



**CITY OF LONG BEACH, CALIFORNIA**

Audit of Expenditures of Federal Awards Performed in  
Accordance with the Uniform Guidance

Year Ended September 30, 2017

(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, 2017, 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 26, 2018. Our report includes a reference to other auditors who audited the financial statements of the Long Beach Public Transportation Company (the Company), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit 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 opinions 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.

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 a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, identified as 2017-001 and 2017-002 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.



### **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 responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 26, 2018



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**Independent Auditors' Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Long Beach, California's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditors' 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, the discretely presented component unit, which received \$13,268,961 in federal awards, which is not included in the schedule of expenditures of federal awards for the year ended September 30, 2017. 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 an audit in accordance with the Uniform Guidance.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 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 opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

*Opinion on Each Major Federal Program*

In our opinion, 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 each of its major federal programs for the year ended September 30, 2017.



### *Other Matters*

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-003 and 2017-004. Our opinion on each major federal program is not modified with respect to this matter.

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 the Uniform Guidance, 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 have not been 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-003 to be material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-004 to be a significant deficiency.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 26, 2018, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Long Beach Public Transportation Company (the Company), as described in our report on the City's financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*KPMG LLP*

Irvine, California  
July 2, 2018

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Department of Agriculture Food and Nutrition Service:				
Passed through the State of California Department of Health Services:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15-10061	\$ 17,659,418	\$ —
Passed through the State of California Department of Education:				
Summer Food Service Program for Children	10.559	19-81908V	279,451	—
Passed through the State of California Department of Health Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	13-20015	911,893	163,906
Total Department of Agriculture Food and Nutrition Service			<u>18,850,762</u>	<u>163,906</u>
Department of Commerce Economic Development Administration:				
Direct:				
Economic Adjustment Assistance	11.307	07-49-05046	1,114,971	—
Total Department of Commerce Economic Development Administration			<u>1,114,971</u>	<u>—</u>
Department of Defense – Office of Economic Adjustment:				
Direct:				
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	12.611	CR1517-15-01	375,456	375,456
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	12.611	CR1517-17-03	370,855	—
Total Department of Defense – Office of Economic Adjustment			<u>746,311</u>	<u>375,456</u>
Department of Housing and Urban Development:				
Direct:				
Community Development Block Grant/Entitlement Grants	14.218	B-14-MC-06-0522	1,241,271	—
Community Development Block Grant/Entitlement Grants	14.218	B-15-MC-06-0522	3,694,937	—
Community Development Block Grant/Entitlement Grants	14.218	B-16-MC-06-0522	3,968,087	—
			<u>8,904,295</u>	<u>—</u>
Community Development Block Grant/Entitlement Grants – NSP1	14.218	B-08-MN-06-0511	923,507	—
Community Development Block Grant/Entitlement Grants – NSP3	14.218	B-11-MN-06-0511	393,757	—
Total Community Development Block Grant/Entitlement Grants Cluster (14.218)			<u>10,221,559</u>	<u>—</u>
Emergency Solutions Grant Program	14.231	E-15-MC-06-0522	30,000	—
Emergency Solutions Grant Program	14.231	E-16-MC-06-0522	467,248	—
Total Emergency Solutions Grant Program (14.231)			<u>497,248</u>	<u>—</u>
Direct:				
Shelter Plus Care	14.238	CA1132C9D061100	39,913	—
Department of Housing and Urban Development:				
Direct:				
Home Investment Partnerships Program	14.239	M-11-MC-06-0518	71,136,172	—
Home Investment Partnerships Program	14.239	M-12-MC-06-0518	348,933	—
Home Investment Partnerships Program	14.239	M-13-MC-06-0518	1,782,232	—
Home Investment Partnerships Program	14.239	M-14-MC-06-0518	1,575,660	—
Home Investment Partnerships Program	14.239	M-15-MC-06-0518	237,394	—

