



CITY OF LONG BEACH, CALIFORNIA

Single Audit Reports

Year ended September 30, 2014

(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, 2014, 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 27, 2015. Another auditor audited the financial statements of the discretely presented component unit, as described in our report on the City's basic 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 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.

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 a deficiency 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 deficiency described in the accompanying schedule of findings and questioned costs as item FS 2014-001 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 finding identified in our audit is described in the accompanying schedule of findings and questioned costs as item FS 2014-001. The City's response were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 27, 2015



KPMG LLP
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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 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, 2014. 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, a discretely presented component unit, which received \$8,910,032 in federal awards, which is not included in the schedule of expenditures of federal awards for the year ended September 30, 2014. 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 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. 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, ARRA - Surface Transportation – Discretionary Grants for Capital Investment, as described in finding number SA 2014-001 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, ARRA - Surface Transportation – Discretionary Grants for Capital Investment Program for the year ended September 30, 2014.

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, 2014.

Other Matter

The City’s response to the noncompliance finding 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 a deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item SA 2014-001 to be a material weakness.

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 unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 27, 2015, which contained unmodified opinions on those financial statements. Our report included a reference to another auditor who audited the City's discretely presented component unit. 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, 2015

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<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/expenses</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	\$ 4,582,595
Passed through the State of California Department of Education:			
Summer Food Service Program for Children	10.559	19-81908V	370,603
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	(1,627)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	13-20015	970,588
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) (10.561)			<u>968,961</u>
Total Department of Agriculture Food and Nutrition Service			<u>5,922,159</u>
<u>Department of Commerce Economic Development Administration:</u>			
Direct:			
Economic Adjustment Assistance	11.307	07-49-05046	919,440
Total Department of Commerce Economic Development Administration			\$ <u>919,440</u>
<u>Department of Housing and Urban Development:</u>			
Direct:			
Community Development Block Grant/Entitlement Grants	14.218	B-12-MC-06-0522	6,041,348
Community Development Block Grant/Entitlement Grants	14.218	B-13-MC-06-0522	1,378,713
			7,420,061
Community Development Block Grant/Entitlement Grants – NSP1	14.218	B-08-MN-06-0511	749,864
Community Development Block Grant/Entitlement Grants – NSP3	14.218	B-11-MN-06-0511	599,329
Total Community Development Block Grant/Entitlement Grants Cluster (14.218)			<u>8,769,254</u>
Emergency Solutions Grant Program	14.231	S-10-MC-06-0522	6,744
Emergency Solutions Grant Program	14.231	E-11-MC-06-0522	3,736
Emergency Solutions Grant Program	14.231	E-12-MC-06-0522	214,511
Emergency Solutions Grant Program	14.231	E-13-MC-06-0522	313,162
Total Emergency Solutions Grant Program (14.231)			<u>538,153</u>
Supportive Housing Program SHP11	14.235	CA06B9D061104	82,585
Shelter Plus Care	14.238	CA0932C9D061102	6,175
Shelter Plus Care	14.238	CA1014C9D061000	60,060
Shelter Plus Care	14.238	CA1132C9D061100	58,497
Total Shelter Plus Care (14.238)			<u>124,732</u>
Home Investment Partnerships Program	14.239	M-10-MC-06-0518	1,505,004
Home Investment Partnerships Program	14.239	M-11-MC-06-0518	464,229
Home Investment Partnerships Program	14.239	M-12-MC-06-0518	124,960
Home Investment Partnerships Program	14.239	M-13-MC-06-0518	1,332,472
Total Home Investment Partnerships Program (14.239)			<u>3,426,665</u>
<u>Department of Housing and Urban Development (continued):</u>			
Passed through the City of Los Angeles:			

