



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

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September 17, 2019

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the Federal Single Audit for the Fiscal Year Ended September 30, 2018. (Citywide)

DISCUSSION

On June 18, 2019, the Financial Management Department submitted to the City Council the City's Comprehensive Annual Financial Report (CAFR) and other separately issued financial reports and statements for the fiscal year ended September 30, 2018 (FY 18), as required by the City Charter. The Single Audit Report was not available on June 18th and is now attached.

Federal Single Audit

The Federal Single Audit is required by the Federal Office of Management and Budget (OMB) for municipalities receiving over \$500,000 annually in federal funds. The Federal Single Audit resulted in no grant program-related findings and no questioned costs and covered the following programs:

- Housing Voucher Program
- Highway Planning and Construction
- Port Security Grant Program
- CDBG Entitlement Grants
- Home Investment Partnership Program
- WIC Special Supplemental Nutrition Program for Women, Infants, and Children.

This matter was reviewed by Deputy City Attorney Amy R. Webber and by Budget Management Officer Rhutu Amin Gharib on August 29, 2019.

TIMING CONSIDERATIONS

City Council action on this item is not time critical.

HONORABLE MAYOR AND CITY COUNCIL
September 17, 2019
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FISCAL IMPACT

This recommendation has no staffing impact beyond the budgeted scope of duties and is consistent with existing City Council priorities. There is no fiscal or local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

JG:SWH:NL
K:\FM-ADMIN\CITY COUNCIL LETTERS\ACCOUNTING\2019\09-18-19 CCL-FY18 CAFR SUPPLEMENTAL.DOCX

ATTACHMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER



CITY OF LONG BEACH, CALIFORNIA

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

Year Ended September 30, 2018

(With Independent Auditors' Reports Thereon)

CITY OF LONG BEACH, CALIFORNIA

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

**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 aggregate 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, 2018, 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, 2019. Our report includes a reference to other auditors who audited the financial statements of Long Beach Transportation Company (the Company) as described in our report on 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2018-001 and 2018-002 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 response to the 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 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

Los Angeles, California
March 26, 2019, except as
to finding 2018-002 which
is as of June 27, 2019



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

**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, 2018. 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 \$29,670,468 in federal awards, which is not included in the schedule of expenditures of federal awards for the year ended September 30, 2018. 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, 2018.



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.

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this Section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2018, 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, 2019, 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

