

CITY OF SAN DIEGO

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

For the Fiscal Year Ended June 30, 2011

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

For the Fiscal Year Ended June 30, 2011

Table of Contents

| | <i>Page</i> |
|--|-------------|
| 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 <i>Government Auditing Standards</i> | 1-2 |
| Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program, on Internal Control Over Compliance and the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 | 3-5 |
| Schedule of Expenditures of Federal Awards | 6-9 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 10-11 |
| Schedule of Findings and Questioned Costs | 12-19 |
| Summary Schedule of Prior Audit Findings | 20-22 |

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

**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***

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 of San Diego, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 31, 2012. Our report includes a reference to other auditors and an explanatory paragraph describing the City’s implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*. Our report also contained an emphasis of certain matters discussing a Cooperation Agreement entered into between the Redevelopment Agency of the City of San Diego and the City, as well as, an uncertainty related to recently enacted legislation by the California State Legislature that is intended to provide for the dissolution of redevelopment agencies in the State of California. We conducted our audit 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. Other auditors audited the financial statements of the San Diego Housing Commission and the Southeastern Economic Development Corporation, 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

Management of the City is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of the City Council, Mayor, the City's audit committee, City management, 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

San Diego, California
January 31, 2012

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

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON
INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the City of San Diego’s (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2011. 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 San Diego Housing Commission (SDHC), which expended \$236,101,533 in federal awards which is not included in the schedule of expenditures of federal awards (SEFA) for the year ended June 30, 2011. Our audit, described below, did not include the operations of SDHC because 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.

In our opinion, the City complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those compliance 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 2011-01 through 2011-03.

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of the City's 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-01 through 2011-03. 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, the 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, 2011, and have issued our report thereon dated January 31, 2012, which contained unqualified opinions on those financial statements. Our report was modified to include a reference to other auditors and an explanatory paragraph describing the City's implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*. Our report also contained an emphasis of certain matters discussing a Cooperation Agreement entered into between the Redevelopment Agency of the City of San Diego and the City, as well as, an uncertainty related to recently enacted legislation by the California State Legislature that is intended to provide for the dissolution of redevelopment agencies in the State of California. Other auditors audited the financial statements of the San Diego Housing Commission and the Southeastern Economic Development Corporation, as described in our report on the City's basic financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 31, 2012. The accompanying SEFA 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Council and Mayor, the City's audit committee, City management, others within the entity, 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 Tini & O'Connell LLP

San Diego, California
March 28, 2012

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

| Federal Grantor/Grant Name | Grant/Pass-through Number | Federal CFDA No. | Federal Expenditures | Pass-through Awards to Subrecipients |
|---|---------------------------------|---------------------|----------------------|--|
| U.S. Department of Agriculture | | | | |
| <u>Passed Through State Department of Parks and Recreation</u> | | | | |
| Wildlife Habitat Incentive Program | <i>OMB 0578-0013</i> | 10.914 | \$ 12,305 | \$ - |
| Total U.S. Department of Agriculture | | | 12,305 | - |
| U.S. Department of Commerce | | | | |
| <u>Direct Programs</u> | | | | |
| Economic Adjustment Assistance | * | 11.307 | 599,786 | - |
| Coastal Services Center | <i>NA08NOS4730441</i> | 11.473 | 380,282 | - |
| Subtotal Direct Programs | | | 980,068 | |
| <u>Passed Through California Emergency Management Agency</u> | | | | |
| Public Safety Interoperable Communications Grant Program | <i>2007-2008 OES #073-66000</i> | 11.555 | 3,454,294 | 3,071,566 |
| Subtotal Passed Through California Emergency Management Agency | | | 3,454,294 | |
| Total U.S. Department of Commerce | | | 4,434,362 | 3,071,566 |
| U.S. Department of Housing and Urban Development | | | | |
| <u>Direct Programs</u> | | | | |
| Community Development Block Grant (CDBG) - Entitlement Grants Cluster: | | | | |
| Community Development Block Grants/Entitlement Grants | * | 14.218 | 30,459,850 | 10,310,320 |
| ARRA - Community Development Block Grants ARRA Entitlement Grants (CDBG-R) | <i>B-09-MY-06-0542</i> | 14.253 | 774,661 | - |
| Subtotal CDBG Cluster | | | 31,234,511 | 10,310,320 |
| Emergency Shelter Grants Program | * | 14.231 | 657,671 | 657,671 |
| Community Development Block Grants Section 108 Loan Guarantees | * | 14.248 | 98,814 | - |
| ARRA - Homelessness Prevention and Rapid Re-Housing Program | <i>S-09-MY-06-0542</i> | 14.257 | 4,096,387 | 4,080,459 |
| Healthy Homes Demonstration Grants | * | 14.901 | 394,222 | 12,850 |
| Total U.S. Department of Housing and Urban Development | | | 36,481,605 | 15,061,300 |
| U.S. Department of the Interior | | | | |
| <u>Passed Through State Department of Fish and Game</u> | | | | |
| Cooperative Endangered Species Conservation Fund | * | 15.615 | 4,935,655 | - |
| Subtotal Passed Through State Department of Fish and Game | | | 4,935,655 | |
| <u>Passed Through State Department of Parks and Recreation</u> | | | | |
| Outdoor Recreation Acquisition, Development and Planning | <i>06-01661</i> | 15.916 | 14,791 | - |
| Subtotal Passed Through State Department of Parks and Recreation | | | 14,791 | |
| Total U.S. Department of the Interior | | | 4,950,446 | - |
| U.S. Department of Justice | | | | |
| <u>Direct Programs</u> | | | | |
| Juvenile Justice and Delinquency Prevention-Allocation to States | <i>2008-JL-FX-0232</i> | 16.540 | 62,668 | - |
| ARRA - Missing Children's Assistance | <i>2009-SN-B9-K002</i> | 16.543 | 205,973 | - |
| Missing Children's Assistance | <i>2009-MC-CX-K034</i> | 16.543 | 313,243 | - |
| Subtotal Missing Children's Assistance | | | 519,216 | |
| Youth Gang Prevention | <i>2007-JV-FX-0328</i> | 16.544 | 37,112 | - |
| Public Safety Partnership and Community Policing Grants | * | 16.710 | 3,414,733 | - |
| Justice Assistance Grant (JAG) Program Cluster: | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | * | 16.738 | 1,068,763 | - |
| ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units of Local Government | <i>2009-SB-B9-0784</i> | 16.804 | 898,539 | - |
| Subtotal JAG Program Cluster | | | 1,967,302 | - |
| Forensic DNA Backlog Reduction Program | * | 16.741 | 432,747 | - |
| Subtotal Direct Programs | | | 6,433,778 | |
| <u>Passed Through California Emergency Management Agency</u> | | | | |
| Paul Coverdell Forensic Sciences Improvement Grant Program | * | 16.742 | 87,158 | - |
| Subtotal Passed Through California Emergency Management Agency | | | 87,158 | |
| Total U.S. Department of Justice | | | 6,520,936 | - |