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	98256	\$ 717,340
Direct:			
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-09-SP-CA-0144	354
ARRA – Neighborhood Stabilization Program – NSP2	14.256	B-09-CN-CA-0045	332,197
Continuum of Care Program – SHP12	14.267	CAXXXL9D06120X	4,216,798
Continuum of Care Program – CoC 2013	14.267	CA0000U9D061301	1,570,201
Continuum of Care Program	14.267	CA0646L9D061205	346,890
Continuum of Care Program	14.267	CA0646U9D061306	99,711
Continuum of Care Program	14.267	CA0647L9D061205	115,954
Continuum of Care Program	14.267	CA0647U9D061306	134,302
Continuum of Care Program	14.267	CA0932L9D061203	69,889
Total Continuum of Care Program (14.267)			<u>6,553,745</u>
General Research and Technology Activity	14.506	H-21652RG	2,799
Section 8 Housing Choice Vouchers	14.871	CA068VO	71,720,900
Lead-based Paint Hazard Control in Privately-Owned Housing	14.900	CALHB0514-12	754,325
Total Department of Housing and Urban Development			<u>\$ 93,023,049</u>
<u>Department of the Interior Bureau of Reclamation:</u>			
Direct:			
Water Reclaim and Reuse Program – Reclaimed Water Expansion	15.504	R00AC35051	48,597
<u>Research and Development Cluster:</u>			
<u>Department of the Interior Bureau of Reclamation:</u>			
Direct:			
Water Desalination Research and Development Program	15.506	R02AC35053	29,073
Total Department of the Interior Bureau of Reclamation			<u>77,670</u>
<u>Department of Justice :</u>			
Direct:			
Asset Forfeiture	16.000	N/A	869,477
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2012 DN BX K003	40,495
Bulletproof Vest Partnership Program	16.607	N/A	13,398
Public Safety Partnership and Community Policing Grants – Child Sexual Predator Program	16.710	2011-CS-WX-0004	58,767
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2746	19,013
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0802	200,278
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0987	39,654
Total Edward Byrne Memorial Justice Assistance Grant Program (16.738)			<u>258,945</u>
<u>Department of Justice (continued):</u>			
Passed through the State of California Office of Emergency Services:			
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ13 09 7240	\$ 6,900
Total Department of Justice			<u>\$ 1,247,982</u>
<u>Department of Labor:</u>			
Direct:			
H-1B Job Training Grants	17.268	HG-22609-12-60-A-6	386,486

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

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 the State of California Employment Development Department:			
Passed through El Camino College:			
H-1B Job Training Grants	17.268	6109.3	3,707
H-1B Job Training Grants	17.268	710728	41,472
Total H-1B Job Training Grants (17.268)			<u>431,665</u>
Passed through the State of California Employment Development Department:			
Workforce Investment Act (WIA) National Emergency Grants	17.277	K491023	62,676
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	156,126
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	136,163
Total Workforce Investment Act (WIA) National Emergency Grants (17.277)			<u>354,965</u>
Passed through the State of California Employment Development Department:			
Workforce Investment Act (WIA) Title I Adult Program	17.258	K386302	13,925
Workforce Investment Act (WIA) Title I Adult Program	17.258	K491023	1,929,008
Workforce Investment Act (WIA) Title I Adult Program	17.258	K594766	141,711
			<u>2,084,644</u>
Passed through the State of California Employment Development Department:			
Passed through the County of Orange:			
Workforce Investment Act (WIA) Title I Adult Program – Vet Assistance Employment Program Adult	17.258	13-28-629342	75,539
Passed through the State of California Employment Development Department:			
Passed through the City of Los Angeles:			
Workforce Investment Act (WIA) Title I Adult Program – Disability Employment Initiative	17.258	C-122914	4,211
Workforce Investment Act (WIA) Title I Adult Program – Harbor Worksource Ctr	17.258	C-121276	(65)
Workforce Investment Act (WIA) Title I Adult Program – Harbor Worksource Ctr	17.258	C-122914	348,436
Workforce Investment Act (WIA) Title I Adult Program – Harbor Worksource Ctr	17.258	C-124397	106,632
			<u>459,214</u>
Total WIA Adult Program (17.258)			<u>2,619,397</u>
Passed through the State of California Employment Development Department:			
Workforce Investment Act (WIA) Title I Youth Activities	17.259	K386302	323,972
Workforce Investment Act (WIA) Title I Youth Activities	17.259	K491023	1,540,970
Total WIA Youth Activities (17.259)			<u>1,864,942</u>
Department of Labor (continued):			
Passed through the State of California Employment Development Department:			
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants	17.278	K386302	\$ 10,117
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants	17.278	K491023	1,632,751
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants	17.278	K594766	220,708
			<u>1,863,576</u>
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants – Rapid Response	17.278	K491023	348,983
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants – Rapid Response	17.278	K594766	54,614