Los Angeles, California
June 27, 2019

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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:				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	NonCash Value	\$ 11,810,422	—
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15-10061	4,738,050	—
Total WIC Special Supplemental Nutrition Program for Women, Infants and Children			<u>16,348,472</u>	—
Passed through the State of California Department of Education:				
Summer Food Service Program for Children – Total Child Nutrition Cluster	10.559	19-81908V	296,668	—
Passed through the State of California Department of Health Services:				
Total SNAP Cluster	10.561	16-10143	787,253	—
Total Department of Agriculture Food and Nutrition Service			<u>17,432,393</u>	—
Department of Commerce Economic Development Administration:				
Direct:				
Economic Adjustment Assistance Total – Economic Development Cluster	11.307	07-49-05046	1,181,553	—
Total Department of Commerce Economic Development Administration			<u>1,181,553</u>	—
Department of Defense – Office of Economic Adjustment:				
Direct:				
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	12.611	CR1517-17-03	971,551	454,999
Total Department of Defense – Office of Economic Adjustment			<u>971,551</u>	<u>454,999</u>
Department of Housing and Urban Development:				
Direct:				
Community Development Block Grant/Entitlement Grants	14.218	B-14-MC-06-0522	393,258	—
Community Development Block Grant/Entitlement Grants	14.218	B-15-MC-06-0522	188,790	—
Community Development Block Grant/Entitlement Grants	14.218	B-16-MC-06-0522	1,074,157	—
Community Development Block Grant/Entitlement Grants	14.218	B-17-MC-06-0522	3,192,501	—
			4,848,706	—
Community Development Block Grant/Entitlement Grants – NSP1	14.218	B-08-MN-06-0511	37,620	—
Community Development Block Grant/Entitlement Grants – NSP3	14.218	B-11-MN-06-0511	440,896	—
Total CDBG Entitlement Grants Cluster			<u>5,327,222</u>	—
Emergency Solutions Grant Program	14.231	E-16-MC-06-0522	40,178	—
Emergency Solutions Grant Program	14.231	E-17-MC-06-0522	446,170	—
Total Emergency Solutions Grant Program (14.231)			<u>486,348</u>	—
Department of Housing and Urban Development:				
Direct:				
Home Investment Partnerships Program	14.239	M-11-MC-06-0518	74,707,271	—
Home Investment Partnerships Program	14.239	M-12-MC-06-0518	203,197	—
Home Investment Partnerships Program	14.239	M-13-MC-06-0518	229,667	—
Home Investment Partnerships Program	14.239	M-14-MC-06-0518	744,684	—
Home Investment Partnerships Program	14.239	M-15-MC-06-0518	782,304	—
Home Investment Partnerships Program	14.239	M-16-MC-06-0518	332,009	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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-17-MC-06-0518	\$ 811,353	—
Total Home Investment Partnerships Program			<u>77,610,485</u>	—
Passed through the City of Los Angeles:				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	98256	1,053,583	—
Direct:				
ARRA – Neighborhood Stabilization Program – NSP2	14.256	B-09-CN-CA-0045	235,527	—
Continuum of Care Program	14.267	CA0000U9D061604	4,641,096	2,681,179
Continuum of Care Program	14.267	CA0000U9D061705	1,693,125	—
Continuum of Care Program	14.267	CA0646U9D061609	286,315	—
Continuum of Care Program	14.267	CA0646U9D061609	105,257	—
Continuum of Care Program	14.267	CA0932U9D061607	58,066	—
Continuum of Care Program	14.267	CA0646U9D061609	27,827	—
Continuum of Care Program	14.267	CA0646U9D061609	39,072	—
Continuum of Care Program	14.267	CA0646U9D061609	20,869	—
Continuum of Care Program	14.267	CA0646U9D061609	100,922	—
Continuum of Care Program	14.267	CA0646U9D061609	4,292	—
Continuum of Care Program	14.267	CA0646U9D061609	16,143	—
Continuum of Care Program	14.267	CA0646U9D061609	35,857	—
Total Continuum of Care Program			<u>7,028,841</u>	<u>2,681,179</u>
Section 8 Housing Choice Vouchers – Total Housing Voucher Cluster	14.871	CA068VO	73,095,892	—
Family Self-Sufficiency Program	14.896	CA068FSH057A014	249,916	—
Total Family Self-Sufficiency Program			249,916	—
Lead-based Paint Hazard Control in Privately Owned Housing	14.900	CALHB0591-15	1,494,693	—
Total Department of Housing and Urban Development			<u>166,592,507</u>	<u>2,681,179</u>
Department of the Interior – Bureau of Reclamation:				
Total Research and Development Cluster				
Direct:				
Water Desalination Research and Development Program	15.506	R15AC00086	22,091	—
Total Department of the Interior Bureau of Reclamation			<u>22,091</u>	—
Department of the Interior – National Park Service:				
Passed through the State of California Department of Parks and Recreation:				
Outdoor Recreation-Acquisition, Development and Planning – Land and Water Conservation Fund	15.916	06-1782	230,222	—
Total Department of the Interior – National Park Service			<u>230,222</u>	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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 - Research and Development Cluster:				
Community-Based Violence Prevention Program	16.123	2016-x	\$ 169,732	—
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0091	179,345	—
Passed through the State of California Office of Emergency Services:				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ16127240	9,192	—
Direct:				
Equitable Sharing Program – Asset Forfeiture	16.922	N/A	470,195	—
Total Department of Justice			<u>828,464</u>	<u>—</u>
Department of Labor:				
Passed through the State of California Employment Development Department:				
WIOA Adult Program – Adult Round 1	17.258	K8106641	64,484	17,635
WIOA Adult Program – Adult Round 1	17.258	K9110023	211,630	2,931
WIOA Adult Program – Adult Round 2	17.258	K7102036	72,126	—
WIOA Adult Program – Adult Round 2	17.258	K7102038	1,388,022	27,041
			<u>1,736,262</u>	<u>47,607</u>
Veteran's Assistance Employment Program				
WIOA Adult Program – CalJOBS VOS Enhancement Touch Screen Technology	17.258	K7102038	390,290	1,383
	17.258	K7102038	5,000	—
Passed through the State of California Employment Development Department:				
Passed through the County of Orange:				
WIOA Adult Program – OCWIB Veteran's Employment Assistance Program Adult 8	17.258	16-28-0005-VEAP	19,079	—
			<u>19,079</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	(10)	—
WIOA Adult Program – Harbor Worksource Ctr WIOA Adult	17.258	C-129810	540,502	24,180
			<u>540,492</u>	<u>24,180</u>
Total WIOA Adult Program			<u>2,691,123</u>	<u>73,160</u>
WIOA Youth Activities – WIOA Youth				
WIOA Youth Activities – WIOA Youth	17.259	C-129878	696,536	94,000
WIOA Youth Activities – WIOA Youth	17.259	C-131600	211,510	24,606
Total WIOA Youth Program			<u>908,046</u>	<u>118,606</u>
			<u>3,599,169</u>	<u>192,066</u>
Passed through the State of California Employment Development Department:				
WIOA Youth Activities – WIOA Youth	17.259	K7102038	682,185	357,880

