

CITY OF SAN DIEGO

**Single Audit Reports
(OMB Circular A-133)**

For the Year Ended June 30, 2014

**CITY OF SAN DIEGO
Single Audit Reports
(OMB Circular A-133)**

For the Year Ended June 30, 2014

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Independent Auditor's 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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 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 December 5, 2014. Our report includes emphasis of certain matters related to the City's adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, the actuarial accrued liability exceeding the actuarial value of assets of the City's defined benefit pension plan, the actuarial accrued liability exceeding the actuarial value of assets of the City's other postemployment benefit plan, and a reference to other auditors who audited the financial statements of the San Diego Housing Commission, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

San Diego, California
March 17, 2015

**Independent Auditor’s Report On Compliance For Each Major Program;
Report On Internal Control Over Compliance And Report
On Schedule Of Expenditures Of Federal Awards
Required By OMB Circular A-133**

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

Report on Compliance for Each Major Program

We have audited the City of San Diego, California’s (City) 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 June 30, 2014. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The City’s basic financial statements include the operations of the San Diego Housing Commission (SDHC), which expended \$175,978,943 in federal awards which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit, described below, did not include the operations of SDHC because SDHC 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

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 June 30, 2014.

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.

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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 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 December 5, 2014, which contained unmodified opinions on those financial statements. 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 financial statements and certain additional procedures, including comparing and reconciling such information 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.

Macias Gini & O'Connell LLP

San Diego, California
March 17, 2015

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Entity/Federal Grant Name	Grant/Pass-through Number	Federal CFDA No.	Federal Expenditures	Pass-through Awards to Subrecipients
U.S. Department of Commerce				
<u>Direct Programs</u>				
Economic Adjustment Assistance:				
San Diego Regional Revolving Loan Fund	07-79-05269	11.307	\$ 1,135,828	\$ -
Small Business Micro Revolving Loan Fund	07-39-03351 & 07-49-02681.76	11.307	922,936	-
Total Economic Adjustment Assistance			<u>2,058,764</u>	<u>-</u>
Total U.S. Department of Commerce			2,058,764	-
U.S. Department of Housing and Urban Development				
<u>Direct Programs</u>				
Community Development Block Grants/Entitlement Grants	*	14.218	12,466,320	7,673,545
Emergency Solutions Grant Program	*	14.231	978,568	969,315
Community Development Block Grants Section 108 Loan Guarantees	*	14.248	505,828	-
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	B-99-ED-060012	14.251	160,000	-
Healthy Homes Demonstration Grants	CALHH0204-09	14.901	665	-
Total U.S. Department of Housing and Urban Development			14,111,381	8,642,860
U.S. Department of the Interior				
<u>Direct Program</u>				
Water Reclamation and Reuse Program	*	15.504	29,596	-
Subtotal Direct Program			<u>29,596</u>	<u>-</u>
<u>Passed Through State Department of Fish and Game</u>				
Cooperative Endangered Species Conservation Fund	F09AP00373, E-28-HP-1	15.615	115,522	-
Subtotal Passed Through State Department of Fish and Game			<u>115,522</u>	<u>-</u>
<u>Passed Through County of San Diego</u>				
National Wildlife Refuge Fund		15.659	1,061	-
Subtotal Passed Through County of San Diego			<u>1,061</u>	<u>-</u>
Total U.S. Department of the Interior			146,179	-
U.S. Department of Justice				
<u>Direct Programs</u>				
Public Safety Partnership and Community Policing Grants	*	16.710	30,948	-
Edward Byrne Memorial Justice Assistance Grant Program	*	16.738	516,573	62,840
DNA Backlog Reduction Program	*	16.741	470,406	-
Internet Crimes Against Children Task Force Program	*	16.800	348,623	-
Equitable Sharing Program	CA0371100	16.922	1,323,992	-
Subtotal Direct Programs			<u>2,690,542</u>	<u>-</u>
<u>Passed Through California Office of Emergency Services</u>				
Paul Coverdell Forensic Sciences Improvement Grant Program	*	16.742	18,851	-
Subtotal Passed Through California Office of Emergency Services			<u>18,851</u>	<u>-</u>
Total U.S. Department of Justice			2,709,393	62,840
U.S. Department of Transportation				
<u>Direct Program</u>				
Airport Improvement Program	*	20.106	868,427	-
Subtotal Direct Program			<u>868,427</u>	<u>-</u>
<u>Passed Through San Diego Association of Governments</u>				
Highway Research and Development Program	DTFH61-06-H-00038/5001509	20.200	4,842	-
Subtotal Passed Through San Diego Association of Governments			<u>4,842</u>	<u>-</u>
<u>Passed Through State Department of Transportation</u>				
Highway Planning and Construction	*	20.205	3,913,069	351,659
Subtotal Passed Through State Department of Transportation			<u>3,913,069</u>	<u>351,659</u>
<u>Passed Through California Office of Traffic Safety</u>				
State and Community Highway Safety	PT1308, PT1418	20.600	170,960	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	*	20.608	658,102	-
Subtotal Passed Through California Office of Traffic Safety			<u>829,062</u>	<u>-</u>
Total U.S. Department of Transportation			5,615,400	351,659

