP in the effective certification and pro-rates the amount across the correct months using the correct number of days in the month.

The automatic adjustment is then reviewed and approved in the check processing procedure by the Housing Assistance Coordinator/Inspections Supervisor. The Housing Assistance Officer does final review and approval. For those abatements that remain outstanding beyond the Lease Contract Termination date an overpayment letter is sent. The Inspections Clerk via an Elite report identifies these outstanding abatements. The Inspections Clerk ends the abatement as of the Lease Contract Termination date thus generating an automatic negative adjustment. The adjustment is for any HAP already paid as a result of an abatement that commences after payment is rendered for the prior month. Because the contract has terminated the owner is not due any future HAP for this unit, however the negative adjustment ensures repayment against any other participating unit. The owner is sent an overpayment letter. If the owner does not remit the funds and has no other participating units on the program, the negative adjustment remains on the check register should the owner return to the program with new properties in the future or until according to policy the debt is written off. In addition, the HACLB was recently approved for the state intercept program, which will capture any funds due to the owner of record by the State of California and remit payment to the HACLB for the overpaid HAP.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

F-12-04 Reporting

Program Information

Federal Program

Airport Improvement Program, CFDA number 20.106

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
AIP 3-06-0127-037-2011	9/13/2011 to 9/13/2015	Long Beach Airport
AIP 3-06-0127-038-2011	9/13/2011 to 9/13/2015	

Federal Agency

Department of Transportation

Pass-Through Agency

N/A

Specific Requirement

AIP Handbook, Chapter 13 Section 1300, General

The AIP program has drawn criticism that AIP funds under grant are idle while critical projects are not funded because of a shortage of funds. One measurement that a project is progressing acceptably is the regularity that grant payments are being made or drawn down to reimburse for project accomplishments. When grant funds are drawn down regularly, this would prove that the funds are not idle. To facilitate reaching this stage, the FAA Airports Office requests that each AIP grantee request or initiate a draw down grant payment for project accomplishments every 30 days during the course of the project life. This 30-day requirement can be waived when the accomplishments are not significant enough to warrant a grant payment, i.e., less than \$10,000. However, a request for or a drawdown of a grant payment will be required within 30 days after the end of each federal fiscal year to cover all accrued grant costs from the prior fiscal year that have not been reimbursed. This would give an accounting of the year-end status of each project.

Federal Aviation Authority (FAA) Order 5100.38B, Section 25, Disbursement of Funds, Subsection f, Discretionary Funds

- (2) The sponsor must be able to commence the work on projects using discretionary funds during the same fiscal year as the grant agreement or within 6 months, whichever is later. Regions should ensure project schedules are realistic. (When a project has been delayed, see Paragraph 1151 on suspension of the grant, if appropriate.) For purposes of this provision, regions should construe.

“commence the work” to mean:

- (a) Initiation of the effort for projects with planning or design;

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

- (b) Initial title search or other preliminary work for land projects;
- (c) Physically underway for construction or noise compatibility implementation; and
- (d) Execution of the purchase contract for equipment projects.

Condition and Context

Under the Airport Improvement Program Handbook, Chapter 13, the City is required to submit reimbursement requests on a monthly basis unless the cumulative expenses are less than \$10,000. Under FAA order 5100.38B, the City is required to complete reimbursement requests to the grantor no later than six months of project approval. In our review, we noted that expenditures for project No. 37 incurred between March 2011 and December 2011 totaling \$19,652 were submitted in January 2012. The expenditures should have been reported in September 2011 as the total expenditures were greater than \$10,000. In addition, we noted that expenditures for project No. 38 should have been reported no later than 6 months after the approval of the project. However, we noted that the expenditure reports were submitted for 18 months from the date of project approval.

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 reimbursement requests are submitted within the required time frame.

Recommendation

We recommend that City implement policies and procedures to ensure reports are submitted when required as expenditures are incurred on grants.

Views of Responsible Officials and Planned Corrective Actions

The City has not and will not intentionally implement practices or policies that are inconsistent with OMB Circular A-133 or the FAA Airport Improvement Program. With both grants the delays were due to either new processes or contract negotiations.

AIP 38 is a planning grant requiring the hiring of a consultant for the technical expertise. Due to lengthy negotiations between the City, the FAA and the consultant related to the proposal submitted by the consultant and the consulting contract prepared by the City, minimal charges occurred, thus no expenditure report was submitted. After the notice to proceed was submitted to the consultant there was ongoing communication on the formatting of the documentation between the consultant, the City, and the FAA. Both the contract negotiations and documentation formatting delayed the overall process of reporting on an ongoing basis. Once all parties were in agreement, the reporting proceeded on a regular basis. The City has been and will continue to report this grant on a monthly basis, in compliance with the agreement.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

AIP 37 was awarded September 2011. The initial reimbursement was for design work, which per the FAA requirements, must be completed prior to a grant award. As a result of past internal procedures the request for reimbursement of these expenses were delayed in billing until January 2012. From initial reimbursement reporting the City has continued to bill on a monthly basis as documented per the FAA agreement.