* See final pages of SEFA for listing of 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 Fiscal Year Ended June 30, 2011

| Federal Grantor/Grant Name | Grant/Pass-through Number | Federal CFDA No. | Federal Expenditures | Pass-through Awards to Subrecipients |
|---|---------------------------|---------------------|----------------------|--|
| U.S. Department of Transportation | | | | |
| <u>Direct Program</u> | | | | |
| Airport Improvement Program | * | 20.106 | 320,108 | - |
| Subtotal Direct Program | | | 320,108 | |
| <u>Passed Through State Department of Transportation</u> | | | | |
| Highway Planning and Construction | * | 20.205 | 5,160,592 | - |
| Subtotal Passed Through State Department of Transportation | | | 5,160,592 | |
| Total U.S. Department of Transportation | | | 5,480,700 | - |
| Institute of Museum and Library Services | | | | |
| <u>Direct Program</u> | | | | |
| National Leadership Grants | CL-00-10-0014-10 | 45.312 | 10,500 | - |
| Subtotal Direct Program | | | 10,500 | - |
| <u>Passed Through California State Library</u> | | | | |
| Grants to States | * | 45.310 | 21,488 | - |
| Subtotal Passed Through California State Library | | | 21,488 | |
| Total Institute of Museum and Library Services | | | 31,988 | - |
| U.S. Environmental Protection Agency | | | | |
| <u>Passed Through San Diego Association of Governments</u> | | | | |
| Congressionally Mandated Projects | XP-97991601 | 66.202 | 273,138 | - |
| Surveys, Studies, Investigations and Special Purpose Grants | XP-98923801 | 66.606 | 629,039 | - |
| Subtotal Passed Through San Diego Association of Governments | | | 902,177 | |
| <u>Passed Through California Department of Public Health</u> | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 3710020-28 | 66.468 | 12,000,000 | - |
| Subtotal Passed Through California Department of Public Health | | | 12,000,000 | |
| Total U.S. Environmental Protection Agency | | | 12,902,177 | - |
| U.S. Department of Energy | | | | |
| <u>Direct Programs</u> | | | | |
| Renewable Energy Research and Development | DE-EE0002074 | 81.087 | 170,523 | - |
| Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | DE-MOA36-07GO17070 | 81.117 | 8,313 | - |
| ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) | DE-EE0000877 | 81.128 | 1,583,007 | 434,495 |
| Total U.S. Department of Energy | | | 1,761,843 | 434,495 |
| 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 | 93.283 | 38,882 | - |
| Total U.S. Department of Health and Human Services | | | 38,882 | - |
| U.S. Department of Homeland Security | | | | |
| <u>Direct Programs</u> | | | | |
| National Urban Search and Rescue (US&R) Response System | EMW-2008-CA-0518 | 97.025 | 1,226 | - |
| Assistance to Firefighters Grant | EMW-FP-01859 | 97.044 | 18,375 | - |
| Subtotal Direct Programs | | | 19,601 | |
| <u>Passed Through the County of San Diego</u> | | | | |
| Emergency Management Performance Grants | CALEMA073-00000 | 97.042 | 209,793 | - |
| Homeland Security Grant Program | * | 97.067 | 1,602,687 | - |
| Buffer Zone Protection Program (BZPP) | N/A | 97.078 | 122,932 | - |
| Subtotal Passed Through County of San Diego | | | 1,935,412 | |
| <u>Passed Through California Emergency Management Agency</u> | | | | |
| National Urban Search and Rescue (US&R) Response System | * | 97.025 | 1,168,540 | - |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | * | 97.036 | 463,005 | - |
| Hazard Mitigation Grant | 073-66000 | 97.039 | 583,404 | - |
| Homeland Security Grant Program | * | 97.067 | 13,539,373 | 4,190,822 |
| Radiological/Nuclear Detection Pilot Evaluations Program | 073-66000 #2010-0001 | 97.121 | 228,993 | - |
| Subtotal Passed Through California Emergency Management Agency | | | 15,983,315 | 4,190,822 |
| Total U.S. Department of Homeland Security | | | 17,938,328 | 4,190,822 |
| Total Expenditures of Federal Awards | | | \$ 90,553,572 | \$ 22,758,183 |

