

CITY OF SAN DIEGO

Single Audit Reports

For the Fiscal Year Ended June 30, 2003

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Single Audit Reports
For the Fiscal Year Ended June 30, 2003

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Honorable Mayor and City
Council of the City of San Diego
San Diego, California

We have audited the Schedule of Expenditures of Federal Awards (the SEFA) of the City of San Diego (the City) for the fiscal year ended June 30, 2003. The SEFA is the responsibility of the City's management. Our responsibility is to express an opinion on the SEFA based on our audit.

The City's basic financial statements include the operations of the City of San Diego Redevelopment Agency (RDA) and the City of San Diego Housing Commission (SDHC), who expended \$4,569,841 and \$125,400,791, respectively, in federal awards that are not included in the SEFA for the fiscal year ended June 30, 2003. Our audit, described below, did not include the operations of the RDA because we audited and reported on the RDA in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as a separate engagement and the SDHC engaged other auditors to perform its audit in accordance with OMB Circular A-133 as a separate engagement.

We conducted our audit 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. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the SEFA is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes, examining, on a test basis, evidence supporting the amounts and disclosures in the SEFA, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the SEFA. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the SEFA referred to above presents fairly, in all material respects, the expenditures of federal awards of the City for the fiscal year ended June 30, 2003, on the basis of accounting described in Note 2 of the SEFA.

The accompanying Schedule of Expenditures of the Governor's Office of Emergency Services (OES) Grants is presented for purposes of additional analysis as required by the Governor's OES and is not a required part of the SEFA. The Schedule of Expenditures of the Governor's OES Grants referred to above has not been subjected to the auditing procedures applied in the audit of the SEFA and accordingly, we express no opinion on it.

Macias Fini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
April 18, 2007

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2003

Federal Grantor/Grant Name	Federal CFDA No.	Federal Expenditures	
Department of Housing and Urban Development			
<u>Direct Programs</u>			
Community Development Block Grants/Entitlement Grants (CDBG)	14.218	\$ 19,220,487	
Emergency Shelter Grants Program	14.231	655,012	
CDBG - Economic Development Initiative	14.246	18,314	
Community Development Block Grants Section 108 Loan Guarantees	14.248	7,036,913	
Total Department of Housing and Urban Development			<u>26,930,726</u>
Department of Interior			
<u>Direct Programs</u>			
Small Reclamation Projects	15.503	1,977,334	
Water Reclamation and Reuse Program	15.504	218,220	
Water Desalination Research and Development Program	15.506	57,809	
National Register of Historic Places	15.914	1,246	
Total Department of Interior			<u>2,254,609</u>
Department of Justice			
<u>Direct Programs</u>			
Part D - Research, Evaluation, Technical Assistance and Training	16.542	260,039	
Edward Byrne Formula Grant Program	16.579	124,207	
Edward Bryne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	53,006	
Violence Against Women Formula Grant	16.588 *	38,608	
Local Law Enforcement Block Grants Program	16.592	2,499,236	
Bulletproof Vest Partnership Program	16.607	88,013	
Community Prosecution and Project Safe Neighborhoods	16.609	70,786	
Public Safety Partnership and Community Policing Grants	16.710	1,482,880	
Police Corps	16.712	431,923	
Juvenile Mentoring Program	16.726	573,749	
High Intensity Drug Trafficking Areas	16.PSCP575	8,097,902	
Miscellaneous Federal Agreements	16.UNKNOWN	466,689	
Subtotal Direct Programs			<u>14,187,038</u>
<u>Passed Through Governor's Office of Emergency Services</u>			
Violence Against Women Formula Grant	16.588 *	180,989	
Subtotal Passed Through Governor's Office of Emergency Services			<u>180,989</u>
Total Department of Justice			<u>14,368,027</u>
Department of Labor			
Employment Services and Job Training	17.249	263,788	
Total Department of Labor			<u>263,788</u>
Department of Transportation			
<u>Direct Program</u>			
Airport Improvement Program	20.106	1,405,595	
			<u>1,405,595</u>
<u>Passed Through California Department of Transportation</u>			
Highway Planning and Construction	20.205	12,512,068	
			<u>12,512,068</u>

* - Total CFDA 16.588 program expenditures are \$219,597.

