



CITY OF LONG BEACH, CALIFORNIA

Single Audit Reports

Year ended September 30, 2013

(With Independent Auditors' Reports Thereon)

CITY OF LONG BEACH, CALIFORNIA

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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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2014. Our report was modified to include a reference to another auditor and the City's adoption of Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We



consider the deficiencies described in the accompanying schedule of findings and questioned costs as item FS 2013-001 to be a material weakness.

Compliance and Other Matters

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

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs as item FS 2013-001. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Irvine, California
March 28, 2014



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Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

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

Report on Compliance for Each Major Federal Program

We have audited the City of Long Beach, California's (the City's) compliance with the types of compliance requirements described in the *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, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's financial statements include the operations of the Long Beach Transportation Company, a discretely presented component unit, which received \$28,420,402 in federal awards, which is not included in the schedule of expenditures of federal awards for the year ended September 30, 2013. Our audit, described below, did not include the operations of the discretely presented component unit because Long Beach Transportation Company engaged other auditors to perform audits in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.



Basis for Qualified Opinion on Surface Transportation – Discretionary Grants for Capital Investment

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA 20.932, Surface Transportation – Discretionary Grants for Capital Investment, as described in finding number SA 2013-002 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Surface Transportation – Discretionary Grants for Capital Investment

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 20.932, Surface Transportation – Discretionary Grants for Capital Investment Program for the year ended September 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Long Beach, California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, 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 item SA 2013-001. Our opinion on each major federal program is not modified with respect to these matters.

The City’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items SA 2013-001 and SA 2013-002 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 28, 2013, which contained unmodified 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 as well as the City's adoption of Government Accounting Standards Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 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 basic 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.

KPMG LLP

Irvine, California
June 26, 2014

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

<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	11-10440	\$ 4,367,218
Passed through the State of California Department of Education:			
Summer Food Service Program for Children	10.559	19-81908V	401,709
Passed through the State of California Department of Health Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	11-10227	623,789
Total Department of Agriculture Food and Nutrition Service			<u>5,392,716</u>
<u>Department of Commerce Economic Development Administration:</u>			
Direct:			
Economic Adjustment Assistance	11.307	07-49-05046	1,077,156
Total Department of Commerce Economic Development Administration			<u>1,077,156</u>
<u>Department of Housing and Urban Development:</u>			
Direct:			
Community Development Block Grant/Entitlement Grants	14.218	B-11-MC-06-0522	5,656,807
Community Development Block Grant/Entitlement Grants	14.218	B-12-MC-06-0522	228,841
			5,885,648
Community Development Block Grant/Entitlement Grants (NSP1)	14.218	B-08-MN-06-0511	568,303
Community Development Block Grant/Entitlement Grants (NSP3)	14.218	B-11-MN-06-0511	987,588
Total Community Development Block Grant/Entitlement Grants Cluster (14.218)			<u>7,441,539</u>
Emergency Solutions Grant Program	14.231	E-11-MC-06-0522	298,421
Emergency Solutions Grant Program	14.231	E-12-MC-06-0522	461,460
Total Emergency Solutions Grant Program (14.231)			<u>759,881</u>
Supportive Housing Program SHP10	14.235	CA06B9D061003	185,934
Supportive Housing Program SHP11	14.235	CA06B9D061104	4,019,949
Total Supportive Housing Program (14.235)			<u>4,205,883</u>
Shelter Plus Care	14.238	CA0646C9D061104	364,776
Shelter Plus Care	14.238	CA0647C9D061104	111,163
Shelter Plus Care	14.238	CA0932C9D061001	4,672
Shelter Plus Care	14.238	CA0932C9D061102	66,165
Shelter Plus Care	14.238	CA1014C9D061000	77,892
Shelter Plus Care	14.238	CA1132C9D061100	25,859
Total Shelter Plus Care (14.238)			<u>650,527</u>
Home Investment Partnerships Program	14.239	M-10-MC-06-0518	2,024,893
Home Investment Partnerships Program	14.239	M-11-MC-06-0518	2,256,764
Total Home Investment Partnerships Program (14.239)			<u>4,281,657</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