* See final pages of SEFA for 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 Fiscal Year Ended June 30, 2011

| Federal Grantor/Grant Name/CFDA Number | Federal Expenditures |
|--|----------------------|
| Economic Adjustment Assistance CFDA No. 11.307 Direct Program Grant Numbers | |
| 07-49-02681 | \$ 120,723 |
| 07-79-05269 | 452,049 |
| 07-39-03351 | 27,014 |
| Subtotal Economic Adjustment Assistance | \$ 599,786 |
| Community Development Block Grants/Entitlement Grants CFDA No. 14.218 Direct Program Grant Numbers | |
| B-10-MC-06-0542 | \$ 20,876,587 |
| B-08-MN-06-0521 | 1,728,652 |
| B-09-MC-06-0542 | 1,588,252 |
| B-08-MC-06-0542 | 4,832,654 |
| B-07-MC-06-0542 | 793,487 |
| B-06-MC-06-0542 | 307,089 |
| B-05-MC-06-0542 | 260,352 |
| B-04-MC-06-0542 | 36,100 |
| B-03-MC-06-0542 | 6,878 |
| B-01-MC-06-0542 | 25,794 |
| B-00-MC-06-0542 | 4,005 |
| Subtotal Community Development Block Grants/Entitlement Grants | \$ 30,459,850 |
| Emergency Shelter Grants Program CFDA No. 14.231 Direct Program Grant Numbers | |
| S-10-MC-06-0542 | \$ 642,556 |
| S-09-MC-06-0542 | 15,115 |
| Subtotal Emergency Shelter Grants Program | \$ 657,671 |
| Community Development Block Grants Section 108 Loan Guarantees CFDA No. 14.248 Direct Program Grant Numbers | |
| B-03-MC-06-0542 | \$ 1,255 |
| B-00-MC-06-0542A | 97,559 |
| Subtotal CDBG Section 108 Loan Guarantees | \$ 98,814 |
| Healthy Homes Demonstration Grants CFDA No. 14.901 Direct Program Grant Numbers | |
| CALHH0158-07 | \$ 135,505 |
| CALHH0204-09 | 258,717 |
| Subtotal Healthy Homes Demonstration Grants | \$ 394,222 |
| Cooperative Endangered Species Conservation Fund CFDA No. 15.615 Pass-Through Program Grant Numbers | |
| E-26-HL-2 | \$ 4,900,000 |
| P1082003 | 35,655 |
| Subtotal Cooperative Endangered Species Conservation Fund | \$ 4,935,655 |
| Public Safety Partnership and Community Policing Grants CFDA No. 16.710 Direct Program Grant Numbers | |
| 2003-HS-WX-0004 | \$ 23,805 |
| 2007-CK-WX-0027 | 3,204,785 |
| 2008-CK-WX-0465 | 37,453 |
| 2010-CK-WX-0097 | 48,256 |
| 2010-CS-WX-0021 | 100,434 |
| Subtotal Public Safety Partnership and Community Policing Grants | \$ 3,414,733 |
| Edward Byrne Memorial Justice Assistance Grant Program CFDA No. 16.738 Direct Program Grant Numbers | |
| 2007-DJ-BX-0312 | \$ 96,009 |
| 2008-DJ-BX-0097 | 5,112 |
| 2009-DJ-BX-0247 | 55,517 |
| 2010-DJ-BX-0337 | 847,990 |
| 2010-DG-BX-0001 | 64,135 |
| Subtotal Edward Byrne Memorial Justice Assistance Grant Program | \$ 1,068,763 |
| Forensic DNA Backlog Reduction Program CFDA No. 16.741 Direct Program Grant Numbers | |
| 2008-DN-BX-K068 | \$ 11,292 |
| 2009-DN-BX-K054 | 310,239 |
| 2008-DN-BX-K080 | 111,216 |
| Subtotal Forensic DNA Backlog Reduction Program | \$ 432,747 |
| Paul Coverdell Forensic Sciences Improvement Grant Program CFDA No. 16.742 Pass-Through Program Grant Numbers | |
| CQ 10 07 7919 | \$ 61,205 |
| CE 08 06 7919 | 25,953 |
| Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program | \$ 87,158 |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2011