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2003

Federal Grantor/Grant Name	Federal CFDA No.	Federal Expenditures
Department of Transportation (Continued)		
<u>Passed Through California Office of Traffic Safety</u>		
State and Community Highway Safety	20.600	652,447
Total Department of Transportation		<u>14,570,110</u>
Environmental Protection Agency		
Small Reclamation Projects	66.476	29,902
Special Purpose Grant	66.606	202,389
Total Environmental Protection Agency		<u>232,291</u>
Department of Education		
<u>Passed Through California State Library</u>		
Twenty-First Century Community Learning Centers	84.287	1,596,178
Total Department of Education		<u>1,596,178</u>
Department of Health and Human Services		
<u>Passed Through California Department of Health Services</u>		
Refugee and Entrant Assistance Discretionary Grants	93.576	52,105
Total Department of Health and Human Services		<u>52,105</u>
Department of Homeland Security		
<u>Passed Through Governor's Office of Emergency Services</u>		
State Domestic Preparedness Equipment Support Program	97.004	22,526
National Urban Search and Rescue Response System	97.025	451,088
Assistance to Firefighters Grants	97.044	587,954
Subtotal Passed Through Governor's Office of Emergency Services		1,061,568
Total Department of Homeland Security		<u>1,061,568</u>
Total Expenditures of Federal Awards		<u><u>\$ 61,329,402</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO

Schedule of Expenditures of the Governor's Office of Emergency Services Grants (Unaudited)
For the Fiscal Year Ended June 30, 2003

<u>Program Title and Expenditure Category</u>	<u>Grant Award Number /</u>	<u>Budget</u>	<u>Actual Non-Match</u>	<u>Actual Match</u>	<u>Actual Total</u>	<u>Budget to Actual Variance</u>
Edler Abuse & Same Sex Domestic/ Violence Program						
Personal Services	VV00037919	\$ 246,777	\$ 42,176	\$ 14,059	\$ 56,235	\$ 190,542
		<u>\$ 246,777</u>	<u>\$ 42,176</u>	<u>\$ 14,059</u>	<u>\$ 56,235</u>	<u>\$ 190,542</u>
Edler Abuse & Same Sex Domestic/ Violence Program						
Personal Services	VV02047919	\$ 183,903	\$ 137,633	\$ 46,270	\$ 183,903	\$ -
Operating Expenses		1,180	1,180	-	1,180	-
		<u>\$ 185,083</u>	<u>\$ 138,813</u>	<u>\$ 46,270</u>	<u>\$ 185,083</u>	<u>\$ -</u>

(Note: The non-match expenditures of \$42, 176 and \$138,813 for grants VV00037919 and VV02047919, respectively, are reported as federal expenditures in the SEFA under the CFDA 16.588)

CITY OF SAN DIEGO

Notes to the Schedules of Expenditures of Federal Awards and OES Grants
For the Fiscal Year Ended June 30, 2003

Note 1 – General

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the expenditures of all federal award programs of the City of San Diego, California (the City), for the fiscal year ended June 30, 2003, except as described in Note 4 below. The City’s reporting entity is defined in Note 1(a) to the City’s basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

The accompanying Schedule of Expenditures of the Governor’s Office of Emergency Services (OES) Grants (Schedule of Expenditures of OES Grants) is presented for purposes of additional analysis as required by the Governor’s OES and is not a required part of the SEFA.

Note 2 – Basis of Accounting

The accompanying SEFA and the Schedule of Expenditures of OES Grants are presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1(c) to the City’s basic financial statements.

Note 3 – Relationship to the Financial Statements

Expenditures of federal awards and OES grants are reported in the City’s basic financial statements as expenditures in the General Fund, nonmajor special revenue funds and enterprise funds.

Note 4 – San Diego Redevelopment Agency (Blended Component Unit) and San Diego Housing Commission (Discrete Component Unit)

The San Diego Redevelopment Agency (RDA) federal expenditures of \$4,569,841 and the San Diego Housing Commission (SDHC) federal expenditures of \$125,400,791 are excluded from the SEFA because the RDA and SDHC federal expenditures are separately audited and are reported in separate single audit reports.

Note 5 – Loans Outstanding

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs maintain servicing and trust arrangements with the City to collect loan repayments. The City had the following loan balances outstanding at June 30, 2003. Loans made during the year are included in the federal expenditures presented in the SEFA.