<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>			
Passed through the City of Los Angeles:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	98256	\$ 809,491
Direct:			
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-09-SP-CA-0144	100,621
ARRA – Neighborhood Stabilization Program	14.256	B-09-CN-CA-0045	3,199,279
Continuum of Care Program (SHP12)	14.267	CA06B9D061205	1,455,957
Continuum of Care Program	14.267	CA0646L9D061205	115,090
Continuum of Care Program	14.267	CA0647L9D061205	99,081
Total Continuum of Care Program (14.267)			<u>1,670,128</u>
General Research and Technology Activity	14.506	H-21652RG	3,685
Section 8 Housing Choice Vouchers	14.871	CA068VO	76,003,187
Lead-based Paint Hazard Control in Privately-Owned Housing	14.900	CALHB0514-12	809,908
Total Department of Housing and Urban Development			<u>99,935,786</u>
<u>Research and Development Cluster:</u>			
<u>Department of the Interior Bureau of Reclamation:</u>			
Direct:			
Water Reclaim and Reuse Program (Reclaimed Water Expansion)	15.504	R00AC35051	74,638
Water Desalination Research and Development Program	15.506	R02AC35053	34,422
Total Department of the Interior Bureau of Reclamation			<u>109,060</u>
Total Research and Development Cluster			<u>109,060</u>
<u>Department of Justice :</u>			
Direct:			
Asset Forfeiture	16.000	N/A	1,215,309
National Institute of Justice Research, Evaluation, and Development Project Grants.	16.560	2009 DN BX K044	15,505
National Institute of Justice Research, Evaluation, and Development Project Grants.	16.560	2012 DN BX K003	29,071
Total National Institute of Justice Research, Evaluation, and Development Project Grants (16.560)			<u>44,576</u>
Bulletproof Vest Partnership Program	16.607	N/A	12,079
Public Safety Partnership and Community Policing Grants – Technology Equipment	16.710	2010-CD-WX-0228	12,645
Public Safety Partnership and Community Policing Grants – Child Sexual Predator Program	16.710	2011-CS-WX-0004	263,403
Total Public Safety Partnership and Community Policing Grants (16.710)			<u>276,048</u>
Edward Byrne Memorial Justice Assistance Grant Program.	16.738	2010-DJ-BX-0327	68,818
Edward Byrne Memorial Justice Assistance Grant Program.	16.738	2011-DJ-BX-2746	275,741
Total Edward Byrne Memorial Justice Assistance Grant Program (16.738)			<u>344,559</u>
Passed through the City of Los Angeles:			
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009 SB B9 2024	221,244
Total Edward Byrne Memorial JAG Program Cluster (16.738 and 16.804)			<u>565,803</u>
Passed through the State of California Office of Emergency Services:			
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ12 08 7240	9,000
Total Department of Justice			<u>2,122,815</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Department of Labor:			
Passed through the State of California Employment Development Department:			
Passed through the City of Los Angeles:			
Employment Service/Wagner-Peyser Funded Activities	17.207	C-121276	\$ 5,692
Direct:			
H-1B Job Training Grants	17.268	HG-22609-12-60-A-6	567,355
Passed through the State of California Employment Development Department:			
Passed through El Camino College:			
H-1B Job Training Grants	17.268	6109.3	51,293
Total H-1B Job Training Grants (17.268)			<u>618,648</u>
Passed through the State of California Employment Development Department:			
Passed through the City of Los Angeles:			
Workforce Investment Act (WIA) National Emergency Grants – Multi-Sector National Emergency Grant	17.277	C-122203	87,995
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	471,175
Total Workforce Investment Act (WIA) National Emergency Grants (17.277)			<u>559,170</u>
Passed through the State of California Employment Development Department:			
Workforce Investment Act (WIA) Title I Adult Formula			
Workforce Investment Act (WIA) Title I Adult Formula	17.258	K386302	1,660,663
Workforce Investment Act (WIA) Title I Adult Formula	17.258	K491023	1,984
			<u>1,662,647</u>
Passed through the State of California Employment Development Department:			
Passed through the County of Orange:			
Workforce Investment Act (WIA) Title I Adult Formula -Vet Assistance Employment Program Adult	17.258	13-28-629342	2,610
Passed through the State of California Employment Development Department:			
Passed through the City of Los Angeles:			
Workforce Investment Act (WIA) Title I Adult Formula – Sector Initiative Adult	17.258	C-121134	93,167
Workforce Investment Act (WIA) Title I Adult Formula – Disability Employment Initiative	17.258	C-122914	1,481
Workforce Investment Act (WIA) Title I Adult Formula – Harbor Worksource Ctr	17.258	C-121276	362,948
Workforce Investment Act (WIA) Title I Adult Formula – Harbor Worksource Ctr	17.258	C-122914	92,966
			<u>455,914</u>
Total WIA Adult Program (17.258)			<u>2,215,819</u>
Passed through the State of California Employment Development Department:			
Workforce Investment Act (WIA) Title I Youth Formula			
Workforce Investment Act (WIA) Title I Youth Formula	17.259	K282480	267,010
Workforce Investment Act (WIA) Title I Youth Formula	17.259	K386302	1,863,169
Workforce Investment Act (WIA) Title I Youth Formula	17.259	K491023	2,825
Total WIA Youth Activities (17.259)			<u>2,133,004</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