| Federal Grantor/Grant Name/CFDA Number | Federal Expenditures |
|---|-----------------------------|
| Airport Improvement Program CFDA No. 20.106 Direct Program Grant Numbers | |
| AIP3-06-0213-013-2008 | \$ (15,708) |
| AIP3-06-0211-012-2008 | 106,451 |
| 3-06-0213-015-2009 | 229,365 |
| Subtotal Airport Improvement Program | <u>\$ 320,108</u> |
| Highway Planning and Construction CFDA No. 20.205 Pass-Through Grant Numbers | |
| DEM05L-5004(170) | \$ 1,883,583 |
| RPSTPLE-5004(162) | 637,405 |
| ER-4213(001) | 618,382 |
| HPLU-5004(175) | 581,583 |
| RPSTPLE-5004(176) | 347,346 |
| ER-4213(019) | 319,187 |
| RPSTPLE-5004(159) | 88,460 |
| STPLP-5004(136) | 72,501 |
| SRTSLNI-5004(178) | 70,807 |
| CML-5004(121) | 70,055 |
| CML-5004(131) | 65,282 |
| ER-4213(018) | 62,651 |
| RPSTPLE-5004(161) | 61,870 |
| DEM112L-5004(174) | 57,847 |
| CMLG-5004(153) | 46,409 |
| DEM115L-5007(149) | 42,028 |
| BHLO-5004(068) | 31,904 |
| STPLZ-5004(005)/STPLP-50 | 26,824 |
| STPLZ-5004(040) | 24,700 |
| BPMPL-5004(169) | 19,131 |
| BHLS-5004(049) | 16,782 |
| CMLG-5004(152) | 8,835 |
| DEM117L-5007(166) | 3,150 |
| RPSTPLE-5004(158) | 3,149 |
| ER-46X1(001) | 721 |
| Subtotal Highway Planning and Construction | <u>\$ 5,160,592</u> |
| Grants to States CFDA No. 45.310 Pass-Through Program Grant Numbers | |
| 40-7411 | \$ 5,112 |
| 40-7670 | 16,376 |
| Subtotal Grants to States | <u>\$ 21,488</u> |
| National Urban Search and Rescue (US&R) Response System CFDA No. 97.025 Direct Program Grant Number | |
| EMW-2008-CA-0518 | \$ 1,226 |
| Pass-Through Program Grant Numbers | |
| 2009-SR-24-K010 | 392,706 |
| 2010-SR-24-K036 | 775,834 |
| Subtotal Pass-Through | <u>1,168,540</u> |
| Subtotal National Urban Search and Rescue (US&R) Response System | <u>\$ 1,169,766</u> |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA No. 97.036 Pass-Through Grant Numbers | |
| FEMA-1731-DR-CA | \$ 454,250 |
| FEMA-1952-DR-CA | 8,755 |
| Subtotal Disaster Grants - Public Assistance (Presidentially Declared Disasters) | <u>\$ 463,005</u> |
| Homeland Security Grant Program CFDA No. 97.067 - Pass-Through Grant Numbers | |
| OPSG-S | \$ 1,597,234 |
| 2007 0008 OES#073 0000 | 5,453 |
| Subtotal County of San Diego | <u>1,602,687</u> |
| 2007-0008 | 2,808 |
| 2008-0006 | 7,795,947 |
| 2009-0019 | 3,766,102 |
| 2010-0085 | 713,495 |
| 2009-0134 | 544,158 |
| 2009-0019 | 716,863 |
| Subtotal California Emergency Management Agency | <u>13,539,373</u> |
| Subtotal Homeland Security Grant Program | <u>\$ 15,142,060</u> |

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 Fiscal Year Ended June 30, 2011

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). 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) 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.

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) to the City's basic financial statements. There are certain U.S. Department of Homeland Security programs that are reported on a cash basis in accordance with guidance provided by the California Emergency Management Agency.

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 \$236,101,533 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.