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Home Investment Partnerships Program	14.239	M-16-MC-06-0518	\$ 1,691,859	\$ —
Home Investment Partnerships Program	14.239	M-17-MC-06-0518	38,781	—
Total Home Investment Partnerships Program (14.239)			<u>76,811,031</u>	<u>—</u>
Passed through the City of Los Angeles:				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	98256	683,292	—
Direct:				
ARRA – Neighborhood Stabilization Program – NSP2	14.256	B-09-CN-CA-0045	195,214	—
Continuum of Care Program – CoC 2014	14.267	CA0000U9D061402	(87,309)	—
Continuum of Care Program	14.267	CA0000U9D061502	5,065,997	3,827,879
Continuum of Care Program	14.267	CA0000U9D061604	1,760,804	1,329,675
Continuum of Care Program	14.267	CA0646U9D061508	272,939	—
Continuum of Care Program	14.267	CA0646U9D061609	93,779	—
Continuum of Care Program	14.267	CA0647U9D061508	125,850	—
Continuum of Care Program	14.267	CA0647U9D061609	34,855	—
Continuum of Care Program	14.267	CA0932U9D061506	59,418	—
Continuum of Care Program	14.267	CA0932U9D061607	18,718	—
Continuum of Care Program	14.267	CA1014U9D061501	26,601	—
Continuum of Care Program	14.267	CA1014U9D061602	8,011	—
Continuum of Care Program	14.267	CA1132U9D061601	13,513	—
Total Continuum of Care Program (14.267)			<u>7,393,176</u>	<u>5,157,554</u>
Section 8 Housing Choice Vouchers – Total Housing Voucher Cluster	14.871	CA068VO	67,210,598	—
Family Self-Sufficiency Program	14.896	CA068FSH057A015	72,862	—
Family Self-Sufficiency Program	14.896	CA068FSH072A016	212,957	—
Total Family Self-Sufficiency Program (14.896)			<u>285,819</u>	<u>—</u>
Lead-based Paint Hazard Control in Privately Owned Housing	14.900	CALHB0591-15	1,298,264	—
Total Department of Housing and Urban Development			<u>164,636,114</u>	<u>5,157,554</u>
Research and Development Cluster:				
Department of the Interior – Bureau of Reclamation:				
Direct:				
Water Desalination Research and Development Program	15.506	R15AC00086	42,549	—
Total Department of the Interior Bureau of Reclamation			<u>42,549</u>	<u>—</u>
Total Research and Development Cluster			<u>42,549</u>	<u>—</u>
Department of the Interior – National Park Service:				
Passed through the State of California Department of Parks and Recreation:				
Land and Water Conservation Fund	15.916	06-1782	219,778	—
Total Department of the Interior – National Park Service			<u>219,778</u>	<u>—</u>

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Department of Justice:				
Direct:				
Community-Based Violence Prevention Program	16.123	2014-NY-FX-K005	\$ 88,901	\$ —
Community-Based Violence Prevention Program	16.123	2015-PB-FX-K010	159,672	—
Total Community-Based Violence Prevention Program (16.123)			<u>248,573</u>	<u>—</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0318	6,257	—
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0249	135,798	—
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0091	16,872	—
Total Edward Byrne Memorial Justice Assistance Grant Program (16.738)			<u>158,927</u>	<u>—</u>
Passed through the State of California Office of Emergency Services:				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ16127240	11,698	—
Direct:				
Asset Forfeiture	16.922	N/A	638,560	—
Total Department of Justice			<u>1,057,758</u>	<u>—</u>
Department of Labor:				
Passed through the State of California Employment Development Department:				
WIOA Adult Program – Adult Round 1	17.258	K7102038	42,876	—
WIOA Adult Program – Adult Round 1	17.258	K8106641	139,595	—
WIOA Adult Program – Adult Round 2	17.258	K7102038	1,539,117	—
WIOA Adult Program – Adult Round 2	17.258	K698367	99,532	—
			<u>1,821,120</u>	<u>—</u>
Passed through the State of California Employment Development Department:				
Passed through the County of Orange:				
WIA/WIOA Adult Program – OCWIB Veteran's Employment Assistance Program Adult 7	17.258	15-28-0005-VEAP	43	—
WIA/WIOA Adult Program – OCWIB Veteran's Employment Assistance Program Adult 8	17.258	16-28-0005-VEAP	100,008	—
			<u>100,051</u>	<u>—</u>
Passed through the State of California Employment Development Department:				
Passed through the City of Los Angeles:				
WIOA Adult Program – Harbor Worksource Ctr WIOA Adult	17.258	C-127938	392,675	36,333
WIOA Adult Program – Harbor Worksource Ctr WIOA Adult	17.258	C-129810	211,612	—
			<u>604,287</u>	<u>36,333</u>
Total WIA/WIOA Adult Program (17.258)			<u>2,525,458</u>	<u>36,333</u>
Passed through the State of California Employment Development Department:				
WIA/WIOA Youth Activities – WAF Youth Demo Program	17.259	K698367	37,497	—
WIOA Youth Activities – WIOA Youth	17.259	K698367	452,737	422,413