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 Labor:</u>			
Passed through the State of California Employment Development Department:			
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Adult Transfer	17.278	K386302	\$ 826,231
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant	17.278	K386302	719,808
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant	17.278	K491023	83,095
			<hr/>
			802,903
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Rapid Response	17.278	K386302	271,535
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Rapid Response	17.278	K491023	52,278
			<hr/>
			323,813
Passed through the State of California Employment Development Department:			
Passed through the City of Los Angeles:			
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Lay Off Aversion	17.278	C-121290	34,883
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Lay Off Aversion	17.278	C-121290 Amnd-1	8,009
			<hr/>
			42,892
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Lay Off Aversion Dislocated Worker (Rapid Response)	17.278	C-121290	50,000
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Lay Off Aversion Dislocated Worker (Rapid Response)	17.278	C-121290 Amnd-1	4,330
			<hr/>
			54,330
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Rapid Response Additional Assistance	17.278	C-121276	32,863
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Sector Initiative Dislocated	17.278	C-121134	57,099
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Harbor Worksource Ctr DW	17.278	C-121276	281,635
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Harbor Worksource Ctr DW	17.278	C-122914	72,703
			<hr/>
			354,338
Total WIA Dislocated Worker Formula Grants (17.278)			<hr/>
			2,494,469
Total WIA cluster (17.258, 17.259, and 17.278)			<hr/>
			6,843,292
Total Department of Labor			<hr/> <hr/>
			8,026,802
<u>Department of Transportation:</u>			
Direct:			
Airport Improvement Program	20.106	AIP 3-06-0127-032-2009	29,899
Airport Improvement Program	20.106	AIP 3-06-0127-033-2009	34,775
Airport Improvement Program	20.106	AIP 3-06-0127-035-2010	762,256
Airport Improvement Program	20.106	AIP 3-06-0127-036-2011	1,199,969
Airport Improvement Program	20.106	AIP 3-06-0127-037-2011	3,234,663
Airport Improvement Program	20.106	AIP 3-06-0127-038-2011	340,981
Airport Improvement Program	20.106	AIP 3-06-0127-039-2012	2,759,053
			<hr/>
Total Airport Improvement Program (20.106)			8,361,596

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

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:</u>			
Passed through the State of California Department of Transportation:			
Highway Planning and Construction	20.205	ACNH 7101 (807)	\$ 56,447,573
Highway Planning and Construction	20.205	BRLS-5108 (137)	106,286,148
Highway Planning and Construction	20.205	CML-5108 (088)	116,795
Highway Planning and Construction	20.205	CML-5108 (125)	5,239
Highway Planning and Construction	20.205	CML-5108 (130)	60,012
Highway Planning and Construction	20.205	DPM-5108 (122)	(41,446)
Highway Planning and Construction	20.205	HPLUL-5108 (126)	79,550
Highway Planning and Construction	20.205	PNRSLN-5108 (116)	90,779,809
Highway Planning and Construction	20.205	STPL-5108 (119)	(37,300)
Highway Planning and Construction	20.205	STPL-5108 (134)	2,955
Highway Planning and Construction	20.205	STPL-5108 (142)	39,534
Highway Planning and Construction	20.205	STPL-5108 (143)	1,565
Highway Planning and Construction	20.205	STPL-5108 (144)	64,537
Highway Planning and Construction	20.205	STPL-5108 (145)	17,936
Highway Planning and Construction	20.205	STPL-5108 (146)	23,344
Highway Planning and Construction	20.205	STPL-5108 (147)	36,895
Highway Planning and Construction	20.205	STPL-5108 (150)	585,253
Highway Planning and Construction	20.205	STPLHSR-5108 (092)	(1)
			<hr/>
			254,468,398
Highway Planning and Construction – Safe Routes to School	20.205	SRTSNI-5108(149)	205,964
Highway Planning and Construction – Caltrans-Preapprenticeship	20.205	88A0082	3,513
ARRA – Highway Planning and Construction – Caltrans	20.205	88A0073	(3,805)
			<hr/>
Total Highway Planning and Construction Programs (20.205)			254,674,070
Passed through the State of California Office of Traffic Safety:			
Passed through the Regents of the University of California School of Public Health, Berkeley:			
State and Community Highway Safety – Sobriety Checkpoint	20.600	SC13234	119,279
Passed through the State of California Office of Traffic Safety:			
State and Community Highway Safety	20.600	PT1375	86,467
			<hr/>
Total State and Community Highway Safety (20.600)			205,746
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1375	42,107
			<hr/>
Total Highway Safety Cluster (20.600 and 20.608)			247,853
Direct:			
ARRA – Surface Transportation-Discretionary Grants for Capital Investment	20.932	DTMA1G12001	4,678,193
			<hr/>
Total Department of Transportation			267,961,712
<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	3,907
			<hr/>
Total National Endowment for the Humanities			3,907