Note 6 – Capitalization Grants for Drinking Water State Revolving Funds

During the fiscal year ended June 30, 2011, the City received funding under the Capitalization Grants for Drinking Water State Revolving Funds program (SDWSRF) which was used to cover allowable costs incurred by the City during fiscal years 2009 and 2010. As a result, expenditures have been included in the current year SEFA for CFDA 66.468 in the amount of \$12,000,000.

CITY OF SAN DIEGO
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2011

Note 7 – Loans Outstanding

The City participates in certain federal loan programs and the table below represents the loan balances outstanding at June 30, 2011. These loan programs do not have continuing compliance requirements.

| <u>Program Title</u> | <u>Federal Catalog Number</u> | <u>Amount Outstanding</u> |
|--|---------------------------------------|-------------------------------|
| Community Development Block Grants Section 108 Loan Guarantees | 14.248 | \$ 16,342,000 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 12,000,000 |
| | | <u>\$ 28,342,000</u> |

Note 8 – California Emergency Management Agency (CalEMA) Grants

The following represents expenditures for the CalEMA programs for the year ended June 30, 2011. 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> |
|--|-------------------------------|------------------|-----------------------------|-------------------------|------------------|
| Paul Coverdell Forensic Sciences | CQ 08 06 7919 | | | | |
| Improvement Grant - 16.742 | | | | | |
| Personal services | | \$ 14,842 | \$ 1,370 | \$ 1,370 | \$ 13,472 |
| Operating expenses | | 18,433 | 24,583 | 24,583 | (6,150) |
| Total | | <u>\$ 33,275</u> | <u>\$ 25,953</u> | <u>\$ 25,953</u> | <u>\$ 7,322</u> |
| | | | | | |
| Paul Coverdell Forensic Sciences | CQ 10 07 7919 | | | | |
| Improvement Grant - 16.742 | | | | | |
| Personal services | | \$ 17,290 | \$ 10,128 | \$ 10,128 | \$ 7,162 |
| Operating expenses | | 59,636 | 51,077 | 51,077 | 8,559 |
| Total | | <u>\$ 76,926</u> | <u>\$ 61,205</u> | <u>\$ 61,205</u> | <u>\$ 15,721</u> |

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements:

| | |
|---|--------------------------------|
| Type of auditor’s report issued: | Unqualified |
| Internal control over financial reporting: | |
| <ul style="list-style-type: none"> • Material weaknesses identified? • Significant deficiencies identified that are not considered to be material weaknesses? | <p>No</p> <p>None reported</p> |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|---|----------------------|
| Internal control over major programs: | |
| <ul style="list-style-type: none"> • Material weaknesses identified? • Significant deficiencies identified that are not considered to be material weaknesses? | <p>No</p> <p>Yes</p> |
| Type of auditor’s report issued on compliance for major programs: | Unqualified |
| 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 Number | Program Name |
|----------------|--|
| | Community Development Block Grants – Entitlement Grants Cluster: |
| 14.218 | Community Development Block Grants/Entitlement Grants |
| 14.253 | Community Development Block Grant ARRA Entitlement Grants (CDBG-R) |
| 14.257 | Homelessness Prevention and Rapid Re-Housing Program |
| 15.615 | Cooperative Endangered Species Conservation Fund |
| 16.543 | Missing Children’s Assistance |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds |
| 81.128 | Energy Efficiency and Conservation Block Grant Program (EECBG) |

| | |
|--|-------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$2,716,607 |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

No matters were reported.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

Section III – Federal Award Findings and Questioned Costs

Reference Number: 2011-01
Federal Program Title: ARRA - Missing Children's Assistance
Federal Catalog Number: 16.543
Federal Agency Name: U.S. Department of Justice
Pass-Through Entity: N/A
Federal Award Numbers(s) and Year(s): 2009-SN-B9-K002, 2009
Category of Finding: Reporting

Federal Program Title: Missing Children's Assistance
Federal Catalog Number: 16.543
Federal Agency Name: U.S. Department of Justice
Pass-Through Entity: N/A
Federal Award Numbers(s) and Year(s): 2009-MC-CX-K034, 2011
Category of Finding: Reporting

Criteria:

Retention of Supporting Documentation and Evidence of Submission:

Title 28: Judicial Administration, PART 66—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C—Post-Award Requirements: Reports, Records, Retention, and Enforcement, Sec. 66.42 – Retention and Access Requirements for Records.

- (a) Applicability. (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are: (i) required to be maintained by the terms of this part, program regulations or the grant agreement. (2)(b)(1) Except as otherwise provided, records must be retained for three years from the starting date.

Timeliness of Submission:

Title 28: Judicial Administration, PART 66—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS, Subpart C—Post-Award Requirements: Reports, Records, Retention, and Enforcement, Sec. 66.41 – Financial Reporting.