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

<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>
			403,597
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants – Lay Off Aversion	17.278	K594766	24,735
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 Grants – Lay Off Aversion	17.278	C-121290 Amnd-1	30,911
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants – Lay Off Aversion Dislocated Worker (Rapid Response)	17.278	C-121290 Amnd-1	53,725
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants – Harbor Worksource Ctr DW	17.278	C-121276	(110)
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants – Harbor Worksource Ctr DW	17.278	C-122914	272,100
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants – Harbor Worksource Ctr DW	17.278	C-124397	82,180
			<u>354,170</u>
Passed through the County of Orange:			
Workforce Investment Act (WIA) Title I Dislocated Worker Formula Grants – Vet Assistance Employment Program DW-3	17.278	13-28-629342	85,361
Total WIA Dislocated Worker Formula Grants (17.278)			<u>2,816,075</u>
Total WIA cluster (17.258, 17.259, and 17.278)			<u>7,300,414</u>
Total Department of Labor			<u>\$ 8,087,044</u>
<u>Department of Transportation:</u>			
Direct:			
Airport Improvement Program	20.106	AIP 3-06-0127-032-2009	\$ 151,820
Airport Improvement Program	20.106	AIP 3-06-0127-033-2009	670,335
Airport Improvement Program	20.106	AIP 3-06-0127-035-2010	1
Airport Improvement Program	20.106	AIP 3-06-0127-036-2011	55,626
Airport Improvement Program	20.106	AIP 3-06-0127-037-2011	1,060,250
Airport Improvement Program	20.106	AIP 3-06-0127-038-2011	189,818
Airport Improvement Program	20.106	AIP 3-06-0127-039-2012	2,678,898
Airport Improvement Program	20.106	AIP 3-06-0127-040-2013	5,439,022
Total Airport Improvement Program (20.106)			<u>10,245,770</u>
Passed through the State of California Department of Transportation:			
Highway Planning and Construction	20.205	ACNH 7101 (807)	43,415,105
Highway Planning and Construction	20.205	BHLS-5108 (155)	20,000
Highway Planning and Construction	20.205	BHLS-5108 (156)	20,000
Highway Planning and Construction	20.205	BHLS-5108 (157)	20,000
Highway Planning and Construction	20.205	BRLS-5108 (137)	7,747,966
Highway Planning and Construction	20.205	CML-5108 (125)	4,691
Highway Planning and Construction	20.205	CML-5108 (159)	1,000
Highway Planning and Construction	20.205	PNRSLN-5108 (116)	112,623
<u>Department of Transportation (continued):</u>			
Passed through the State of California Department of Transportation:			
Highway Planning and Construction	20.205	RPSTPLE-5108 (153)	\$ 3,242
Highway Planning and Construction	20.205	STPL-5108 (140)	738,258
Highway Planning and Construction	20.205	STPL-5108 (142)	170,255
Highway Planning and Construction	20.205	STPL-5108 (144)	2,658
Highway Planning and Construction	20.205	STPL-5108 (145)	3,704
Highway Planning and Construction	20.205	STPL-5108 (146)	8,769