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
<u>Institute of Museum and Library Services:</u>			
Passed through Southern California Library Cooperative:			
Grants to States	45.310	40-8103	\$ 2,424
Total Institute of Museum and Library Services			<u>2,424</u>
<u>Environmental Protection Agency:</u>			
Direct:			
National Clean Diesel Emissions Reduction Program	66.039	00T37301	256,643
National Clean Diesel Emissions Reduction Program	66.039	00T66601	1,772,095
National Clean Diesel Emissions Reduction Program	66.039	00T95701	337,146
Total National Clean Diesel Emissions Reduction Program (66.039)			<u>2,365,884</u>
Passed through the State of California Department of Health Services:			
Beach Monitoring and Notification Program Implementation	66.472	12-040-250	24,000
Direct:			
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	V-98972501-2	19,976
Total Environmental Protection Agency			<u>2,409,860</u>
<u>Department of Energy:</u>			
Direct:			
ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0000866	395,489
Total Department of Energy			<u>395,489</u>
<u>Department of Health & Human Services:</u>			
Passed through the County of Los Angeles			
Public Health Emergency Preparedness	93.069	PH-001964	80,240
Public Health Emergency Preparedness	93.069	PH-002224	899,106
Total Public Health Emergency Preparedness (93.069)			<u>979,346</u>
Passed through the State of California Department of Health Services:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	121,933
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	11-10545	188,092
Immunization Cooperative Agreements	93.268	11-10575	125,808
Immunization Cooperative Agreements	93.268	13-20297	54,452
Total Immunization Cooperative Agreements (93.268)			<u>180,260</u>
Passed through the County of Los Angeles:			
PPHF 2012 National Public Health Improvement Initiative	93.507	PH-001655-2	(29,347)
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds	93.531	PH-002196	134,970
Promoting Safe and Stable Families	93.556	31035	24,370
Promoting Safe and Stable Families	93.556	04-025-14	103,101
Promoting Safe and Stable Families	93.556	05-027-10	51,728
Promoting Safe and Stable Families	93.556	05-028-5	74,284
Total Promoting Safe and Stable Families (93.556)			<u>253,483</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

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:			
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:			
Temporary Assistance for Needy Families – Calworks Transitional Subsidized Emp Pro	93.558	12-H181	\$ 10,794
Passed through the City of Inglewood/South Bay Workforce Investment Board:			
Temporary Assistance for Needy Families – Calworks Transitional Subsidized Emp Pro	93.558	13-W180	4,420
			<u>15,214</u>
Temporary Assistance for Needy Families – Los Angeles County Summer Youth Calworks	93.558	IA1101	132,320
Total TANF Cluster (93.558)			<u>147,534</u>
Passed through the State of California Department of Health Services:			
Medical Assistance Program – Childhood Health and Disability	93.778	V#002713-00	481,322
Medical Assistance Program – Medical Gateway	93.778	V#002713-00	(2,849)
Medical Assistance Program – MAA/ TCM Administration	93.778	09-86022-A01	34,000
Medical Assistance Program – Nursing MAA Claiming	93.778	09-86022-A01	345,410
Medical Assistance Program – Nursing TCM Claiming	93.778	61-0713A2	149,139
Total Medical Assistance Program (93.778)			<u>1,007,022</u>
HIV Emergency Relief Project Grants – AIDS/HIV Benefits Specialty	93.914	H-210813	36,507
HIV Emergency Relief Project Grants – AIDS/HIV Benefits Specialty	93.914	H-210813-14	37,146
			<u>73,653</u>
Passed through the County of Los Angeles:			
HIV Emergency Relief Project Grants – AIDS Case Management	93.914	H210813	9,646
HIV Emergency Relief Project Grants – AIDS EIP Outpatient Medical	93.914	H209210	(2,223)
HIV Emergency Relief Project Grants – AIDS EIP Outpatient Medical	93.914	PH002425	82,907
			<u>80,684</u>
HIV Emergency Relief Project Grants – Medical Care Coordination	93.914	PH002431	282,801
HIV Emergency Relief Project Grants – Medical Outpatient Services	93.914	PH002425	27,599
Total HIV Emergency Relief Project Grants (93.914)			<u>474,383</u>
Passed through the State of California Department of Health Services:			
HIV Prevention Activities-Health Department Based – AIDS Surveillance	93.940	10-95266 A02	210,006
HIV Prevention Activities-Health Department Based – AIDS Surveillance	93.940	13-20134	41,846
			<u>251,852</u>
HIV Prevention Activities-Health Department Based – Care Coordination	93.940	10-95266 A02	693,636
HIV Prevention Activities-Health Department Based – Care Coordination	93.940	13-20055	217,164
			<u>910,800</u>
HIV Prevention Activities-Health Department Based – Counseling and Testing	93.940	10-95266 A02	450,968
HIV Prevention Activities-Health Department Based – Counseling and Testing	93.940	13-20259	122,602
			<u>573,570</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