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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	K92006641	\$ 1,126,781	126,728
WIOA Youth Activities – WIOA Youth	17.259	K92006641	383,166	14
Total WIOA Youth Activities			<u>1,509,947</u>	<u>126,740</u>
			<u>2,192,132</u>	<u>484,600</u>
WIOA Adult Activities – English Language Learner (ELL) Navigator Program	17.258	K7102038	294,891	259,937
Passed through the State of California Employment Development Department:				
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 2	17.278	K998367	252	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 3	17.278	K7102038	44,713	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Rapid Response Round 2	17.278	K7102038	303,210	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 3	17.278	K7102038	190,342	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 3	17.278	K7102038	874,411	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 2	17.278	K8106641	78,128	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 2	17.278	K7102038	172,912	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 2	17.278	K8106641	14,203	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 2	17.278	K8106641	13,268	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Rapid Response Round 1	17.278	K7102038	27,393	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Rapid Response Round 2	17.278	K8106641	44,040	—
WIOA High Performing Broads	17.278	K7102038	2,100	—
			<u>1,764,972</u>	<u>—</u>
Passed through the State of California Employment Development Department:				
Passed through the City of Los Angeles:				
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker	17.278	C-127938	(5,192)	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker	17.278	C-128910	276,842	2,004
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker	17.278	C-128910	98,447	—
			<u>369,897</u>	<u>2,004</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	20,060	—
Total WIOA Dislocated Worker Formula Grants			<u>2,154,929</u>	<u>2,004</u>
Total WIOA cluster			<u>8,241,121</u>	<u>938,607</u>
Direct:				
Pathways to Justice Careers for Youth	17.260	YF-30260-17-60-A6	194,570	—
Strengthening Working Families	17.268	HG-29534-16-60-A-6	425,540	62,410
Passed through the State of California Employment Development Department:				
WIOA National Dislocated Worker Grants/WIA National Emergency Grants – NEG Sector Partnership	17.277	K698367	77,851	9,222