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Highway Planning and Construction	20.205	STPL-5108 (147)	58,992
			<u>52,327,263</u>
Highway Planning and Construction – Safe Routes to School	20.205	SRTSNI-5108(149)	154,647
Highway Planning and Construction – Caltrans-Preapprenticeship	20.205	88A0082	3,513
Total Highway Planning and Construction Programs (20.205)			<u>52,485,423</u>
Passed through the State of California Office of Traffic Safety:			
State and Community Highway Safety	20.600	PT14120	136,841
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT14120	60,822
Passed through the State of California Office of Emergency Services:			
Passed through the Regents of the University of California School of Public Health, Berkeley:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Sobriety checkpoint	20.608	SC14234	117,391
			<u>178,213</u>
Total Highway Safety Cluster (20.600 and 20.608)			<u>315,054</u>
Passed through the State of California Office of Traffic Safety:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	CAL OES# 037-43000	2,443
Direct:			
ARRA – Surface Transportation-Discretionary Grants for Capital Investment	20.932	DTMA1G12001	6,380,139
Total Department of Transportation			<u>\$ 69,428,829</u>
<u>National Endowment for the Humanities:</u>			
Passed through California Council for the Humanities:			
Promotion of the Humanities Federal/State Partnership	45.129	CAR11-29	\$ 192
Promotion of the Humanities Federal/State Partnership	45.129	CAR13-68	1,353
Total Promotion of the Humanities Federal/State Partnership (45.129)			<u>1,545</u>
Promotion of the Humanities We the People	45.168	CAR11-29	21
Total National Endowment for the Humanities			<u>\$ 1,566</u>
<u>Environmental Protection Agency:</u>			
Direct:			
National Clean Diesel Emissions Reduction Program	66.039	00T66601	191,569
National Clean Diesel Emissions Reduction Program	66.039	00T95701	875,000
Total National Clean Diesel Emissions Reduction Program (66.039)			<u>1,066,569</u>
Passed through the State of California Department of Health Services:			
Beach Monitoring and Notification Program Implementation	66.472	12-040-250	25,000
<u>Environmental Protection Agency (continued):</u>			
Direct:			
ARRA – Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T06101-0	\$ 5,655
Total Environmental Protection Agency			<u>1,097,224</u>
<u>Department of Energy:</u>			
Direct:			
ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)			(1,646)

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Total Department of Energy	81.128	DE-EE0000866	<u>(1,646)</u>
Department of Health & Human Services:			
Direct			
Food and Drug Administration – Research	93.103	G-SP-1401-00409	3,000
Passed through the County of Los Angeles			
Public Health Emergency Preparedness	93.069	PH-002224	940,702
Passed through the State of California Department of Health Services:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	129,133
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	11-10545	203,571
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	14-10023	<u>65,000</u>
Total Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children (93.197)			<u>268,571</u>
Immunization Cooperative Agreements	93.268	13-20297	207,376
Passed through the County of Los Angeles:			
PPHF – Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by Prevention and Public Health Funds	93.531	PH-002196	129,999
Promoting Safe and Stable Families	93.556	31035	30,358
Promoting Safe and Stable Families	93.556	04-025-14	102,920
Promoting Safe and Stable Families	93.556	05-027-10	46,395
Promoting Safe and Stable Families	93.556	05-028-5	<u>82,662</u>
Total Promoting Safe and Stable Families (93.556)			<u>262,335</u>
Passed through the State of California Department of Health Services:			
Passed through the County of Los Angeles Department of Public Social Services:			
Passed through the City of Hawthorne/South Bay Workforce Investment Board:			
Temporary Assistance for Needy Families – Calworks Transitional Subsidized Emp Pro	93.558	13-W180	103,978
Passed through the City of Inglewood/South Bay Workforce Investment Board:			
Temporary Assistance for Needy Families – Los Angeles County Summer Youth Calworks	93.558	IA1101	1,787
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs PRG I PY 13-14	93.558	IA0214	144,984
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs PRG II PY 14-15 CALWORKS	93.558	IA0314	303,986
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs PRG II PY 14-15 FOSTER	93.558	IA0314	<u>20,040</u>
Total TANF Cluster (93.558)			<u>574,775</u>
Department of Health & Human Services (continued):			
Passed through the State of California Department of Health Services:			
Medical Assistance Program – Childhood Health and Disability	93.778	V#002713-00	\$ 536,653
Medical Assistance Program – Medical Gateway	93.778	V#002713-00	11,102
Medical Assistance Program – MAA/ TCM Administration	93.778	09-86022-A01	44,413
Medical Assistance Program – MAA/ TCM Administration	93.778	14-90021	4,000
Medical Assistance Program – Nursing MAA Claiming	93.778	09-86022-A01	208,097
Medical Assistance Program – Nursing MAA Claiming	93.778	14-90021	100,000
Medical Assistance Program – Nursing TCM Claiming	93.778	61-1318	102,158