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 Health & Human Services:</u>			
Passed through the State of California Department of Health Services:			
HIV Prevention Activities-Health Department Based – Outreach/Prevention for HIV Positive (Bridge)	93.940	10-95266 A02	\$ 58,436
HIV Prevention Activities-Health Department Based – Outreach/Prevention for HIV Positive (Bridge)	93.940	13-20055	15,822
			<u>74,258</u>
Total HIV Prevention Activities-Health Department Based (93.940)			1,810,480
Maternal and Child Health Services Block Grant to the States	93.994	201260-MCH	102,744
Maternal and Child Health Services Block Grant to the States	93.994	201260-MCH	62,392
			165,136
Maternal and Child Health Services Block Grant to the States – Black Infant Health	93.994	201260-BIH	255,504
Total Maternal and Child Health Services Block Grant to the States (93.994)			<u>420,640</u>
Total Department of Health & Human Services			<u><u>5,688,796</u></u>
<u>Department of Homeland Security:</u>			
Direct:			
Emergency Food and Shelter National Board Program	97.024	LRO ID 069500-379	8,800
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	4,723
Direct:			
Port Security Grant Program	97.056	EMW-2012-PU-00131-S01	203,499
Passed through the Marine Exchange of Los Angeles – Long Beach Harbor:			
Port Security Grant Program	97.056	2009-PU-T9-K020	5,914,919
Port Security Grant Program	97.056	2010-PU-T0-K004	1,398,230
Port Security Grant Program	97.056	EMW-2011-PU-K00001	1,847,016
Passed through City of Los Angeles Harbor Dept:			
Port Security Grant Program	97.056	2008-GB-T8-K014	4,381,659
Port Security Grant Program	97.056	2008-GB-T8-K014	2,073,743
Passed through Marine Exchange of Southern California			
Port Security Grant Program	97.056	2009-PU-T9-K020	897,712
Port Security Grant Program	97.056	2010-PU-T0-K004	2,177,159
Port Security Grant Program	97.056	EMW-2011-PU-00001	346,899
Total Port Security Grant Program (97.056)			<u>19,240,836</u>

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

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 Homeland Security:			
Passed through the State of California – California Emergency Management Agency:			
Passed through the County of Los Angeles:			
Homeland Security Grant Program – MMRS/SHSP	97.067	2009-0019	\$ 447
Homeland Security Grant Program – MMRS/SHSP	97.067	2010-0085	386,087
Homeland Security Grant Program – MMRS/SHSP	97.067	2011-SS-0077	88,434
			<u>474,968</u>
Passed through the State of California – California Emergency Management Agency:			
Passed through the City of Los Angeles:			
Homeland Security Grant Program – UASI	97.067	2007-0008	(1,793)
Homeland Security Grant Program – UASI	97.067	2009-0019	496,305
Homeland Security Grant Program – UASI	97.067	2010-0085	3,563,800
Homeland Security Grant Program – UASI	97.067	2011-SS-077	652,948
Homeland Security Grant Program – UASI	97.067	2012-00123	108,532
			<u>4,819,792</u>
			<u>5,294,760</u>
Total Homeland Security Grant Program (97.067)			
Passed through the State of California – California Emergency Management Agency:			
Passed through the County of Los Angeles:			
Buffer Zone Protection Program (BZPP)	97.078	N/A	313,034
Direct:			
ARRA – Port Security Grant Program	97.116	2009-PU-R1-0191	61,763
Total Department of Homeland Security			<u>24,923,916</u>
Total Federal Expenditures			\$ <u>418,050,439</u>

See accompanying notes to schedule of expenditures of federal awards and the Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CITY OF LONG BEACH, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

(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 \$28,420,402 for the year ended September 30, 2013 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 \$4,946,121, \$65,288,854, and \$11,214,397 at September 30, 2013, 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, 2013. Program income of \$835,790 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 \$18,267,567 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2013.

CITY OF LONG BEACH, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2013

(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	\$	3,211,828
Continuum of Care Program	14.267		1,275,500
H-1B Job Training Grants	17.268		347,862
Workforce Investment Act Cluster	17.258, 17.259, and 17.278		614,547
National Clean Diesel Emissions Reduction Program	66.039		2,365,884

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year ended September 30, 2013

(1) Summary of Auditors' Results

Basic Financial Statements

(a) The type of report on the basic financial statements:

- Governmental activities: **Unmodified**
- Business-type activities: **Unmodified**
- Each major fund: **Unmodified**
- Aggregate remaining fund information: **Unmodified**
- Discretely presented component unit (Long Beach Transportation Company*): **Unmodified**

* 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: **Yes, see item FS 2013-001**
- 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 weaknesses identified: **Yes, see items SA 2013-001 and SA 2013-002**
- Significant deficiencies identified that are not considered to be material weaknesses: **No**

(e) The type of report issued on compliance for major programs: **We have issued an unmodified opinion on compliance related to each major program, with the exception of ARRA – Surface Transportation – Discretionary Grants for Capital Investment, CFDA number 20.932 for which we have issued a qualified opinion.**

(f) Any audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: **Yes. See items SA 2013-001 and SA 2013-002**