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
WIOA Youth Activities – WIOA Youth	17.259	K7102038	\$ 1,307,994	\$ 79,026
WIOA Youth Activities – WIOA Youth	17.259	K92006641	107,442	—
			<u>1,868,173</u>	<u>501,439</u>
Total WIA/WIOA Youth Activities (17.259)			<u>1,905,670</u>	<u>501,439</u>
Passed through the State of California Employment Development Department:				
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 2	17.278	K698367	89,068	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 3	17.278	K7102038	119,143	101,071
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Rapid Response Round 2	17.278	K698367	102,323	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Rapid Response Round 3	17.278	K7102038	420,221	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 2	17.278	K698367	190,551	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 3	17.278	K7102038	891,748	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 1	17.278	K7102038	55,991	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 2	17.278	K8106641	85,908	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 1	17.278	K7102038	20,278	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 2	17.278	K8106641	5,241	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Rapid Response Round 1	17.278	K7102038	62,517	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Rapid Response Round 2	17.278	K8106641	39,009	—
WIOA High Performing Broads	17.278	K7102038	39,192	—
			<u>2,121,190</u>	<u>101,071</u>
Passed through the State of California Employment Development Department:				
Passed through the City of Los Angeles:				
WIOA Dislocated Worker Formula Grants – Harbor Worksource Ctr Moving Forward Dislocated Worker	17.278	C-126164	(1,656)	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker	17.278	C-127938	344,234	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker	17.278	C-129810	109,427	—
			<u>453,661</u>	<u>—</u>
Passed through the State of California Employment Development Department:				
Passed through the County of Orange:				
WIA/WIOA Dislocated Worker Formula Grants – OCWIB Veteran's Employment Assistance Program Dislocated Worker 8	17.278	16-28-0005-VEAP	82,375	—
Total WIA/WIOA Dislocated Worker Formula Grants (17.278)			<u>2,655,570</u>	<u>101,071</u>
Total WIA/WIOA cluster (17.258, 17.259 and 17.278)			<u>7,086,698</u>	<u>638,843</u>
Passed through the State of California Employment Development Department:				
WIOA National Dislocated Worker Grants/WIA National Emergency Grants – NEG Sector Partnership	17.277	K698367	255,806	5,000
Passed through the State of California Employment Development Department:				
WIA/WIOA Dislocated Worker National Reserve Demonstration Grants – Youth Demonstration Project	17.280	K698367	1,360,050	5,139
Passed through the State of California Employment Development Department:				
Passed through the Long Beach Community College District:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants – Links	17.282	99721.5	119,250	—
Total Department of Labor			<u>8,821,804</u>	<u>648,982</u>