- (4) Due date. When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

Per the grant agreement between the Department of Justice and the City of San Diego:

Quarterly Financial Reports:

(32) Beginning with the report for the fourth calendar quarter of 2009 (and continuing thereafter), the recipient agrees that it will submit quarterly financial status reports to OJP online (at <https://grants.ojp.usdoj.gov>) using the SF 425 Federal Financial Report form, not later than 30 days after the end of each calendar quarter. The final report shall be submitted not later than 90 days following the end of the grant period.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

Condition:

During our audit procedures, the City could not provide supporting documentation used to compile the two (2) ARRA Section 1512 reports selected for testing. As a result we were unable to trace to supporting documents or verify that the data reported was properly accumulated and summarized.

The Missing Children's Assistance (MCA) program is required to submit monthly performance measures reports and quarterly case tracking reports to the U.S. Department of Justice's Office of Juvenile Justice and Delinquency Prevention (OJJDP) designated website. We noted that for 5 of the 12 reports selected for testing, the City did not retain documentation to support the submission of the reports. As a result, we were unable to determine if the reports were submitted before the required due date.

The MCA program is required to submit quarterly ARRA Section 1512 reports by the 10th day of the month following each calendar quarter. Of the two (2) ARRA 1512 reports selected for testing, we noted that one was submitted past the required deadline.

The MCA program is required to submit quarterly Federal Financial Status Reports (SF 425) within 30 days of the end of each quarter to OJJDP for both the Continuation grant and ARRA grant (8 in total). Of the two SF 425 reports tested for each grant, we noted that one (1) SF 425 for the Continuation grant and one (1) SF 425 for the ARRA grant was submitted past the required deadline.

Cause:

The Grant Coordinator was unaware of the requirement to retain documentation to support the information reported as it is not clearly outlined in the grant agreement. Also, the administering department was of the understanding that the ARRA Section 1512 expenditure amounts were estimates and that the SF 425 reports would report the actual expenditures.

The Grant Coordinator was unaware of the requirement to retain documentation to support the submission date as it is not clearly outlined in the grant agreement. Also, based on discussion with the Grant Contact at the OJJDP, OJJDP has identified this as a problem in their reporting portal and plans to update the portal so a record of final report submission can be maintained within the system.

Late submission was the result of a delay in obtaining the financial information used to compile the ARRA 1512 and SF 425 reports.

Effect:

The City is not in compliance with the reporting compliance requirements and funding could be withheld as a result of the late submission.

Questioned Costs:

There are no questioned costs.

Context:

The MCA policy for submitting monthly performance reports, quarterly financial reports and quarterly ARRA Section 1512 reports did not include maintaining proof of submission or retaining documentation used to compile the reports. However, ICAC is now aware of the need to maintain all supporting documentation for information reported to ensure that all reports that are submitted timely and are properly supported.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

The City's policy is to submit the SF 425 reports within the 30 day period after each quarter as articulated in the grant award agreement. The City has subsequently reported the fourth quarter SF 425 report and is aware that the report needs to be submitted in a timely manner in the future.

Recommendation:

MGO recommends that the administering department establish internal controls and report preparation procedures which provide guidance to program staff that information needed for each report be sent to the Grant Principal Accountant in the Comptroller's Office before the report is submitted and that documentation supporting the reports and its timely submission should be retained.

Management Response and Corrective Action:

The Police Department concurs with the recommendation. The Department will review and revise internal controls as suggested. Additionally, Police Department grant coordinators will be required to submit all grant programmatic and financial documentation including supporting information to the Administrative Services Command. This will ensure that all official documents are centrally maintained for usage in future correspondence, official reporting or audits. This practice will be implemented no later than the end of the first quarter of Fiscal Year 2013.

| | |
|--|---|
| Reference Number: | 2011-02 |
| Federal Program Title: | Capitalization Grants for Drinking Water State Revolving Funds (DWSRF) |
| Federal Catalog Number: | 66.468 |
| Federal Agency Name: | U.S. Environmental Protection Agency |
| Pass-Through Entity: | California Department of Public Health |
| Federal Award Numbers(s) and Year(s): | 3710020-28, 2011 |
| Category of Finding: | Procurement and Suspension and Debarment |
| Federal Program Title: | ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) |
| Federal Catalog Number: | 81.128 |
| Federal Agency Name: | U.S. Department of Energy |
| Pass-Through Entity: | N/A |
| Federal Award Numbers(s) and Year(s): | DE-EE0000877, 2011 |
| Category of Finding: | Procurement and Suspension and Debarment |

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

Criteria:

Procurement:

TITLE 40—PROTECTION OF ENVIRONMENT, CHAPTER 1—ENVIRONMENTAL PROTECTION AGENCY, SUBCHAPTER B—GRANTS AND OTHER FEDERAL ASSISTANCE, PART 31—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS—Table of Contents Subpart C_Post-Award Requirements Sec.31.36 Procurement.