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Federal grantor/pass-through entity identifying number</u>	<u>Federal disbursements/expenditures</u>	<u>Passed through to subrecipients</u>
Passed through the State of California Employment Development Department: WIA/WIOA Dislocated Worker National Reserve Demonstration Grants – Youth Demonstration Project	17.280	K698367	\$ (35,810)	—
Total Department of Labor			<u>8,903,272</u>	<u>1,010,239</u>
Department of Transportation:				
Direct:				
Airport Improvement Program	20.106	AIP 3-06-0127-041-2014	80,154	—
Airport Improvement Program	20.106	AIP 3-06-0127-042-2015	314,032	—
Airport Improvement Program	20.106	AIP 3-06-0127-043-2015	23,625	—
Airport Improvement Program	20.106	AIP 3-06-0127-044-2016	<u>14,887,119</u>	—
Total Airport Improvement Program			<u>15,304,930</u>	—
Passed through the State of California Department of Transportation:				
Highway Planning and Construction	20.205	ACNH 7101 (807)	32,862,724	—
Highway Planning and Construction	20.205	BRLS-5108 (137)	11,380,627	—
Highway Planning and Construction	20.205	STPL-5108 (144)	3,825	—
Highway Planning and Construction	20.205	STPL-5108 (147)	1,457,261	—
Highway Planning and Construction	20.205	STPL-5108 (145)	200,818	—
Highway Planning and Construction	20.205	STPL-5108 (161)	10,213	—
Highway Planning and Construction	20.205	STPL-5108 (162)	54,284	—
Highway Planning and Construction	20.205	HSIPL-5108 (164)	1,751	—
Highway Planning and Construction	20.205	STPL-5108 (165)	2,389	—
Highway Planning and Construction	20.205	HPLUL-5108 (126)	(3,281)	—
Highway Planning and Construction	20.205	HPLUL-5108 (135)	<u>262,240</u>	—
Total Highway Planning and Construction Cluster			<u>46,232,811</u>	—
Passed through the State of California Department of Transportation:				
State and Community Highway Safety – Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Bicycle Safety Initiative (OTS)	20.600	PS1706	(301)	—
State and Community Highway Safety – Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Bicycle Safety Initiative (OTS)	20.600	PS18015	138,537	—
State and Community Highway Safety – Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.600	PT 1863	13,797	—
State and Community Highway Safety – Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.600	PT 1764	<u>(2,418)</u>	—
Total Highway Safety Cluster (20.600)			<u>149,615</u>	—
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT 1664	<u>369,797</u>	—
Total Highway Safety Cluster			<u>519,412</u>	—
Total Department of Transportation			<u>62,057,153</u>	—
Environmental Protection Agency:				
Passed through the State of California Department of Health Services: Beach Monitoring and Notification Program Implementation	66.472	D1714103	<u>78,590</u>	—
Total Beach Monitoring and Notification Program Implementation			<u>78,590</u>	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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-99T06101-5	\$ 8,235	—
ARRA – Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T06101-6	14,533	—
Total ARRA – Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			<u>22,768</u>	<u>—</u>
Total Environmental Protection Agency			<u>101,358</u>	<u>—</u>
Department of Health & Human Services:				
Passed through the County of Los Angeles Department of Health Services:				
Public Health Emergency Preparedness	93.069	PH-002224	808,593	—
Direct:				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0112-02-00	2,902	—
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0112-03-00	607,656	—
Total Healthy Marriage Promotion and Responsible Fatherhood Grants			<u>610,558</u>	<u>—</u>
Passed through the State of California Department of Health Services:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	140,016	—
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	38,690	—
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs			<u>178,706</u>	<u>—</u>
Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	14-10023	400,946	—
Immunization Cooperative Agreements	93.268	15-10428	207,583	—
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	50,049	—
Passed through the County of Los Angeles Department of Public Social Services:				
Temporary Assistance for Needy Families – Los Angeles City Youth Jobs Program – CALWORKS	93.558	C-130394	50,725	—
Temporary Assistance for Needy Families – Los Angeles City Youth Jobs Program – CALWORKS	93.558	C-132188	4,111	—