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Department of Transportation:				
Direct:				
Airport Improvement Program	20.106	AIP 3-06-0127-041-2014	\$ 148,565	\$ —
Airport Improvement Program	20.106	AIP 3-06-0127-042-2015	2,831,244	—
Airport Improvement Program	20.106	AIP 3-06-0127-043-2015	145,075	—
Airport Improvement Program	20.106	AIP 3-06-0127-044-2016	8,367	—
Total Airport Improvement Program (20.106)			3,133,251	—
Passed through the State of California Department of Transportation:				
Highway Planning and Construction	20.205	ACNH 7101 (807)	54,186,112	—
Highway Planning and Construction	20.205	BRLS-5108 (137)	12,365,181	—
Highway Planning and Construction	20.205	STPL-5108 (144)	(2,713)	—
Highway Planning and Construction	20.205	STPL-5108 (147)	(10,095)	—
Highway Planning and Construction	20.205	STPL-5108 (145)	1,031	—
Highway Planning and Construction	20.205	STPL-5108 (161)	(1,571)	—
Highway Planning and Construction	20.205	STPL-5108 (162)	(3,250)	—
Highway Planning and Construction	20.205	STPL-5108 (165)	39,389	—
Highway Planning and Construction	20.205	HPLUL-5108 (126)	(31,168)	—
Highway Planning and Construction	20.205	HPLUL-5108 (135)	754,621	—
Highway Planning and Construction	20.205	HSIPL-5108 (151)	2,412	—
Highway Planning and Construction	20.205	HSIPL-5108 (164)	446,731	—
Highway Planning and Construction	20.205	CML-5108 (159)	3,625	—
Highway Planning and Construction	20.205	RPSTPL-5108 (153)	(4,222)	—
Highway Planning and Construction	20.205	RPSTPL-5108 (154)	(87,026)	—
Highway Planning and Construction	20.205	CML-5108 (176)	6,925	—
Total Highway Planning and Construction Programs(20.205)			67,665,982	—
Passed through the State of California Department of Transportation:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Bicycle Safety Initiative (OTS)	20.600	PS1706	49,986	3,620
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.600	PT1764	238,397	—
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated (20.600)			288,383	3,620
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1664	118,798	—
Total Highway Safety Cluster (20.600 and 20.608)			407,181	3,620
Total Department of Transportation			71,206,414	3,620
Environmental Protection Agency:				
Passed through the State of California Department of Health Services:				
Beach Monitoring and Notification Program Implementation	66.472	D1514103	20,023	—
Beach Monitoring and Notification Program Implementation	66.472	D1714103	6,423	—
Total Beach Monitoring and Notification Program Implementation (66.472)			26,446	—

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Direct:				
ARRA – Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T06101-0	\$ 14,173	\$ —
ARRA – Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T06101-5	21,757	—
Total ARRA- Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements (66.802)			35,930	—
Total Environmental Protection Agency			62,376	—
Department of Health & Human Services:				
Passed through the State of California Department of Health Services:				
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	15-10831	22,327	—
Passed through the County of Los Angeles Department of Health Services:				
Public Health Emergency Preparedness	93.069	PH-002224	1,052,274	—
Direct:				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0112-01-00	(416)	—
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0112-02-00	517,396	237,568
Total Healthy Marriage Promotion and Responsible Fatherhood Grants (93.086)			516,980	237,568
Passed through the State of California Department of Health Services:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	93,764	—
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	30,356	—
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs (93.116)			124,120	—
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	14-10023	314,305	—
Immunization Cooperative Agreements	93.268	15-10428	231,645	—
Passed through the State of California Department of Health Services:				
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	15-N-11	50,000	—
Passed through the County of Los Angeles Department of Children and Family Services:				
Promoting Safe and Stable Families	93.556	04-025-14	75,202	52,981
Promoting Safe and Stable Families	93.556	05-027-10	33,152	23,547
Promoting Safe and Stable Families	93.556	05-028-5	58,016	41,208
Total Promoting Safe and Stable Families (93.556)			166,370	117,736
Passed through the State of California Department of Health Services:				
Passed through the County of Los Angeles Department of Public Social Services:				
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – CALWORKS	93.558	IA0114	377,265	—
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – FOSTER	93.558	IA0114	29,471	—
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – CALWORKS	93.558	IA-0510	48,395	—
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – FOSTER	93.558	99721.5	14,283	—