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures
Total Medical Assistance Program (93.778)			<u>1,006,423</u>
HIV Emergency Relief Project Grants – AIDS/HIV Benefits Specialty	93.914	H-210813-14	73,691
Passed through the County of Los Angeles:			
HIV Emergency Relief Project Grants – AIDS EIP Outpatient Medical	93.914	PH002425	155,827
HIV Emergency Relief Project Grants – Medical Outpatient Services	93.914	PH002425	(3,999)
HIV Emergency Relief Project Grants – Medical Care Coordination	93.914	PH002431	<u>395,358</u>
Total HIV Emergency Relief Project Grants (93.914)			<u>620,877</u>
Passed through the State of California Department of Health Services:			
HIV Prevention Activities-Health Department Based – AIDS Surveillance	93.940	13-20134	277,593
HIV Prevention Activities-Health Department Based – Care Coordination	93.940	13-20055	856,273
HIV Prevention Activities-Health Department Based – Counseling and Testing	93.940	07-65057	(3,894)
HIV Prevention Activities-Health Department Based – Counseling and Testing	93.940	13-20259	<u>493,370</u>
			489,476
HIV Prevention Activities-Health Department Based – Outreach/Prevention for HIV Positive (Bridge)	93.940	13-20055	<u>115,436</u>
Total HIV Prevention Activities-Health Department Based (93.940)			<u>1,738,778</u>
Maternal and Child Health Services Block Grant to the States	93.994	201260-MCH	(1)
Maternal and Child Health Services Block Grant to the States	93.994	201360-MCH	126,532
Maternal and Child Health Services Block Grant to the States	93.994	201460-MCH	<u>82,201</u>
			208,732
Maternal and Child Health Services Block Grant to the States – Black Infant Health	93.994	201360-BIH	220,889
Maternal and Child Health Services Block Grant to the States – Black Infant Health	93.994	201460-BIH	<u>79,106</u>
			299,995
Total Maternal and Child Health Services Block Grant to the States (93.994)			<u>508,727</u>
Total Department of Health & Human Services			<u>\$ 6,390,696</u>
Department of Homeland Security:			
Direct:			
Emergency Food and Shelter National Board Program	97.024	LRO ID 069500-379 (phase 31)	14,000