The City will work on strengthening internal procedures for monthly billing in accordance with FAA requirements

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

F-12-05 Special Tests and Provisions

Program Information

Federal Program

Airport Improvement Program, CFDA number 20.106

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
AIP 3-06-0127-035-2010	8/11/2010 to 8/11/2014	
AIP 3-06-0127-036-2011	3/11/2011 to 3/11/2015	Long Beach Airport
AIP 3-06-0127-037-2011	9/13/2011 to 9/13/2015	

Federal Agency

Department of Transportation (DOT)

Pass-Through Agency

N/A

Specific Requirement

Grant Agreement between the City of Long Beach, California and the Federal Aviation Authority (FAA)

Attachment A: Special Conditions

3-Construction Management Program: The Sponsor agrees to perform the following:

- a. Furnish a construction management program to FAA prior to the start of construction, which shall detail the measures and procedures to be used to comply with the quality control provisions of the construction contract, including, but not limited to, all quality control provisions and tests required by the federal specifications. The program shall include as a minimum:
 - (1) The name of the person representing the Sponsor who has overall responsibility for contract administration for the project and the authority to take necessary actions to comply with the contract;
 - (2) Names of testing laboratories and consulting engineer firms with quality control responsibilities on the project, together with a description of the services to be provided;
 - (3) Procedures for determining that testing laboratories meet the requirements of the American Society of Testing Materials standards on laboratory evaluation, referenced in the contract specifications (D3666 and C1077);
 - (4) Qualifications of engineering supervision and construction inspection personnel;

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

- (5) A listing of all tests required by the contract specifications, including the type and frequency of tests to be taken, the method of sampling, the applicable test standard, and the acceptance criteria or tolerances permitted for each type of test; and
- (6) Procedures for ensuring that the tests are taken in accordance with the program, that they are documented daily, that the proper corrective actions, where necessary, are undertaken.

Condition and Context

The City is required to provide the grantor with a Construction Management Program (CMP) prior to the start of any construction. In our testwork, we noted that construction for projects Nos. 36 and 37 began in fiscal year 2012 and construction for project No. 35 continued in 2012. These three projects represent 100% of the population of projects with construction expenses in fiscal year 2012. We note that no CMPs were submitted to the FAA for any of the projects. However, the CMPs were completed by the City. Subsequent to our testing, management submitted the CMPs to the FAA.

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 proper documentation is submitted to the granting agency.

Recommendation

We recommend that City implement policies and procedures to that required documentation is provided to the granting agency.

Views of Responsible Officials and Planned Corrective Actions

The City has not and will not intentionally implement practices or policies that are inconsistent with OMB Circular A-133 or the FAA Airport Improvement Program.

During fiscal year 2012, the engineer in charge of the FAA grants resigned from the City. After the resignation of the engineer in charge, her duties including the AIP grants, were transitioned to other engineers within the City's Airport Department. The CMP documents required were completed and on file with the City's Public Works Department and believed by the engineers taking over the AIP grants to have been transmitted to the FAA. Only after the fact was it discovered that the CMP documents had not been transmitted to the FAA. As of this date, CMP reports have been submitted for all AIP funded projects.

Currently, all active FAA Airport Improvement Projects are under the direction of Airport staff. Airport staff is working closely with the Public Works Department to meet all FAA grant requirements and follow the existing FAA policies and procedures for any open projects and all future FAA funded projects.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

F-12-06 Special Tests and Provisions

Program Information

Federal Program

Highway Planning and Construction Program, CFDA number 20.205

Federal Grant Award Number and Grant Period

Federal grant number	Grant period	Location
RPSTPLE-5108(080)	2007-2008	Public Works

Federal Agency

Department of Transportation (DOT)

Pass-Through Agency

State of California Department of Transportation

Specific Requirement

In the agreements between the Department of Transportation 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 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 5, which represents 100% of the population, one of the reports which was submitted 248 days late.

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.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

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. 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, late in 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.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

F-12-07 Special Tests and Provisions

Program Information

Federal Program

Homeland Security Grant Program, CFDA number 97.067

Federal Grant Award Number and Grant Period

<u>Federal grant number</u>	<u>Grant period</u>	<u>Location</u>
2009-0019	9/30/2009 to 7/31/2012	Emergency Services Building

Federal Agency

Departments of Homeland Security

Pass-Through Agency

The State of California – California Emergency Management Agency and passed through the County of Los Angeles

Specific Requirement

Agreement No. C-118454 between the City of Long Beach and the City of Los Angeles, Title II: Terms and Services to be provided, part 202 – Use of Grant Money, subpart (G)(6).

§202 (G)(6) Subrecipients must obtain performance bonds for any equipment item over \$250,000, or any vehicle, aviation, or watercraft (regardless of cost) financed with UASI funds.

Condition and Context

The City is required to have obtained performance bonds for all vehicles, aviation, or watercrafts, regardless of cost and equipment over \$250,000. In our testwork, we noted two items, which represents 50% of the population, for which the City had not obtained a performance bond.

Questioned Costs

\$29,765

This represents the cost of the two equipment items purchased where the City did not obtain a performance bond.

Cause and Effect

Adequate monitoring controls are in place but do not appear to be operating effectively to ensure that the all items required items, including performance bonds are obtained prior to requesting the use of grant funds.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended September 30, 2012

Recommendation

We recommend that City implement policies and procedures to ensure that all required documents are obtained.

Views of Responsible Officials and Planned Corrective Actions

The City has not and will not intentionally implement controls, policies, or procedures that are inconsistent with the OMB Circular 133 or the Urban Area Security Initiative Program. The City continues to develop policies and procedures to improve monitoring controls to ensure that it meets its requirement to obtain performance bonds as noted in this finding as well as all grant requirements. As a part of these efforts, the bonding requirements and any requirements specific to the grant have been communicated and emphasized to all department-level program managers. The City Purchasing Agent has been notified of all grant purchasing requirements such as the bonding requirements. Further, all grant requirements are highlighted at monthly grant coordination meetings as needed. These new procedures help ensure the City will meet all requirement in future reporting periods.

The City notes that while it understands the requirements of the grant, all procurements subject to this finding were completed within the performance period of the grant. The City received all equipment prior to making payment to its suppliers and, subsequently, requesting reimbursement from the grantor. This effectively mitigated any financial exposure to the City or the grantor that would have otherwise been covered by a performance bond.