* Refer to pages 8-10 of the SEFA for the listing of direct grant or pass-through numbers.

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Entity/Federal Grant Name	Grant/Pass-through Number	Federal CFDA No.	Federal Expenditures	Pass-through Awards to Subrecipients
U.S. Department of the Treasury				
<u>Direct Program</u>				
Equitable Sharing Program	CA0371100	21.000	\$ 39,614	\$ -
Total U.S. Department of the Treasury			\$ 39,614	-
National Endowment for the Humanities				
<u>Direct Program</u>				
Promotion of the Humanities - Public Programs	LB-50015-12	45.164	2,507	-
Total National Endowment for the Humanities			2,507	-
Institute of Museum and Library Services				
<u>Direct Program</u>				
National Leadership Grants	CL-00-10-0014-10	45.312	2,230	-
Subtotal Direct Program			2,230	-
<u>Passed through California State Library</u>				
Grants to States	*	45.310	96,334	-
Subtotal Passed Through California State Library			96,334	-
Total Institute of Museum and Library Services			98,564	-
U.S. Environmental Protection Agency				
<u>Direct Program</u>				
Congressionally Mandated Projects	*	66.202	1,230,503	-
Brownfields Assessment and Cleanup Cooperative Agreements	00T52401	66.818	32,571	-
Subtotal Direct Program			1,263,074	-
<u>Passed Through California State Water Resources Control Board</u>				
Capitalization Grants for Clean Water State Revolving Funds	*	66.458	3,405,087	-
Subtotal Passed Through California State Water Resources Control Board			3,405,087	-
<u>Passed Through California Department of Public Health</u>				
Capitalization Grants for Drinking Water State Revolving Funds	*	66.468	1,304,354	-
Subtotal Passed Through California Department of Public Health			1,304,354	-
Total U.S. Environmental Protection Agency			5,972,515	-
U.S. Department of Energy				
<u>Direct Programs</u>				
ARRA - Energy Efficiency and Conservation Block Grant Program	DE-EE0000877	81.128	(393,323)	-
Total U.S. Department of Energy			(393,323)	-
U.S. Department of Health and Human Services				
<u>Passed Through the County of San Diego</u>				
Centers for Disease Control and Prevention - Investigations and Technical Assistance	518250/073-00000	93.283	28,368	-
Total U.S. Department of Health and Human Services			28,368	-
Executive Office of the President				
<u>Passed Through the County of San Diego</u>				
High Intensity Drug Trafficking Areas	*	95.001	210,380	-
Total Executive Office of the President			210,380	-
U.S. Department of Homeland Security				
<u>Direct Program</u>				
National Urban Search and Rescue (US&R) Response System	*	97.025	1,287,782	43,559
Assistance to Firefighters Grant	*	97.044	1,245,032	-
Subtotal Direct Program			2,532,814	43,559
<u>Passed Through the County of San Diego</u>				
Emergency Management Performance Grants	*	97.042	192,666	-
Homeland Security Grant Program	*	97.067	1,198,807	-
Subtotal Passed Through County of San Diego			1,391,473	-
<u>Passed Through California Office of Emergency Services</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	1952-DR-CA	97.036	1,110,197	-
Homeland Security Grant Program	*	97.067	16,133,197	6,099,251
Border Interoperability Demonstration Project	2010-0011/073-95020	97.120	1,309,072	-
Subtotal Passed Through California Office of Emergency Services			18,552,466	6,099,251
<u>Passed Through San Diego Unified Port District</u>				
Port Security Grant Program	EMW-2011-PU-00052/585154	97.056	15,400	-
Subtotal Passed Through San Diego Unified Port District			15,400	-
Total U.S. Department of Homeland Security			22,492,153	6,142,810
Total Expenditures of Federal Awards			\$ 53,091,895	\$ 15,200,169