Program Title	Federal Catalog Number	Amount Outstanding
Community Development Block Grants Section 108 Loan Guarantees	14.248	\$ 25,925,000
		<u>\$ 25,925,000</u>

CITY OF SAN DIEGO

Notes to the Schedules of Expenditures of Federal Awards and OES Grants (Continued)
For the Fiscal Year Ended June 30, 2003

Note 6 - Amounts Provided to Subrecipients

Included in the total expenditures of federal awards are the following amounts passed through to subrecipients:

Federal Program	Federal Catalog Number	Amount
Community Development Block Grants/Entitlement Grants – Miscellaneous (CDBG)	14.218	\$ 5,237,621
CDBG passed through to San Diego Housing Commission	14.218	2,471,189
CDBG passed through to RDA	14.218	4,251,718
Emergency Shelter Grants Program	14.231	655,012
Community Development Block Grant Section 108 Loan Guarantees passed through to RDA	14.248	318,123
High Intensity Drug Trafficking Areas	16.PSCP575	6,221,243
Public Safety Partnership and Community Policing Grants	16.710	3,796
Twenty-First Century Community Learning Centers	84.287	1,596,178



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To the Honorable Mayor and City
Council of the City of San Diego
San Diego, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of San Diego, California (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the City of San Diego Redevelopment Agency (RDA) and the City of San Diego Housing Commission (SDHC), which expended \$4,569,841 and \$125,400,791, respectively, in federal awards, which are not included in the City's schedule of expenditures of federal awards (the SEFA) for the fiscal year ended June 30, 2003. Our audit, described below, did not include the operations of the RDA because we audited and reported on the RDA in accordance with OMB Circular A-133 as a separate engagement and the SDHC engaged other auditors to perform its audit in accordance with OMB Circular A-133 as a separate engagement.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in items 2003-01, 2003-02, 2003-04, 2003-06 and 2003-07 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding Special Tests & Provisions – Required Certifications and HUD Approvals, Subrecipient Monitoring, Procurement, Suspension & Debarment, Reporting and Davis-Bacon Act that are applicable to its Community Development Block Grants Section 108 Loan Guarantees, High Intensity Drug Trafficking Areas, Community Development Block Grants Section 108 Loan Guarantees, Local Law Enforcement Block Grants and Highway Planning and Construction programs, respectively. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2003. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2003-03 and 2003-05.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-01, 2003-02, 2003-03, 2003-04, 2003-06 and 2003-07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2003-01, 2003-02, 2003-04, 2003-06 and 2003-07 to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
April 18, 2007

CITY OF SAN DIEGO
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2003

Section I Summary of Auditor's Results

Financial Statements: (Audited by other auditors and results presented under separate audit engagement.)

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Reportable conditions identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weaknesses identified?	Yes
• Reportable conditions identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

CFDA	Program Name
14.218	Community Development Block Grants/Entitlement Grants
14.248	Community Development Block Grants Section 108 Loan Guarantees
15.503	Small Reclamation Projects
16.PSCP575	High Intensity Drug Trafficking Areas
16.592	Local Law Enforcement Block Grants
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,839,882
Auditee qualified as low-risk auditee?	No

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2003

Section II Financial Statement Findings

The City's basic financial statements were audited by other auditors. Findings related to the basic financial statements are reported under a separate audit engagement.

Section III Federal Award Findings and Questioned Costs

Finding No. 2003-01 14.248 – Community Development Block Grant Section 108 Loan Guarantees (Special Tests & Provisions - Required Certifications and HUD Approvals)

In accordance with CDBG Regulations; Subpart M -- Loan Guarantees; 24CFR570.704(d) *“Environmental review. The public entity shall comply with HUD environmental review procedures for the release of funds for each project carried out with loan guarantee assistance.....” All public entities, including nonentitlement public entities, shall submit the request for release of funds and related certification for each project to be assisted with guaranteed loan funds to the appropriate HUD Field Office.”*

During the performance of our procedures related to "Request for release of funds", we sampled three projects (represents all projects subject to the requirement during the year) and requested the City's documentation of the Request for Release of Funds (RROF) for these projects. We noted that for two out of the three projects tested, the City was unable to provide an RROF or HUD's response to these RROFs.