CITY OF LONG BEACH, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

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 (continued):			
Passed through the State of California – California Office of Emergency Services:			
Passed through the County of Los Angeles:			
Emergency Management Performance Grant	97.042	2013-0047	\$ 58,000
Direct:			
Port Security Grant Program	97.056	EMW-2012-PU-00131-S01	1,750,039
Port Security Grant Program	97.056	EMW-2013-PU-00522	160,242
Port Security Grant Program	97.056	EMW-2012-PU-00190	175,544
Port Security Grant Program	97.056	EMW-2012-PU-00208	64,274
Port Security Grant Program	97.056	EMW-2013-PU-00250	39,722
Port Security Grant Program	97.056	EMW-2013-PU-0096	19,417
Passed through the Marine Exchange of Los Angeles – Long Beach Harbor:			
Port Security Grant Program	97.056	2009-PU-T9-K020	15,639,038
Port Security Grant Program	97.056	2010-PU-T0-K004	1,186,334
Port Security Grant Program	97.056	EMW-2011-PU-K00001	1,004,465
Passed through City of Los Angeles Harbor Dept:			
Port Security Grant Program	97.056	2008-GB-T8-K014	(7,440)
Passed through Marine Exchange of Southern California			
Port Security Grant Program	97.056	2009-PU-T9-K020	274,667
Port Security Grant Program	97.056	2010-PU-T0-K004	(8,465)
Port Security Grant Program	97.056	EMW-2011-PU-00001	5,096,284
Total Port Security Grant Program (97.056)			<u>25,394,121</u>
Federal			
Passed through the State of California – California Office of Emergency Services:			
Passed through the County of Los Angeles:			
Homeland Security Grant Program – MMRS/SHSP	97.067	2010-0085	30,657
Homeland Security Grant Program – MMRS/SHSP	97.067	2011-SS-0077	199,176
			<u>229,833</u>
Passed through the State of California – California Office of Emergency Services:			
Passed through the City of Los Angeles:			
Homeland Security Grant Program – UASI	97.067	2010-0085	(47,055)
Homeland Security Grant Program – UASI	97.067	2011-SS-077	3,044,344
Homeland Security Grant Program – UASI	97.067	2012-00123	2,671,197
Homeland Security Grant Program – UASI	97.067	2013-00110	585,871
			<u>6,254,357</u>
Total Homeland Security Grant Program (97.067)			<u>6,484,190</u>
Total Department of Homeland Security			<u>31,950,311</u>
Total Federal Expenditures			\$ <u>218,144,324</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 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, 2014

(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 \$8,910,032 for the year ended September 30, 2014 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 \$4,614,535, \$67,424,274, and \$11,193,185 at September 30, 2014, 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, 2014. Program income of \$817,140 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 \$17,771,175 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2014.

CITY OF LONG BEACH, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

(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	\$ 101,366
Continuum of Care Program	14.267	4,641,329
H-1B Job Training Grants	17.268	229,659
Workforce Investment Act Cluster	17.258, 17.259, and 17.278	655,304
Workforce Investment Act National Emergency	17.277	50,321
National Clean Diesel Emissions Reduction Program	66.039	1,066,569

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year Ended September 30, 2014

(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 2014-001**
- 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 2014-001**
- 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 item SA 2014-001**

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

(h) Major programs:

- Section 8 Housing Choice Vouchers, CFDA number 14.871
- ARRA – Surface Transportation – Discretionary Grants for Capital Investment, CFDA number 20.932
- Home Investment Partnerships Program, CFDA number 14.239

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year Ended September 30, 2014

- Continuum of Care Program, CFDA 14.267
 - Port Security Grant Program, CFDA 97.056
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No**

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year Ended September 30, 2014

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

FS 2014-001 – Capital Asset Expenditures

Condition and Context

During our auditing procedures over capital grants and the related receivables, we noted that the Harbor Department of the City of Long Beach (the Department), recognized approximately \$74 million in nonoperating capital grant revenue during the year ended September 30, 2014, related to Gerald Desmond Bridge (Bridge) expenditures that were made during the year ended September 30, 2013. Expenditures made by the Department for the construction of the \$1.3 billion Bridge are being reimbursed, in part, by government contracts. The types of construction activities that are allowed to be reimbursed are included in the various contracts.

Criteria

In accordance with Governmental Accounting Standards Board Statement No. 33 (GASB 33), recipients of grants should recognize receivables and revenues, when all of the following applicable eligibility requirements are met:

- (a) The recipient has the characteristics specified by the provider;
- (b) The time period when use of the resources is required or first permitted has begun;
- (c) The recipient has incurred allowable costs; and
- (d) The recipient has complied with any specific actions that the provider has stipulated are mandatory in order for the recipient to qualify for resources.

Based on our testwork, the \$74 million in allowable costs identified were incurred and eligible for reimbursement and revenue recognition during 2013, as all of the above eligibility requirements were satisfied by the Department when the allowable costs were incurred for the reimbursable construction activities in 2013.