* Refer to pages 8-10 of the SEFA for the listing of direct grant or pass-through numbers.

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

CFDA Number/Federal Program Name/Grant Number	Federal Expenditures
CFDA No. 14.218 - Community Development Block Grants/Entitlement Grants Direct Program Grant Numbers	
B-08-MC-060542	\$ 52,947
B-08-MN-06-0521	(102)
B-11-MC-060542	39,270
B-12-MC-060542	5,229,495
B-13-MC-060542	7,144,710
Subtotal Community Development Block Grants/Entitlement Grants	<u>\$ 12,466,320</u>
CFDA No. 14.231 - Emergency Solutions Grant Program Direct Program Grant Numbers	
E-11-MC-060542	\$ 278,951
E-12-MC-060542	257,314
E-13-MC-06-0542	442,303
Subtotal Emergency Solutions Grant Program	<u>\$ 978,568</u>
CFDA No. 14.248 - Community Development Block Grants Section 108 Loan Guarantees Direct Program Grant Numbers	
B-00-MC-06-0542-A	\$ 72,486
B-02-MC-06-0542-B	51,598
B-03-MC-06-0542	6,819
B-03-MC-06-0542-B	154,540
B-96-MC-06-0542-A	47,406
B-98-MC-06-0542-A	143,498
B-99-MC-06-0542-B	29,481
Subtotal CDBG Section 108 Loan Guarantees	<u>\$ 505,828</u>
CFDA No. 15.504 - Water Reclamation and Reuse Program Direct Program Grant Numbers	
R06AC35154	\$ 28,692
R09AC35256	98
R10AC35276	806
Subtotal Water Reclamation and Reuse Program	<u>\$ 29,596</u>
CFDA No. 16.710 - Public Safety Partnership and Community Policing Grants Direct Program Grant Numbers	
2010CKWX0097	\$ 3,504
2010CSWX0021	27,444
Subtotal Public Safety Partnership and Community Policing Grants	<u>\$ 30,948</u>
CFDA No. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program Direct Program Grant Numbers	
2010-DG-BX-0001	\$ 75,086
2011-DJ-BX-2878	337,334
2012-DJ-BX-0470	41,313
2013-DJ-BX-0752	62,840
Subtotal Edward Byrne Memorial Justice Assistance Grant Program	<u>\$ 516,573</u>
CFDA No. 16.741 - DNA Backlog Reduction Program Pass-Through Grant Numbers	
2011-DN-BX-K442	\$ 122,818
2012-DN-BX-0023	323,572
2013-DN-BX-0078	24,016
Subtotal DNA Backlog Reduction Program	<u>\$ 470,406</u>
CFDA No. 16.742 - Paul Coverdell Forensic Sciences Improvement Grant Program Pass-Through Grant Numbers	
CQ-12-08-7919	\$ 2,451
CQ-13-09-7919	16,400
Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program	<u>\$ 18,851</u>
CFDA No. 16.800 - Internet Crimes Against Children Task Force Program Direct Program Numbers	
2009-SN-B9-K002	\$ 69,359
2012-MC-FX-K005	279,264
Subtotal Internet Crimes against Children Task Force Program	<u>\$ 348,623</u>
CFDA No. 20.106 - Airport Improvement Program Direct Program Grant Numbers	
3-06-0211-012-2008	\$ 52,612
3-06-0211-014-2011	460,637
3-06-0213-016-2012	355,178
Subtotal Airport Improvement Program	<u>\$ 868,427</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