Temporary Assistance for Needy Families – Los Angeles City Youth Jobs Program – FOSTER	93.558	C-130394	6,426	—
Temporary Assistance for Needy Families – Los Angeles City Youth Jobs Program – FOSTER	93.558	C-132188	4,553	—
			<u>65,815</u>	<u>—</u>
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	(6,539)	—
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – CALWORKS	93.558	IA-0510	333,869	—
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – FOSTER	93.558	99721.5	27,979	—
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – CALWORKS	93.558	IA-0511	96,422	—
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – FOSTER	93.558	99721.6	10,591	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Federal grantor/pass-through entity identifying number</u>	<u>Federal disbursements/expenditures</u>	<u>Passed through to subrecipients</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	\$ 231,985	—
Total TANF Cluster			<u>758,122</u>	—
Passed through the State of California Department of Health Services:				
Medical Assistance Program – Childhood Health and Disability	93.778	V#002713-00	433,324	—
Medical Assistance Program – MAA/TCM Administration	93.778	14-90021	61,108	—
Medical Assistance Program – Nursing MAA Claiming	93.778	14-90021	(493,891)	—
Medical Assistance Program – Nursing TCM Claiming	93.778	61-0713A2	(96,101)	—
Medical Assistance Program – Nursing TCM Claiming	93.778	61-19Evrgrm	56,736	—
Total Medicaid Cluster			<u>(38,824)</u>	—
Total Medicaid Cluster			<u>(38,824)</u>	—
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	36,424	—
HIV Emergency Relief Project Grants – AIDS EIP Outpatient Medical	93.914	PH-002425-4	52,894	—
			<u>89,418</u>	—
Passed through the County of Los Angeles Department of Health Services:				
HIV Emergency Relief Project Grants – AIDS/HIV Benefits Specialty	93.914	PH-002900	87,644	—
HIV Emergency Relief Project Grants – Medical Care Coordination	93.914	PH-002431-2	166,141	—
HIV Emergency Relief Project Grants – Medical Care Coordination	93.914	PH-002431-3	247,303	—
			<u>501,088</u>	—
Total HIV Emergency Relief Project Grants (93,914)			<u>590,506</u>	—
Passed through the State of California Department of Health Services:				
HIV Care Formula Grants – Health Department Based	93.917	15-11059	989,888	—
HIV Care Formula Grants – Health Department Based – Outreach/Prevention for HIV Positive (Bridge)	93.917	15-11059	73,625	—
HIV Care Formula Grants – Health Department Based – Outreach/Prevention for HIV Positive (Bridge)	93.917	15-11059	76,250	—
			<u>149,875</u>	—
Total HIV Care Formula Grants			<u>1,139,763</u>	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Federal grantor/pass-through entity identifying number</u>	<u>Federal disbursements/expenditures</u>	<u>Passed through to subrecipients</u>
Passed through the State of California Department of Health Services: HIV Prevention Activities – Health Department Based – Counseling and Testing	93.940	14-10964	\$ 163,080	—
Passed through the State of California Department of Health Services: Maternal and Child Health Services Block Grant to the States	93.994	201660	152,054	—
Maternal and Child Health Services Block Grant to the States	93.994	201760	98,157	—
			<u>251,211</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	433,060	—
Maternal and Child Health Services Block Grant to the States – Black Infant Health	93.994	201760	169,814	—
			<u>602,874</u>	<u>—</u>
Total Maternal and Child Health Services Block Grant to the States			<u>854,085</u>	<u>—</u>
Total Department of Health & Human Services			<u>5,723,167</u>	<u>—</u>
Department of Homeland Security: Passed through United Way of Greater Los Angeles: Emergency Food and Shelter National Board Program	97.024	N/A	9,278	—
Emergency Food and Shelter National Board Program	97.024	N/A	3,431	—
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	2017-000047	12,261	—
Department of Homeland Security: Direct: Port Security Grant Program	97.056	EMW-2015-PU-00239	1,233,406	—
Port Security Grant Program	97.056	EMW-2016-PU-00124	1,107,283	—
Port Security Grant Program	97.056	EMW-2015-PU-00529	207,586	—
Port Security Grant Program	97.056	EMW-2016-PU-00417	393,604	—
Port Security Grant Program	97.056	EMW-2016-PU-00124	718,824	—
Total Port Security Grant Program			<u>3,660,703</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	388,832	—
Homeland Security Grant Program	97.067	2016-00102	322,212	—
			<u>711,044</u>	<u>—</u>