(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
- ARRA-Neighborhood Stabilization Program, CFDA number 14.256

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year ended September 30, 2013

- Section 8 Housing Choice Vouchers, CFDA number 14.871
- Edward Byrne Memorial JAG Program Cluster, CFDA numbers 16.738 and 16.804
 - Edward Byrne Memorial Justice Assistance Grant Program, CFDA number 16.738
 - ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government, CFDA number 16.804
- Workforce Investment Act (WIA) Cluster, CFDA numbers 17.258, 17.259, and 17.278
 - Workforce Investment Act (WIA) Title I Adult Formula, CFDA number 17.258
 - Workforce Investment Act (WIA) Title I Adult Formula – Vet Assistance Employment Program Adult CFDA number 17.258
 - Workforce Investment Act (WIA) Title I Adult Formula – Sector Initiative Adult, CFDA number 17.258
 - Workforce Investment Act (WIA) Title I Adult Formula – Disability Employment Initiative, CFDA number 17.258
 - Workforce Investment Act (WIA) Title I Adult Formula – Harbor Worksource Center, CFDA number 17.258
 - Workforce Investment Act (WIA) Title I Youth Formula, CFDA number 17.259
 - Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Adult Transfer, CFDA number 17.278
 - Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant, CFDA number 17.278
 - Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Rapid Response, CFDA number 17.278
 - Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Lay Off Aversion, CFDA number 17.278
 - Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Lay Off Aversion Dislocated Worker (Rapid Response), CFDA number 17.278
 - Workforce Investment Act (WIA) Title I Dislocated Workers Formula Grant – Rapid Response Additional Assistance, CFDA number 17.278
 - Workforce Investment Act (WIA) Title I Dislocated Worker Formula – Sector Initiative Dislocated, CFDA number 17.278
 - Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grant – Harbor Worksource Center Dislocated Worker, CFDA number 17.278
- Airport Improvement Program, CFDA number 20.106

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year ended September 30, 2013

- Highway Planning and Construction Programs:
 - Highway Planning and Construction, CFDA number 20.205
 - Highway Planning and Construction – Safe Routes to School, CFDA number 20.205
 - Highway Planning and Construction – Caltrans – Preapprenticeship, CFDA number 20.205
 - ARRA-Highway Planning and Construction – Caltrans, CFDA number 20.205
 - ARRA – Surface Transportation – Discretionary Grants for Capital Investment, CFDA number 20.932
 - ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG), CFDA number 81.128
 - Homeland Security Grant Programs:
 - Homeland Security Grant Program– MMRS/SHSP, CFDA number 97.067
 - Homeland Security Grant Program– UASI, CFDA number 97.067
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **Yes**

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year ended September 30, 2013

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

FS 2013-001 – Capital Asset Expenditures

Condition and Context

During our auditing procedures over capital grants and the related capital expenditures, we noted that the Harbor Department of the City of Long Beach (the Port) recognized \$230 million in grant reimbursements received from the Department of Transportation of the State of California (herein after referred to as CalTrans) for replacement of the Gerald Desmond Bridge (Bridge) as a reduction of the related capital asset, instead of recognizing the reimbursements as grant revenues in the Statement of Revenues, Expenses and Changes in Net Position.

Criteria

Paragraph 102 of GASB 34 states “Capital assets should be reported at historical cost. The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use.”

Paragraph 103 of GASB 34 defines “Infrastructure assets” as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

Further, paragraph 7.15 under Chapter 7 on Capital Assets of Audit and Accounting Guide: State and Local Governments dictates “If ownership is unclear, footnote 67 to GASB Statement No. 34 paragraph 154 requires a government that has the primary responsibility for managing an infrastructure asset to report the asset in its financial statements, even if it has contracted with a third party to maintain the asset.

Based on our understanding, the Port is responsible for all construction activities until the asset is completed and placed in service. Until such time that the collective asset, including the bridge, easements, and rights of way, is conveyed to CalTrans, the Port should report all expenditures incurred for construction activities at historical cost.

Cause and Effect

Management believed that since the resulting bridge would ultimately be transferred to CalTrans, that only the net amounts paid should be considered an asset of the Port. This appears to have resulted from a misinterpretation of the accounting literature described above, and a lack of a thorough review of the accounting treatment of this significant project. As a result, capital assets and the related capital grant revenues were misstated in amounts totaling approximately \$230 million.

Recommendation

We recommend that the accounting division perform a detailed analysis at the inception of each funded project to determine the appropriate accounting treatment for expenditures incurred and grants received on individual projects.