Questioned Costs:

Questioned costs amounted to \$1,090,230 for the Mountain View Community Center and \$306,085 for the Central Imperial Potter Tract projects. Questioned costs represent expenditures on these projects during the fiscal year ended June 30, 2003.

Recommendation:

We recommend the City implement procedures to ensure compliance with all HUD documentation requirements.

Management Response:

We agree. Management implemented new procedures during the fiscal year ended June 30, 2006 to ensure compliance with HUD documentation requirements. These revised procedures include controls to ensure that the City does not draw down loan funds until an environmental review has been completed and properly documented and provided to Grant management staff prior to draw down of funds.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2003

Finding No. 2003-02 16.PSCP575 – High Intensity Drug Trafficking Areas (Subrecipient Monitoring).

In accordance with OMB A-133; Subpart D--Federal Agencies and Pass-Through Entities; §__400 *“Responsibilities; A pass-through entity is responsible for: ... (i) advising subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity; (ii) monitoring the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and the performance goals are achieved; (iii) ensuring that subrecipients expending \$300,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirement of this part for that fiscal year.”*

Monitoring activities normally occur through-out the year and may take various forms, such as:

- Reporting - Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits - Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular Contact - Regular contacts with subrecipients and appropriate inquiries concerning program activities.
- During-the-Award Monitoring - Monitoring the subrecipient's use of federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Considerations affecting the nature, timing and extent of during-the-award monitoring include:

- Program complexity - Programs with complex compliance requirements have a higher risk of noncompliance.
- Percentage passed through - The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- Amount of awards - Larger dollar awards are of greater risk.
- Subrecipient risk - Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems).

Further, in accordance with 28CFR66.20(b)(2)&(3); (2) *“Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”*

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2003

During the performance of our procedures on subrecipient monitoring, we noted that for all four sample items we selected for testing; (a) There were no reviews performed of the subrecipients single audits reports and (b) the only evidence of subrecipient monitoring was the review performed by both the San Diego Police Department (Department) and California Border Alliance Group (CBAG) on reimbursement packets submitted by subrecipients. There was no evidence of any other monitoring procedures performed, on-site or otherwise.

Questioned Costs:

Total subrecipient expenditures were \$6,221,243 for the fiscal year ended June 30, 2003.

Recommendation:

The Department should: (1) develop a risk assessment of all of its subrecipients and perform subrecipient monitoring procedures; (2) develop a monitoring tool to streamline the procedures to be performed for any on-site monitoring to be performed; and (3) obtain and review on a timely basis (usually at least annually) single audit reports for all applicable subrecipients and verify that corrective action has taken place if an audit finding exists.

Management Response:

We agree. Management is currently in the process of terminating its fiduciary responsibilities with regard to this grant program and will become a subrecipient to other governmental entities within the County of San Diego. As part of this, management is reviewing existing processes and determining necessary control activities to be implemented in order to ensure proper administration of funds received as a subrecipient in the future.

Finding No. 2003-03 16.PSCP575 – High Intensity Drug Trafficking Areas (Reporting)

1) In accordance with 28 CFR 66.42 (b) Length of retention period. (1) *“Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section....(c) Starting date of retention period--(1) General....if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year.”* During the performance of our procedures over reporting, we selected a sample of 15 Federal Status Reports (FSR's) and noted that 2 of these reports could not be located.

Questioned Costs:

None.

Recommendation:

The San Diego Police Department (Department) should improve its record retention system to ensure that documentation is retained in a safe place and can be retrieved when requested to support their program activities.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2003

Management Response:

We agree, management is currently reviewing its record retention policies and procedures in order to determine necessary revisions to ensure compliance with grant program requirements. This review will include identification of training opportunities and the implementation of new document management procedures.

Finding No. 2003-04 14.248 – Community Development Block Grant Section 108 Loan Guarantees (Procurement, Suspension and Debarment)

In accordance with the OMB A-133 federal compliance requirements for procurement, suspension and debarment, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$25,000 and all non-procurement transactions (e.g., subawards to subrecipients).

We performed testwork on vendors and subrecipients that met the “covered transactions” criteria and noted that for two out of three vendors selected for testing, the City did not include a clause in its contract regarding suspension and debarment. Also, we noted that the City did not have a system to determine whether a vendor was suspended and/or debarred and therefore, there did not appear to be sufficient controls to prevent the awarding of a contract to a suspended or debarred party. We did determine that none of the vendors or subrecipients tested were either suspended or debarred.