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
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	13-W180	\$ 29,891	\$ —
			499,305	—
Department of Health & Human Services (Continued)				
Passed through the State of California Department of Health Services:				
Passed through the City of Inglewood/South Bay Workforce Investment Board:				
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – CALWORKS	93.558	IA0615	(792)	—
Total TANF Cluster (93.558)			498,513	—
Passed through the State of California Department of Health Services:				
Medical Assistance Program – Childhood Health and Disability	93.778	V#002713-00	491,179	—
Medical Assistance Program – Medical Gateway	93.778	V#002713-00	1,858	—
Medical Assistance Program – MAA/TCM Administration	93.778	14-90021	52,455	—
Passed through the State of California Department of Health Services:				
Medical Assistance Program – Nursing MAA Claiming	93.778	14-90021	42,968	—
Medical Assistance Program – Nursing TCM Claiming	93.778	61-0712	3,522	—
Medical Assistance Program – Nursing TCM Claiming	93.778	61-1318A	146,310	—
Total Medical Assistance Program (93.778)			192,800	—
Total Medicaid Cluster			738,292	—
Passed through the County of Los Angeles Department of Health Services:				
HIV Emergency Relief Project Grants – AIDS EIP Outpatient Medical	93.914	PH-002425-3	49,147	—
HIV Emergency Relief Project Grants – AIDS EIP Outpatient Medical	93.914	PH-002425-4	63,429	—
			112,576	—
Passed through the County of Los Angeles Department of Health Services:				
HIV Emergency Relief Project Grants – AIDS/HIV Benefits Specialty	93.914	PH-002900	135,409	—
HIV Emergency Relief Project Grants – Medical Care Coordination	93.914	PH-002431-2	165,580	—
HIV Emergency Relief Project Grants – Medical Care Coordination	93.914	PH-002431-3	290,365	—
			455,945	—
Total HIV Emergency Relief Project Grants (93.914)			703,930	—
Passed through the State of California Department of Health Services:				
HIV Prevention Activities – Health Department Based	93.917	15-11059	1,270,251	—
HIV Prevention Activities – Health Department Based – Outreach/Prevention for HIV Positive (Bridge)	93.917	15-11059	87,401	—
HIV Prevention Activities – Health Department Based – Outreach/Prevention for HIV Positive (Bridge)	93.917	15-11059	82,066	—
			169,467	—
Total HIV Prevention Activities (93.917)			1,439,718	—

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Passed through the State of California Department of Health Services: HIV Prevention Activities – Health Department Based – Counseling and Testing	93.940	14-10964	\$ 468,676	\$ —
Passed through the State of California Department of Health Services: Maternal and Child Health Services Block Grant to the States	93.994	201660	197,264	—
Maternal and Child Health Services Block Grant to the States	93.994	201760	81,750	—
			<u>279,014</u>	<u>—</u>
Passed through the State of California Department of Health Services: Maternal and Child Health Services Block Grant to the States – Black Infant Health	93.994	201660	259,408	3,500
Maternal and Child Health Services Block Grant to the States – Black Infant Health	93.994	201760	77,652	—
			<u>337,060</u>	<u>3,500</u>
Total Maternal and Child Health Services Block Grant to the States (93.994)			<u>616,074</u>	<u>3,500</u>
Total Department of Health & Human Services			<u>6,893,224</u>	<u>358,804</u>
Department of Homeland Security: Passed through United Way of Greater Los Angeles: Emergency Food and Shelter National Board Program	97.024	N/A	9,221	—
Passed through the State of California – California Office of Emergency Services: Passed through the County of Los Angeles – Office of Emergency Management/CEO Office: Emergency Management Performance Grant	97.042	2015-0049	74,286	—
Department of Homeland Security: Direct: Port Security Grant Program	97.056	EMW-2014-PU-00210	613,556	—
Port Security Grant Program	97.056	EMW-2015-PU-00239	970,447	—
Port Security Grant Program	97.056	EMW-2016-PU-00124	635,060	—
Port Security Grant Program	97.056	EMW-2015-PU-00529	558,181	—
Total Port Security Grant Program (97.056)			<u>2,777,244</u>	<u>—</u>
Passed through the State of California – California Office of Emergency Services: Passed through the County of Los Angeles – Chief Executive Office: Homeland Security Grant Program	97.067	2015-00078	344,706	—
Homeland Security Grant Program	97.067	2016-00102	142,528	—
			<u>487,234</u>	<u>—</u>