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year ended September 30, 2013

Views of Responsible Officials

We agree with the comment and recommendation. However, to provide some background, it has always been understood that Caltrans will own the bridge once it is completed. They have partnered with the Port from the beginning of the project and have approved every major decision. In 2010, the California Transportation Commission adopted Resolution HRA 10-05, which adopted the replacement bridge alignment into the State Highway System, a condition of eligibility for use of State Highway Operation and Protection Program (SHOPP) funds for the bridge project. The SHOPP funds represent \$500 million of the Federal and State appropriations committed to fund the bridge project. The Resolution further resolves that the replacement bridge shall be conveyed from the City of Long Beach to the Department of Transportation through a transfer by deed. The negotiations to transfer the bridge to Caltrans was complicated and culminated with the Port assuming financial responsibility for maintenance costs for 30 years post completion.

Moving forward, the Port will record revenue and expenditures related to the Gerald Desmond Bridge as required by generally accepted accounting principles and will undertake a thorough review of the accounting policies applied to major projects.

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

September 30, 2013

(3) Findings and Questioned Costs Relating to Federal Awards

SA 2013-001 Allowable Costs

Program Information

Federal Program

ARRA – Surface Transportation – Discretionary Grants for Capital Investment, CFDA # 20.932

Federal Grant Award Number Grant Period

DTMA1G12001; 2011 to 2014

Federal Agency

Department of Transportation

Pass-Through Agency

N/A

Specific Requirements

GRANT AGREEMENT UNDER THE FULL-YEAR CONTINUING APPROPRIATIONS, 2011, (DIVISION B OF THE DEPARTMENT OF DEFENSE AND FULL-YEAR CONTINUING APPROPRIATIONS ACT, 2011 (PUB. L.112-10, APR. 15, 2011)), FOR THE NATIONAL INFRASTRUCTURE INVESTMENTS DISCRETIONARY GRANT PROGRAM (FY 2011 TIGER DISCRETIONARY GRANTS) PORT OF LONG BEACH GREEN PORT GATEWAY: TRACK REALIGNMENT AT OCEAN BOULEVARD, PIER F SUPPORT YARD, AND PIER G METRO.

Section 2.1

Project's Statement of Work Summary (for further information see Attachment A, which describes the allowable and unallowable project costs): The Project comprises the Track Realignment at Ocean Boulevard, the Pier F Support Yard, and Pier G Metro projects. The Projects will increase on-dock trains by improving on-dock rail facilities serving several marine terminals, eliminating a bottleneck, and adding a third mainline track. These improvements increase efficiency and facilitate the forecasted cargo throughput. The Track Realignment and Pier F Support Yard Projects will add approximately 30,000 feet of new track, upgrade existing tracks, increase safety by taking personnel off of the mainlines, and allow for increased efficiency by creating more room to stage and prepare trains for departure without the need for unnecessary switching movements.

Condition and Context

In our testing over allowable costs, we noted costs totaling \$725,201, representing 16% of the total 2013 expenditures, related to demolition, storm drains, and other general charges, which are not initially allowable per the grant agreement. We furthermore, note that the unallowed costs were included in quarterly reports and reimbursement requests for which payment has been received by the City. Subsequent to our audit testing, the City's submission of quarterly reports and receipt of reimbursement

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

September 30, 2013

requests, management submitted an amendment to the agreement in which the grantor approved the previously unallowable costs.

Questioned Costs

None noted.

Cause and Effect

Adequate monitoring controls are in place but do not appear to be operating effectively to ensure that only allowable costs are charged to the grant.

Recommendation

We recommend that management enhance current policies to ensure that only allowable charges are reported and charged to the grant.

Views of Responsible Officials and Planned Corrective Action

The Port of Long Beach (Port) has not and will not intentionally charge unallowable costs to the United States Department of Maritime Administration (MARAD) for the Pier F and Ocean Boulevard Track Realignment Project. This project has funding sources from two separate agencies, one of which is MARAD. Construction costs are allowable expenditures under the terms of both agency agreements.

The charges in question relate directly to mobilization, storm drain system, and other general category charges for the project, which cover the entire project and must occur before the construction project can begin. Because these costs are required for the project, the charges were allocated between the agency agreements based on the percentage of construction categories each agency funds. This methodology was communicated to, and accepted by, both agencies.

The audit finding notes that the charges in question were not clearly identified in the existing MARAD agreement, and therefore classifies them unallowable. The finding also considers the Port's verbal agreement with MARAD concerning these charges lacking with regard to project file support. In response to the audit finding, the Port has received from MARAD confirmation, in writing, that the costs in question are indeed allowable under the terms of the agreement.

Additionally, the Port has requested an amendment to the MARAD agreement be drafted to specify mobilization, storm drain system, and other general category costs as allowable charges. This will effectively mitigate any financial exposure that might otherwise have occurred.