CFDA Number/Federal Program Name/Grant Number	Federal Expenditures
CFDA No. 20.205 - Highway Planning and Construction Pass-Through Grant Numbers	
BHLO-5004(068)	\$ 160,638
BHLS-5004(049)	809,576
BPMP-5004(188)	7,542
BPMP-5004(189)	7,402
BRLNS-5004(007)	(383,757)
BRL-5004(009)	359,738
BRLS-5004(193)	117,708
CML-5004(121)	(11,438)
CML-5004(131)	214,112
DEM112L-5004(174)	229,768
DEM115L-5004(149)	3,810
DEM117L-5004(166)	(220,451)
ER-4213(018)	(21,559)
ER-4213(019)	1,027,052
HPLU-5004(168)	803,724
HPLU-5004(177)	2,966
HPLUL-5004(181)	(58,899)
HPLUL-5004(187)	503,421
HSIPL-5004(186)	18,983
HSIPL-5004(194)	35,909
RPSTPLE-5004(158)	(27,473)
RPSTPLE-5004(161)	(19,143)
RPSTPLE-5004(162)	(90,451)
RPSTPLE-5004(176)	(64,538)
SRTSLNI-5004(178)	148,032
SRTSLNI-5004(190)	92,416
SRTSLNI-5004(191)	113,096
STPL-5004(135)	140,893
STPLZ-5004(040)	13,992
Subtotal Highway Planning and Construction	\$ 3,913,069
CFDA No. 20.608 - Minimum Penalties for Repeat Offenders for Driving While Intoxicated Pass-Through Program Grant Numbers	
AL1432	\$ 20,862
PT1308	103,829
PT1418	123,876
SC13365	96,134
SC14365	313,401
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated	\$ 658,102
CFDA No. 45.310 - Grants to States Pass-Through Grant Numbers	
LS-00-12-0005-12/40-8142	\$ 1,509
LS-00-13-0005-13/40-8256	94,825
Subtotal Grants to States	\$ 96,334
CFDA No. 66.202 - Congressionally Mandated Projects Direct Program Grant Numbers	
XP-00T355501-0	\$ (258,227)
XP-97991601	1,488,730
Subtotal Congressionally Mandated Projects	\$ 1,230,503
CFDA No. 66.458 - Capitalization Grants for Clean Water State Revolving Funds Pass-Through Grant Numbers	
09-861-550	\$ 1,005,548
12-800-550	552,967
12-811-550	1,846,572
Subtotal Capitalization Grants for Clean Water State Revolving Funds	\$ 3,405,087
CFDA No. 66.468 - Capitalization Grants for Drinking Water State Revolving Funds Pass-Through Grant Numbers	
SRF12C103	\$ 1,208,847
SRF12CX103	95,507
Subtotal Capitalization Grants for Drinking Water State Revolving Funds	\$ 1,304,354
CFDA No. 95.001 - High Intensity Drug Trafficking Areas Pass-Through Grant Numbers	
G13SC0001A	\$ 142,884
G13SC0003A	9,826
G14SC0001A	57,670
Subtotal High Intensity Drug Trafficking Areas	\$ 210,380

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

CFDA Number/Federal Program Name/Grant Number	Federal Expenditures
CFDA No. 97.025 - National Urban Search and Rescue (US&R) Response System	
Direct Program Grant Numbers	
EMW-2008-CA-1499	\$ 91,194
EMW-2012-CA-K00021	469,714
EMW-2013-CA-K00054	726,874
	\$ 1,287,782
Subtotal National Urban Search and Rescue (US&R) Response System	
CFDA No. 97.042 - Emergency Management Performance Grants Pass-Through Grant Numbers	
2012-0027/073-00000	\$ 14,296
2013-0047/073-00000	178,370
	\$ 192,666
Subtotal Emergency Management Performance Grants	
CFDA No. 97.044 - Assistance to Firefighters Grant Direct Program Grant Numbers	
EMW-2011-FO-08593	\$ 208,858
EMW-2012-FO-06139	1,036,174
	\$ 1,245,032
Subtotal Assistance to Firefighters Grant	
CFDA No. 97.067 - Homeland Security Grant Program Pass-Through Grant Numbers	
2011-1077/073-91015	\$ 145,992
2011-SS-0077/073-00000	103,615
2012-1123/073-91015	445,395
2012-SS-00123/073-00000	356,279
2013-00110/073-00000	147,526
	1,198,807
Subtotal County of San Diego	1,198,807
2011-SS-0077/073-66000	6,437,318
2012-SS-00123/073-66000	8,552,133
2013-00110/073-66000	1,143,746
	16,133,197
Subtotal California Office of Emergency Services	16,133,197
Subtotal Homeland Security Grant Program	\$ 17,332,004

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1 – General

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of San Diego, California (the City). The SEFA excludes the federal award programs of the San Diego Housing Commission (refer to Note 5). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California, are included in the SEFA. The City's reporting entity is defined in Note 1(a) in the notes to the City's basic financial statements. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA -" in the federal program title.