**CITY OF LONG BEACH, CALIFORNIA**  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2017

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Passed through the State of California – California Office of Emergency Services:				
Passed through the City of Los Angeles Mayor's Office of Public Safety:				
Homeland Security Grant Program – UASI	97.067	2014-00093	\$ 393,113	\$ —
Homeland Security Grant Program – UASI	97.067	2015-00078	8,764,113	—
Homeland Security Grant Program – UASI	97.067	2016-00102	119,350	—
			<u>9,276,576</u>	<u>—</u>
Total Homeland Security Grant Program (97.067)			9,763,810	—
Passed through the City of Los Angeles:				
Securing the Cities Program	97.106	C-124773	57,795	—
Total Department of Homeland Security			<u>12,682,356</u>	<u>—</u>
Total Federal Expenditures			<u>\$ 286,384,417</u>	<u>\$ 6,708,322</u>

See accompanying notes to schedule of expenditures of federal awards and the Independent Auditors' Report on Federal Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

## CITY OF LONG BEACH, CALIFORNIA

### Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2017

#### **(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 \$13,268,961 for the year ended September 30, 2017 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 the Uniform Guidance. The City's reporting entity is defined in note 1 to the City's basic financial statements.

#### **(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **(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 with Continuing Compliance**

The City considers loans advanced to eligible participants for the Community Development Block /Grant Entitlement Grants (CDBG) and the Home Investment Partnerships Program (HOME) to have continuing compliance requirements. As such, the amounts reported in the accompanying Schedule for the CDBG and HOME programs include current year disbursements as well as the balance as of the beginning of the year of loans with continuing compliance requirements.

As of September 30, 2017 and 2016, the balance of loans with continuing compliance requirements for the HOME programs was \$74,677,676 and \$71,061,099, respectively.

As of September 30, 2017 and 2016, the balance of loans with continuing compliance requirements for the CDBG programs was \$3,759,113 and \$3,720,935, respectively.

#### **(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 \$13,185,376 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2017.

#### **(6) Indirect Cost Rate**

The City did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414. For the sponsored programs where the City claims indirect costs, the City's internal indirect cost rate is used.

**CITY OF LONG BEACH, CALIFORNIA**  
Summary of Findings and Questioned Costs  
Year ended September 30, 2017

**(1) Summary of Auditors' Results**

*Basic Financial Statements*

- (a) The type of report issued on whether the basic financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the basic financial statements:
  - Material weakness(es) identified: **No**
  - Significant deficiencies: **Yes, see 2017-001 and 2017-002**
- (c) Noncompliance material to the basic financial statements: **No**

*Federal Awards*

- (d) Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses identified: **Yes, See 2017-003**
  - Significant deficiencies: **Yes, See 2017-004**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516 (a): **Yes**
- (g) Major programs:
  - Section 8 Housing Choice Vouchers, CFDA number 14.871
  - Home Investment Partnership Program, CFDA number 14.239
  - Continuum of Care, CFDA number 14.267
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee: **Yes**

**CITY OF LONG BEACH, CALIFORNIA**  
Summary of Findings and Questioned Costs  
Year ended September 30, 2017

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

**2017-001 – Employee Turnover**

*Criteria*

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. GAAP such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiency described below represents a significant deficiency in internal controls.

*Condition and Context*

During our audit of the City's financial statements, we noted several instances where management had not prepared a schedule until requested for the audit or performed a task until questioned during the audit. Specifically, these related to the computation of annual depletion expense and the reversal of an accrual for gas purchases from years prior to 2015. Neither instances noted were identified through statistical sampling. While neither of the individual items noted were material to the financial statements as whole, the likelihood of similar items is more than remote.

*Repeat Finding from the Previous Year*

The item discussed above was identified in 2017 and is not a repeat finding from the previous year.

*Cause and Effect*

In recent years, there have been vacancies and turnover in key finance and management positions due to various reasons including the allocations of resources to the on-going enterprise risk management project. As a result of these vacancies and turnover, certain tasks and schedules have been inadvertently overlooked and not prepared timely.

*Recommendation*

We recommend that management enhance the existing desk procedures for key individuals in finance and management roles to ensure that the procedures include all necessary items related to accounting and financial reporting, therefore, reducing the likelihood that items would be overlooked in the future.

*Management's Response*

In the past 18 months, the Long Beach Energy Resources Department experienced the involuntary separation of three (out of five) accountants due in part to issues such as the one referenced in the audit finding. In the same time frame, one additional accountant retired. The department has replaced three of the four positions and is actively recruiting the fourth.