TITLE 10—ENERGY, CHAPTER 2 – DEPARTMENT OF ENERGY (CONTINUED), SUBCHAPTER H – ASSISTANCE REGULATIONS, PART 600 – FINANCIAL ASSISTANCE RULES, SUBPART C – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS—Table of Contents Subpart C_Post-Award Requirements Sec.600.236 Procurement.

- (9) *Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.*

Suspension and Debarment:

TITLE 40—PROTECTION OF ENVIRONMENT, CHAPTER 1—ENVIRONMENTAL PROTECTION AGENCY, SUBCHAPTER B—GRANTS AND OTHER FEDERAL ASSISTANCE, PART 31—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS—Table of Contents Subpart C_Post-Award Requirements Sec.31.35 Subawards to debarred and suspended parties.

TITLE 10—ENERGY, CHAPTER 2 – DEPARTMENT OF ENERGY (CONTINUED), SUBCHAPTER H – ASSISTANCE REGULATIONS, PART 600 – FINANCIAL ASSISTANCE RULES, SUBPART C – UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND COOPERATIVE AGREEMENTS TO STATE AND LOCAL GOVERNMENTS—Table of Contents Subpart C_Post-Award Requirements Sec.600.235 Subawards to debarred and suspended parties.

Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, Debarment and Suspension.

City's Suspension and Debarment Procedures:

The City's current Suspension and Debarment Procedures (July 1, 2008) stipulate that it is the responsibility of the Procurement Specialist/Contract Specialist/Associate Analyst to verify the suspension and/or debarment status of each bidder submitting bids/proposals to the City by (1) utilizing the federal government's Excluded Parties List System (EPLS) or the State of California Division of Labor Standards Enforcement (DLSE) website; (2) print the screen results from the query of the EPLS or DLSE and attach to a Suspension and Debarment Verification Form; (3) the Procurement Specialist/Contract Specialist/Associate Analyst will sign the Suspension and Debarment Verification Form; (4) completed forms and results will be placed in a contract folder; and (5) any results that indicate a bidder is identified as excluded/debarred is to be forwarded to the appropriate Principal Contract Specialist or Principal Procurement Specialist for further review and/or resolution.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

Condition:

During the performance of our testwork over procurement and suspension and debarment, we noted the following:

DWSRF program:

For the one (1) contractor selected for testing, the City was unable to provide documentation to support that the verification of suspended and/or debarred parties was performed. However, we determined that the contractor was not listed as a suspended or debarred party per the federal government website.

EECBG program:

Out of four (4) contractors selected for testing, the City provided documentation to support that the verification of suspended and/or debarred parties was performed. However, we determined that three of the verifications were performed approximately a month after the contracts were awarded. We also noted that none of contractors were listed as a suspended or debarred party per the federal government website.

Cause:

The procurements discussed above were made prior to implementation of the City's current Suspension and Debarment Procedures (July 1, 2008), which requires documentation to provide evidence that the verification of suspended or debarred contractors was actually performed.

Effect:

The City did not adhere to the requirements concerning the verification of suspended and/or debarred parties pursuant to the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

Questioned Costs:

There are no questioned costs.

Context:

The instances of noncompliance were related to procurements that occurred prior to implementation of the City's current Suspension and Debarment Procedures (July 1, 2008). For procurements occurring subsequent to the change in the City's procedures relating to suspension and debarment, the City appears to have addressed the compliance issues.

Recommendation:

The City should follow their suspension and debarment verification documentation policy of attaching the screen prints from EPLS and/or DLSE website to the procurement verification form to ensure that the City has documented the verification that the bidder/potential contractors have not been listed on the excluded party list.

Management Response and Corrective Action:

We agree with the recommendation to attach screen prints from the Federal Government's Excluded Parties List System and/or the State of California Division of Labor Standards Enforcement website to ensure that the City has adequate documentation to verify that the bidder/potential contractors are not listed on the excluded party list.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

| | |
|--|--|
| Reference Number: | 2011-03 |
| Federal Program Title: | ARRA - Homelessness Prevention and Rapid Re-Housing Program |
| Federal Catalog Number: | 14.257 |
| Federal Agency Name: | U.S. Department of Housing and Urban Development |
| Pass-Through Entity: | N/A |
| Federal Award Numbers(s) and Year(s): | S09-MY-06-0542, 2010 |
| Category of Finding: | Subrecipient Monitoring |

Criteria:

Title 2: Grants and Agreements, PART 215—UNIFORM ADMINISTRATIVE REQUIREMENTS FOR GRANTS AND AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION, HOSPITALS, AND OTHER NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A-110), Subpart C—Post Award Requirements, Reports and Record, §215.51 Monitoring and reporting program performance.

Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.

Per the agreement between the City and SDHC, the City is to review SDHC records to determine if systems are in place to properly determine participant eligibility and that eligibility documentation is maintained in the individual participant files.