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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	\$ (173)	—
Homeland Security Grant Program – UASI	97.067	2015-0078	3,671,142	—
Homeland Security Grant Program – UASI	97.067	2016-00102	2,446,995	—
Homeland Security Grant Program – UASI	97.067	2017-00083	7,468	—
			<u>6,125,432</u>	<u>—</u>
Total Homeland Security Grant Program			6,836,476	—
Passed through the City of Los Angeles:				
Securing the Cities Program	97.108	C-124773	3,905	—
Total Department of Homeland Security			<u>10,526,054</u>	<u>—</u>
Total Federal Expenditures			<u>\$ 274,559,785</u>	<u>4,146,417</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, 2018

(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 \$29,670,468 for the year ended September 30, 2018 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, 2018, the balance of loans with continuing compliance requirements for the HOME programs was \$75,249,496.

As of September 30, 2018, the balance of outstanding loans for the CDBG programs was \$3,939,594.

(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 \$11,610,422 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2018.

(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, 2018

(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 2018-001 and 2018-002**
- (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: **No**
 - Significant deficiencies: **None Reported**
- (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): **No**
- (g) Major programs:
- Housing Voucher Cluster, CFDA number 14.871
 - Highway Planning and Construction Cluster, CFDA number 20.205
 - Port Security Grant Program, CFDA number 97.056
 - CDBG Entitlement Grants Cluster, CFDA number 14.218
 - Home Investment Partnership Program, CFDA number 14.239
 - WIC Special Supplemental Nutrition Program for Women, Infants and Children, CFDA number 10.557
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee: **No**

CITY OF LONG BEACH, CALIFORNIA
Summary of Findings and Questioned Costs
Year ended September 30, 2018

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

2018-001 – Sufficiency of Management Review Internal Controls

Criteria

In accordance with auditing standard codification Section 250 paragraph A1 and A2, it is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with laws and regulations. Instituting and operating an appropriate system of internal controls is an example of the types of policies and procedures an entity that may assist in the prevention and detection of noncompliance with laws and regulations.

Condition and Context

During our auditing procedures over a variety of audit areas including expenses, debt covenant compliance and sick leave accrual, we noted that the City's review and internal controls designed to ensure data is reported timely and accurately were not operating effectively. We specifically noted expenses totaling \$1.5 million that were not reported in the period incurred, debt covenant schedules included incorrect information and resulted in the appearance of noncompliance and sick leave accruals did not use up to date actuarial assumptions even when those updated assumptions were available resulting in an increase to the liability of \$3.1 million.

Cause and Effect

Based on our discussions with management, the City has engaged in a multi-year ERP system implementation project (the project). The scope of the project has required all City departments to reallocate staff as leads on the project. Many of the staff reallocated to the project were responsible for performing key internal controls which ensure that data is reported timely and accurately. Although the City backfilled many of these positions left vacant by the project, the staff utilized in the backfill often did not have the same skills or experience. As a result, the internal controls and the effectiveness of management's review deteriorated during the ERP implementation project.

Recommendation

We recommend that management perform more detailed training and implement cross-training requirements among staff to ensure that more staff have more compatible levels of knowledge and experience. Doing so will help prevent further erosion of internal controls when key individuals are away from their routine tasks for an extended period of time.

Management's Response

While management concurs with the finding, we also recognize the unique situation associated with the cause of the finding. The implementation of a new ERP system is a rare event and will always place a strain on available resources, especially among core finance staff. As the City went live with the new financial system in April 2019, the system of internal control is being revised and strengthened to better support the integrity of all City financial operations. Finally, staff is being cross-trained to ensure a greater skill set foundation, compatible levels of knowledge and experience exist allowing central finance to better support the City's fiscal activities.

CITY OF LONG BEACH, CALIFORNIA
Summary of Findings and Questioned Costs
Year ended September 30, 2018

2018-002 – Federal Award Expenditure Reconciliation

Criteria

The Uniform Guidance includes guidance in 2 CFR 200.510(b) of the which requires that the schedule of expenditures of federal awards (SEFA) include all Federal awards expended as determined in accordance with 2 CFR 200.402.

Condition and Context

During our audit over the SEFA, we identified expenditures related to the period under audit that were not included in the SEFA. The expenditures totaled \$14.3 million and were related to the Harbor Department which specifically related to the Highway Planning and Construction Cluster.

Cause and Effect

The controls in place for the City and Harbor Department were not properly designed to ensure that all Federal expenditures were reported in the SEFA. The Harbor Department records its expenditure transactions within the City's financial system. However, due to a misinterpretation specifically to the SEFA reporting, the Harbor Department only provided program expenditures that had grants reimbursed during the audit period to the City to consolidate under the Highway Planning and Construction Cluster (HPCC) program expenditures group. The misconception resulted in HPCC expenditures not being reflected in the proper period and understated the SEFA expenditures. The SEFA had to be revised to include the expenditures previously not reported by the Harbor Department.

Recommendation

We recommend that the City and Harbor Department enhance their controls over the reconciliation of federal expenditures reported in the schedule of expenditures of federal awards.

Management's Response

The Harbor Department will effectively implement a review process to ensure that future SEFA reporting of the Highway Planning and Construction Cluster (HPCC) program expenditure is reconciled to the grants revenue reported on Harbor's audited financial statements, based upon eligible program expenditures that incurred in the fiscal period.

(3) Findings and Questioned Costs Related to Federal Awards

None