The City will seek to enhance its procedures to ensure required schedules are prepared, tasks are performed and entries made in support of proper financial presentation and the audited validation of that presentation. A catalogue and checklist of monthly, quarterly, and annual accounting tasks is being reviewed and updated. Primary and backup staff members are being identified and management will closely monitor these operations for timely completion and accuracy.

**CITY OF LONG BEACH, CALIFORNIA**  
Summary of Findings and Questioned Costs  
Year ended September 30, 2017

**2017-002 – Pension Expense**

*Criteria*

A significant deficiency in internal controls is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. GAAP such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We believe the control deficiency described below represents a significant deficiency in internal controls.

*Condition and Context*

During our audit of the City's financial statements, we identified two instances where pension expense was not properly stated. Specifically, these instances related to the understatement of city-wide pension expense by \$15.0 million and the misclassification of \$26.0 million of pension expense between the general and employee benefits internal service funds (EBF). Neither item noted was identified as a result of statistical sampling. As a result, adjustments were necessary to properly state the financial statements in accordance with U.S. generally accepted accounting principles.

*Repeat Finding from the Previous Year*

The item discussed above was identified in 2017 and is not a repeat finding from the previous year.

*Cause and Effect*

The City's method for recognition of pension expense is tied to the manner that the City collects pension expense from all funds and departments and how the city records amounts remitted to the pension plan through CalPERS. The City's method requires all funds and departments to submit payment to the EBF each pay period. The EBF then remits these amounts to the pension plan on a regular basis. The amount collected from the funds and departments is determined using a single rate, however, due to the pension plan's year-end of June 30, the rate increased on July 1. Accordingly, the City should use a blended rate to properly collect the amount due over the City's fiscal year. Furthermore, in the current year, the City made an annual lump-sum payment against the existing unfunded pension liability for both of the City's pension plans, which was recorded in its EBF. These payments should have been reflected in pension expense in the respective fund that owes the obligation, not the internal service fund, which made the cash payment.

*Recommendation*

We recommend that management enhance its internal controls and procedures over the process to collect, pay and report pension expense in the fund statements to ensure that the amounts reflected in the financial statements are in accordance with applicable authoritative literature and reflect each funds underlying obligation.

**CITY OF LONG BEACH, CALIFORNIA**  
Summary of Findings and Questioned Costs  
Year ended September 30, 2017

*Management's Response*

The City acknowledges that it's very unique pension reporting situation, caused by the disparity in fiscal year ends of CalPERS and the City, combined with changes in CalPERS funding requirements was the primary cause for this finding. As such, and after consultation with representatives from GASB, we will institute new recording processes that should result in the proper citywide fund statement presentation of pension expense resulting from the lump-sum payments to CalPERS. Additionally, we are developing procedures to capture the 3-month delta between pension expense as reported in the GASB 68 actuarial reports and the total pension expense recorded by the City through its application of by-pay-period collections from participating funds.

**(3) Findings and Questioned Costs Relating to Federal Awards from  
2017-003 – Activities Allowed or Unallowed (Access to Records)**

Federal Program	Home Investment Partnership Program (HOME Program)
Federal Catalog Number	14.239
Federal Agency	U.S. Department of Housing and Urban Development (HUD)
Federal Award Number	M-11-MC-06-0518
Federal Award Year	2011 – 2013

*Criteria*

Per CFR 92.205, HOME Program funds may be used by a participating jurisdiction to provide, among other things, interest-bearing loans or advances and non-interest-bearing loans. Additionally, per 2 CFR part 200, subpart D, section 200.303, the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Additionally, Chapter 6 of the HUD and CDBG Guidebook also requires that each entity participating in the HOME program have a financial management system that protects funds, property and other assets against loss or misuse.

*Condition*

We found that management of the City's HOME Program identified 6 copies of loan agreements totaling approximately \$3.7 million which had been altered for one borrower participating in the HOME program's Multi-Family Loan Program. When management compared the copies of the loan documents in the HOME Program files to the original copies of the loan agreements kept in a vault, management noted that the grace period for loan repayments due date for the six loans as well as the final due date of each loan had been extended up to 10 years in the altered copies of the loan documents. While the borrower does have other loans through the HOME program still outstanding, only the loans with altered loan agreements noted above are currently past due.