Questioned Costs:

None.

Recommendation:

The City should include a requirement that suspension/debarment certifications be obtained and placed in all contract files that are considered “covered transactions.” For current vendors/subrecipients, the City should make sure that suspension/debarment certification documentation be included in the procurement files. In addition, the City should implement procedures whereby before approval of a contract, the various departments determine if the vendors/subrecipients are listed in the grantor’s General Services Administration (GSA) “List of Parties Excluded From Federal Procurement or Non-Procurement Programs.”

Management Response:

We agree. Management has revised standard contract language to include suspension and debarment terms. Management is also instituting revised procedures to determine if vendors and subrecipients are on the GSA “List of Parties excluded from Federal Procurement or Non-Procurement Programs.”

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2003

Finding No. 2003-05 16.592 – Local Law Enforcement Block Grants Program (Procurement, Suspension and Debarment)

In accordance with 28CFR66.36(e)(i); “*Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies: (A) The item is available only from a single source; (B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation; (C) The awarding agency authorizes noncompetitive proposals; or (D) After solicitation of a number of sources, competition is determined inadequate.*”

During the performance of our procedures over procurement, suspension and debarment, we noted that for one out of five vendors selected for testing, the City did not engage in competitive bidding. For this particular vendor, there was no documentation supporting this sole source procurement.

Questioned Costs:

\$14,945 – this represents the total amount of the contract.

Recommendation:

The City should implement stronger internal control review procedures over sole source procurement to ensure that there is sufficient justification and adequate documentation for sole source procurements.

Management Response:

We agree. Management is currently reviewing contracting procedures to ensure that sole source contracting is minimized and only used when appropriate. Management is also in the process of revising procedures to ensure that sufficient documentation is maintained when sole source contracting is used.

Finding No. 2003-06 16.592 – Local Law Enforcement Block Grants Program (Reporting)

In accordance with the Bureau of Justice Assistance Local Law Enforcement Block Grants (LLEBG) Program Guidance Manual Section 6.6, “*direct award recipients are required to submit an initial quarterly progress report for the first full calendar quarter, followed by semiannual reports for the remainder of the grant period. Progress reports should describe activities during the reporting period and the status of objectives as set forth in the approved award application. They are due within 30 days following the end of that reporting period [and] a final report summarizing the program’s activities and significant results is due within 120 days of the grant’s end date.*” Furthermore, in accordance with 28CFR66.40(b)(1) states that “*Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semiannual reports. However, performance reports will not be required more frequently than quarterly.*”

During the performance of our procedures over reporting, the City was unable to provide any quarterly, semiannual, or annual progress reports for our review.

Questioned Costs:

None.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2003

Recommendation:

The City should implement stronger internal control procedures over reporting to ensure that all legally required reports are prepared and submitted in a timely manner. The City should also implement more stringent record retention policies to ensure that documentation is retained in a safe place and can be retrieved when requested to support their program activities.

Management Response:

We agree. In response, management is reviewing its approach to staffing the administration of grant programs. In addition to changing the process for administering grant awards, management is also in the process of implementing training programs for employees responsible for grant procurement and administration.

Finding No. 2003-07 20.205 – Highway Planning and Construction (Davis-Bacon Act)

In accordance with 29CFR5.5(a)(3) "*Payrolls and basic records. (i) Payrolls and basic records relating thereto shall be maintained by the contractor [[Page 117]] during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project). Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid.*"

During the performance of our procedures over Davis-Bacon we noted that 10 out of 55 weekly certified labor payroll reports selected for testing were not available. The City was unable to provide either certified labor payroll report or non-performance payroll reports for these 10 weeks.

Questioned Costs:

Undeterminable.

Recommendation:

The City should improve its document maintenance system to ensure that records on all certified payroll reports and non-performance payrolls are safely stored within two weeks after the end of a payroll period.

Management Response:

We agree. Management is currently reviewing record retention policies and controls over the acquisition of certified payroll reports.

CITY OF SAN DIEGO
Summary Schedule of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2003

Section IV Summary Schedule of Prior Audit Findings

None reported.