Negative amounts reported in the SEFA for the Community Development Block Grants/ Entitlement Grants (CFDA No. 14.218) and Highway Planning and Construction (CFDA No. 20.205) represent expenditures previously claimed for reimbursement and reported as expenditures in the SEFA of a prior year, but were ultimately disallowed and not reimbursed by the funding agency. The negative amount reported for the Congressionally Mandated projects (CFDA No. 66.202) represents expenditures incurred and reported in the SEFA of a prior year, originally planned to be funded by the grant, but subsequently funded from another funding source. The negative amount reported for the ARRA Energy Efficiency and Conservation Block Grant Program (CFDA No. 81.128) represents the federal funded amount that was returned by the San Diego Metropolitan Credit Union to the City resulting from a termination of the partnership agreement for the residential energy efficiency retrofit financing program. The amount returned exceeded the amount expended under this program during the year ended June 30, 2014. The returned funding has been reprogrammed for other eligible activities within the Energy Efficiency and Conservation Block Grant Program.

Note 2 – Basis of Accounting

The accompanying SEFA is 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) in the notes to the City's basic financial statements.

Note 3 – Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

Note 4 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the City's basic financial statements as expenditures/expenses in the General Fund, nonmajor special revenue funds, nonmajor capital project funds, and the enterprise funds.

Note 5 – San Diego Housing Commission (Discrete Component Unit) Federal Expenditures

The San Diego Housing Commission (SDHC) federal expenditures of \$175,978,943 are excluded from the City's SEFA because the SDHC federal expenditures are separately audited by other auditors and reported in a separate single audit report.

CITY OF SAN DIEGO
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Note 6 – Economic Adjustment Assistance Revolving Loan Fund Grant Program (CFDA No. 11.307)

In accordance with guidance provided by the U.S. Department of Commerce contained in the *OMB Circular A-133 Compliance Supplement*, the City has reported federal award expenditures of \$2,058,764 in the SEFA for the Economic Adjustment Assistance Revolving Loan Fund (RLF) Grant program. Expenditures reported in the SEFA were calculated as follows:

Revolving Loan Fund (RLF) Program Name	San Diego Regional RLF	Small Business Micro RLF
Grant Award Number	07-79-05269	07-39-03351 and 07-49-02681.76
Revolving Loan Funds (RLF) Outstanding as of June 30, 2014	\$ 1,707,598	\$ 467,479
Cash and investment balance in the RLF as of June 30, 2014	488,493	634,886
Administrative expenses paid out of RLF income during the year ended June 30, 2014	75,565	29,491
Unpaid principal of loans written off during the ended June 30, 2014	-	150,000
Subtotal	2,271,656	1,281,856
Calculated grant rate (rounded)	50%	72%
Economic Adjustment Assistance Revolving Loan Fund Grant federal award expenditures for the year ended June 30, 2014	\$ 1,135,828	\$ 922,936

CITY OF SAN DIEGO
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Note 7 – California Office of Emergency Services (CalOES) Grants

The following represents expenditures using the modified basis of accounting for the CalOES programs for the year ended June 30, 2014. The amount reported in the SEFA is determined by calculating the federal portion of the current year expenditures.