*Questioned Costs*

None

**CITY OF LONG BEACH, CALIFORNIA**  
Summary of Findings and Questioned Costs  
Year ended September 30, 2017

*Cause and Effect*

The altered copies of the loan documents appears to be made possible due to insufficient access controls at the City to limit access to the HOME Programs loan files which resulted in the discrepancies noted above. However, the City did maintain the original loan agreements in a vault which there were able to use to determine the discrepancies noted above.

*Statistical Sampling*

None

*Prior Year Repeat Finding*

No

*Recommendation*

We recommend that the City strengthen its controls in the HOME program to limit the number of people that have access to the copies of the HOME program loan files.

*Views of Responsible Officials*

Existing City of Long Beach controls in place that helped to identify the noted inconsistencies by the City included:

1. Original loan promissory note with wet signature is kept in vault in City Hall. The vault is secured and maintained by the City Clerk;
2. Prior to the original loan promissory note being placed in vault, copies of it are made for the following:
  - The Borrower
  - The Working File
  - The Administrative & Financial Services Bureau File
  - The HOME Monitoring File
3. Once copies are made for the above purposes, the original loan document has restricted, supervised access controlled by the City Clerk's Office and are only accessible by request.
4. The Administrative & Financial Services Bureau and HOME Monitoring copies are assigned under the custody of separate staff members as needed for their work assignments.
5. The Working File is in the custody of the Loan Officer until the funded projects are completed and closed. Once the project is completed, the file is sent to Iron Mountain for storage.

When the alleged fraud issue was discovered, the existing control system did detect a discrepancy in loan information between the Working File copies and original.

**CITY OF LONG BEACH, CALIFORNIA**  
Summary of Findings and Questioned Costs  
Year ended September 30, 2017

The City, since this incident was noted, thoroughly reviewed all other loans with this borrower and found that six out of 22 Working File loan promissory notes were altered. In addition, the City has hired an outside, independent auditing firm to check all outstanding Multi-Family Loan files as well a sample selection of all remaining HOME Program loans. Results of the external review will be used to validate loan amounts, loan origination dates, and loan initial and final payment dates against the loan database. As far as control is concerned, the City has acted to further enhance controls to adequately secure and monitor all files (HOME Monitoring, Administrative & Financial Services Bureau and Working Files).

**2017-004 – Payments to Terminated Participants**

Federal Program	Housing Choice Vouchers
Federal Catalog Number	14.871
Federal Agency	U.S. Department of Housing and Urban Development (HUD)
Federal Award Number	CA068VO
Federal Award Year	2017

*Criteria*

Subsection 3-5 of Section 1 in Chapter 3 of the HUD Occupancy Handbook requires participants in the Housing Choice Voucher program to meet certain eligibility requirements to receive occupancy and housing assistance. Additionally, Section 1 of Chapter 8 of the HUD Occupancy Handbook provides the guidelines that public housing authorities are supposed to use when terminating assistance provided to participants in the program.

*Condition*

We noted that in our sample of 40 participants that were terminated from the Housing Choice Voucher program, 2 participants received HAP distributions which were not recovered by the City.

*Questioned Costs*

The total questioned costs are \$2,437, which represent the total amount uncollected payments to terminated participants.

*Cause and Effect*

The uncollected over payments to terminated participants appears to be due to insufficient internal controls at the City to follow up on overpaid amounts when participants are terminated from the program.

*Statistical Sampling*

None

**CITY OF LONG BEACH, CALIFORNIA**  
Summary of Findings and Questioned Costs  
Year ended September 30, 2017

*Prior Year Repeat Finding*

No

*Recommendation*

We recommend that the City strengthen its controls in HCV program to ensure that any overpayments to participants that have been terminated from the program are collected by the City.

*Views of Responsible Officials*

The City will review and modify its procedures regarding the collection of paid amounts related to terminated clients in the Housing Choice Voucher Program (HCV). In order to ensure quality control and program integrity, designated staff will conduct reviews.