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

September 30, 2013

SA 2013-002 Reporting

Program Information

Federal Program

ARRA – Surface Transportation – Discretionary Grants for Capital Investment, CFDA # 20.932

Federal Grant Award Number Grant Period

DTMA1G12001; 2011 to 2014

Federal Agency

Department of Transportation

Pass-Through Agency

N/A

Specific Requirements

GRANT AGREEMENT UNDER THE FULL-YEAR CONTINUING APPROPRIATIONS, 2011, (DIVISION B OF THE DEPARTMENT OF DEFENSE AND FULL-YEAR CONTINUING APPROPRIATIONS ACT, 2011 (PUB. L.112-10, APR. 15, 2011)), FOR THE NATIONAL INFRASTRUCTURE INVESTMENTS DISCRETIONARY GRANT PROGRAM (FY 2011 TIGER DISCRETIONARY GRANTS) PORT OF LONG BEACH GREEN PORT GATEWAY: TRACK REALIGNMENT AT OCEAN BOULEVARD, PIER F SUPPORT YARD, AND PIER G METRO.

Section 3.2 Project Progress and Monitoring Reports:

Consistent with the purposes of the TIGER Discretionary Grant Program, to ensure accountability and transparency in Government spending, the Grantee shall submit quarterly progress reports and the Federal Financial Report (SF-425) to the contacts designated by the Government in section 3.5, as set forth in Exhibit H, Quarterly Progress Reports: Format and Content, to the Government on a quarterly basis, beginning on the 20th of the first month of the calendar year quarter following the execution of the Agreement, and on the 20th of the first month of each calendar year quarter thereafter until completion of the Project. The initial report shall include a detailed description, and, where appropriate, drawings, of the items funded.

Section 3.3 Annual Budget Review and Program Plan:

The Grantee shall submit an Annual Budget Review and Program Plan to the Government via e-mail 60 days prior to the end of each Agreement year. The Annual Budget Review and Program Plan shall provide a detailed schedule of activities, estimate of specific performance objectives, include forecasted expenditures, and schedule of milestones for the upcoming Agreement year. If there are no proposed deviations from the approved Estimated Project Budget, the Annual Budget Review shall contain a statement stating such. The Grantee will meet with the Government to discuss the Annual Budget Review and Program Plan. If there is an actual or projected project cost increase, the annual submittal should

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

September 30, 2013

include a written plan for providing additional sources of funding to cover the project budget shortfall or supporting documentation of committed funds to cover the cost increase.

Condition and Context

In our testing of the reporting requirements, we noted several omissions and errors. We have summarized them below:

- Quarterly Progress Report: The report for the quarter ended September 30, 2013 was submitted on November 20, 2013, which is 30 days after the report was required to be submitted.
- Annual Budget Report: We note that this report was due on April 21, 2013, which is 60 days prior to the end of the agreement year of June 20, the date the contract was executed. However, in our testing, we noted that the report was not submitted until June 2, 2013, 72 days after the report was due. Furthermore, the Annual Budget report is required to include a “written plan for additional sources of funding to cover the project budget shortfall or supporting documentation of committed funds to cover the cost increase.” However, this was omitted from the report submitted.
- Quarterly Financial Status Reports: In our testing, we noted that both the reports for the quarters ended March 31, 2013 and June 30, 2013 indicated that there were no federal charges related to the program. However, based on our review, we noted that there total federal charges for those quarters were \$165,967 and \$1,163,489, respectively. As a result of this error, the amount reported as the Port’s share of the project costs were overstated. In our testing of the report for the quarter ended September 30, 2013, we noted that the total federal charges reported of \$5,062,617 were overstated by \$890,723. As a result of this error, the amount reported as the Port’s share of the project costs was understated.

Questioned Costs

\$890,723

Amount federal costs were overstated on the Quarterly Financial Status report for the quarter ended September 30, 2013, which had been submitted for reimbursement and payment received by the City.

Cause and Effect

Adequate monitoring controls are in place but do not appear to be operating effectively to ensure that the quarterly Federal Financial Reports and the Annual Budget Report are submitted accurately. Also, there do not appear to be adequate monitoring controls in place to ensure that the Quarterly Progress report and Annual Budget review are submitted timely.

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

September 30, 2013

Recommendation

We recommend that management enhance current policies to ensure that all required reports are submitted timely and that the data used to compile the report is accurate.

Views of Responsible Officials and Planned Corrective Action

The Port of Long Beach (Port) has not and will not intentionally file quarterly reports inaccurately or beyond the required due date to the United States Department of Maritime Administration (MARAD) for the Pier F and Ocean Boulevard Track Realignment Project. The reporting requirement includes Quarterly Progress Reports, Quarterly Financial Status, and Annual Budget Reports.

The audit finding notes that these reports were not filed correctly and by the required due date. Due to project delays and reporting clarifications, submittals to MARAD were delayed and contained estimated amounts. The timing and content of the reports in question were discussed with and agreed upon by MARAD officials prior to submittal of the reports. The auditor notes the Port's verbal agreement with MARAD on the timing and amounts reported was not a sufficient action to support the project files.

The Port has since received written approval from MARAD that the submittal dates are acceptable. The Port and MARAD are revising reported estimated federal costs to actual federal costs as the previous verbal agreement stated.