<u>Program Title, CFDA, and Expenditure Category</u>	<u>Grant Award Number</u>	<u>Budget</u>	<u>Actual Non- match</u>	<u>Actual Total</u>	<u>Variance</u>
Federal Grant:					
Paul Coverdell Forensic Sciences Improvement Grant - CFDA. No. 16.742	CQ-12-08-7919				
Operating expenses		\$ 3,143	\$ 2,451	\$ 2,451	\$ 692
Paul Coverdell Forensic Sciences Improvement Grant - CFDA. No. 16.742	CQ-13-09-7919				
Operating expenses		\$ 29,881	\$ 16,400	\$ 16,400	\$ 13,481
State Grant:					
Internet Crimes Against Children	IC-12-04-7919 CalOES ID: 073-66000				
Personal services		\$ 7,312	\$ 218	\$ 218	\$ 7,094
Operating expenses		21,272	1,019	1,019	20,253
Total		<u>\$ 28,584</u>	<u>\$ 1,237</u>	<u>\$ 1,237</u>	<u>\$ 27,347</u>
Internet Crimes Against Children	IC-13-05-7979 CalOES ID: 073-66000				
Personal services		\$ 80,000	\$ 62,013	\$ 62,013	\$ 17,987
Operating expenses		20,000	18,926	18,926	1,074
Total		<u>\$ 100,000</u>	<u>\$ 80,939</u>	<u>\$ 80,939</u>	<u>\$ 19,061</u>
Gang Reduction, Intervention and Prevention	GR-10-02-7919 CalOES ID: 073-66000				
Personal services		\$ 123,083	\$ 119,232	\$ 119,232	\$ 3,851

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of major federal programs:

CFDA Number	Federal Program Name
11.307	Economic Adjustment Assistance
16.922	Equitable Sharing Program
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,592,757
Auditee qualified as low-risk auditee?	No

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2014

Reference Number: 2013-001

Audit Finding

While conducting our audit and testing of the City's preparation of the Schedule of Expenditures of Federal Awards (SEFA), we noted various discrepancies in financial reporting:

- The City improperly reported \$1,620,079 of federal expenditures incurred during FY2012-13 under the wrong federal award program. The City included the amount related to the Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458) program, instead of reporting the expenditures as part of the Capitalization Grant for Drinking Water State Revolving Funds program (CFDA No. 66.468).
- Loan proceeds of \$1,429,210 received in June 2013 from the State of California pursuant to Agreement No. 12-800-550 with the State Water Resources Control Board were excluded from expenditures reported in the SEFA for the Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458).
- Expenditures for the Water Reclamation and Reuse Program (CFDA No. 15.504) were incorrectly reported in the SEFA in the amount of \$3,657,673. The federally funded portion of expenditures incurred for this program during the FY2012-13 was only \$790,490.
- The City improperly reported \$5,107,946 of federal expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program (CFDA No. 97.036), when there was only \$1,554,273 of federal expenditures incurred during FY2012-13.
- The City had not reported the federal expenditures for the U.S. Department of Justice Equity Sharing Program (CFDA No. 16.922) since FY2005. The City reported \$8,099,536 of accumulated federal expenditures covering FY2009 to FY2013 in the SEFA for the year ended June 30, 2013 in accordance with the federal agency's direction.
- The City had not reported the federal expenditures for the U.S. Department of the Treasury Equity Sharing Program (CFDA No. 21.000) since FY2009. The City reported the amount of \$1,585,981 of accumulated federal expenditures for FY2009 through FY2013 in the SEFA for the year ended June 30, 2013.

Status of Corrective Action

Corrected – the City has established and implemented a standard process for the submittal of information by City departments to the Office of the City Comptroller for compilation and preparation of the SEFA. Our current year testing of the SEFA did not identify any discrepancies in financial reporting.

CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings (Continued)
For the Year Ended June 30, 2014

Reference Number:	2013-002
Federal Catalog Number	16.922
Federal Program Name	Equitable Sharing Program
Federal Agency	U.S. Department of Justice
Audit Finding	<p>During our testing of the City's completion and submission of the Certification for fiscal year 2009 through 2013, we noted that the Certification forms for fiscal years 2009 through 2012 were not submitted within 60 days from the City's fiscal year end.</p> <p>Also, the required accounting information reported in the Certification Forms for fiscal years 2009 through 2013 was inaccurately reported to the U.S. Department of Justice.</p>
Status of Corrective Action	<p>Corrected – the City has established and implemented a process of reviewing the annual Certification Form prepared by the operating department. Accounting staff in the Office of the City Comptroller reconciles the accounting information contained in the Certification Form to the revenues and expenditures reported in the City's financial accounting system for accuracy and completeness.</p>