Cause and Effect

Based on our discussions with management, the Department has recently began Bridge construction and is receiving reimbursement under the various government contracts and did not yet have policies and procedures in place that would ensure that revenue was reported in the proper period. After a turnover in key accounting personnel, during 2013, the Department identified that grant revenues for eligible incurred expenditures had not been recognized timely. Such amounts were reported in 2014 as nonoperating capital grant revenue. As a result, nonoperating capital grant revenue was misstated in amounts totaling approximately \$74 million.

Recommendation

We recommend that the Department perform a detailed analysis at the inception of each grant funded project to determine the appropriate accounting treatment for all expenditures incurred and revenue earned. A guide

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year Ended September 30, 2014

could be developed to assist in identifying the proper treatment on a contract by contract basis. In addition, procedures could be put in place to perform a cut-off analysis before closing the accounting records at the end of the reporting periods. These steps, and others, could provide for more consistency and accuracy in the reporting of grant revenue.

Views of Responsible Officials

We agree with the comment and recommendation. The turnover in accounting personnel, coupled with a large increase in the volume of expenditures and reimbursements related to Bridge construction activities, caused the Department to fall behind in recognizing revenue. We are currently in the process of putting policies and procedures in place over accounting for all of the various funding sources for the Bridge and our other ongoing projects to ensure that all allowable expenditures are both billed timely and recognized as revenue in the proper period.

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year Ended September 30, 2014

(3) Findings and Questioned Costs Relating to Federal Awards

SA 2014-001 Reporting

Program Information

Federal Program

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

Federal Grant Award Number and 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 Federal Financial, 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 include a written plan for providing

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year Ended September 30, 2014

additional sources of funding to cover the project budget shortfall or supporting documentation of committed funds to cover the cost increase.

Condition and Context

During our internal control testing over the review of the reports, we were unable to obtain evidence that a review was performed over the quarterly financial reports or the quarterly progress reports for the quarters ended December 31, 2013, June 30, 2014 and September 30, 2014. In our testing of the reporting requirements, the quarterly financial reports for the quarters ended December 31, 2013 and March 31, 2014 reported that the federal charges related to the program were significantly less than the actual federal charges, which were subsequently corrected and resubmitted on September 19, 2014. Based on our review, we noted that the total federal charges for the quarters ended December 31, 2013 and March 31, 2014 were \$5,524,561 and \$6,687,891, respectively, while the amounts reported in the originally submitted report were \$0 and \$1,147,157, respectively. As a result of these errors, the amounts reported as the Port's share of the projects were understated when the reports were submitted for those two quarters.

Questioned Costs

None noted

Cause and Effect

There do not appear to be adequate controls in place to ensure that the reports required for the program are reviewed and are submitted accurately which resulted in inaccurate information being reported for the quarters noted above.

Recommendation

We recommend that management formally document the reviews performed over the required reporting. We also recommend that management enhance current policies to ensure that the data used to compile the required reports 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 to the United States Department of Maritime Administration (MARAD) for the Pier F and Ocean Boulevard Track Realignment Project.

The Port has documentation that the four quarterly project progress reports were circulated within the project team for review, comment and approval. As the auditor noted there is no evidence of an approval prior to submission for three out of four quarterly project progress reports. The director who was responsible for the approval has since left the Port and current staff does not have any records he may have had of his approval.

The audit finding notes that the original Quarterly Financial Status Reports ending December 31, 2013 and March 31, 2014 were not filed correctly. Due to reporting clarifications, the estimates on the original reports in question were discussed with MARAD officials prior to submittal. The Port and MARAD revised the reported estimated federal costs to actual federal costs as was agreed upon during fiscal year 2014.

CITY OF LONG BEACH, CALIFORNIA

Summary of Findings and Questioned Costs

Year Ended September 30, 2014

As the auditor noted, the reports were corrected and resubmitted on September 19, 2014. In addition, the Quarterly Financial Status Reports for the final two quarters of fiscal year 2014 were filed with actual costs and the finding was cleared by the end of fiscal year 2014.

The Port is currently in the process of developing a grant manual. This manual will help ensure internal controls and the maintaining of proper documentation of any review and approval. Once completed the manual will be distributed to all grant program managers.