Condition:

The City passed through the Homelessness Prevention and Rapid Re-Housing Program (HPRP) grant to the San Diego Housing Commission (SDHC) except for a small portion to be used to pay administration cost at the City level. We noted that no monitoring on SDHC was performed by the City during fiscal year 2011 over participant eligibility determination.

Cause:

Due to the large work load involved in managing the program at the City, and limited staff, the City has not been able to schedule monitoring of SDHC's over participant eligibility determination.

Effect:

The City did not adhere to the requirements concerning subrecipient monitoring.

Questioned Costs:

There are no questioned costs.

Context:

The City established policy and procedures which listed SDHC's responsibilities in determining eligibility. The City shall monitor SDHC's performance related to the above. The City scheduled a site visit and began to conduct monitoring of SDHC at the end of February 2012.

Recommendation:

We recommend that the administering department establish controls to ensure subrecipient monitoring is performed on a timely basis to conform with the annual compliance requirements, so that the City can ensure the program activities performed by SDHC are in compliance with Federal regulations and grant agreements.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2011

Management Response and Corrective Action:

The City disagrees with the finding. Section 24 C.F.R. 84.40(a) of the Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments states: “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supportive activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.” This regulation does not require that the City monitor its subgrantees each year of a multi-year grant.

When City staff performed the monitoring of HPRP activities administered by SDHC on February 27-March 2, 2012, staff selected a sample of client files for review that included clients who entered the City’s HPRP program in fiscal year 2010, fiscal year 2011, and fiscal year 2012 in order to evaluate the accuracy of SDHC’s client eligibility determinations throughout the grant period.

Auditor’s Comment on the Management’s Response:

We agree with the City that the guidance referenced does not explicitly require annual monitoring of subgrantees. However, subrecipient monitoring is an annual compliance requirement pursuant to OMB Circular A-133 Compliance Supplement. Due to the level of funding passed-through to SDHC and the responsibility for administering the program, the subrecipient monitoring compliance requirement was deemed to be direct and material to the HPRP grant for the fiscal year ended June 30, 2011.

CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2011

Financial Statements Findings:

| | |
|-----------------------------|---|
| Reference Number: | 2010-(a) |
| Topic | SAP/HCM Module Implementation |
| Audit Finding | Appropriate general IT controls should ensure that a system implementation is configured to provide accurate and complete data and information results. The City's SAP/HCM module implementation initially contained configuration errors in the distribution of employee costs among the City funds and departments. There were several causes for the initial configuration errors, including; incomplete configuration definitions being communicated to the project implementers, incomplete post-implementation testing, absence of production sign-off by business users after the first completed business cycle, and incomplete preparation of testing scenarios prior to the system go-live. While City IT and Comptroller staff identified the errors in processing and after considerable time and effort resolved the processing configuration issues, the City's FY 2010 and a portion of FY 2011 payroll transactions had to be re-processed leading to a delay of the FY 2010 audit cycle. |
| Status of Corrective Action | Implemented and corrected – the City Comptroller's Office staff corrected the processing errors and IT staff resolved the processing configuration issue. |

| | |
|--------------------------|---|
| Reference Number: | 2010-(b) |
| Topic | Schedule of Expenditures of Federal Awards |
| Audit Finding | <p>While conducting our audit of the City's financial statements and testing of the SEFA, we noted that the City did not properly include \$3,858,257 in federally reimbursed expenditures associated with the Capitalization Grants for Clean Water State Revolving Funds (CWSRF) program (federal catalog number 66.458) in the proper accounting period.</p> <p>The City received reimbursement in FY 2006-07 from the State Water Resources Control Board (SWRCB) for expenditures incurred during FY 2002-03 through FY 2004-05 related to the Point Loma Fourth Sludge Pump Modifications project. Due to the timing of the approved loan agreement between the City and SWRCB, which occurred in November 2006, and subsequent reimbursement of expenditures, the City should have reported the \$3,858,257 in federally reimbursed expenditures in its SEFA for the year ended June 30, 2007. As a result, the CWSRF program was considered a major federal award program pursuant to Office of Management and Budget (OMB) Circular A-133 during FY 2009-10, as opposed to FY 2006-07, when the City received the federal funds from the SWRCB and should have reported the program in the SEFA.</p> |

CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2011

Status of Corrective Action Corrected – in FY10-11 the City received a loan from the California Department of Public Health to cover \$12 million of expenditures incurred during FY 2008-09 through FY 2009-10 related to the Alvarado Water Treatment Plant. The City properly reported the \$12 million of expenditures on the SEFA for FY10-11.

Reference Number: 2010-(c)

Topic Continuing Annual Disclosure Requirements

Audit Finding Due to the delays in the year-end closing process resulting from the City’s newly implemented ERP system, the City did not submit its June 30, 2010 audited financial statements to the Electronic Municipal Market Access (EMMA) system within the required time frame (generally 270 days after year-end), as the audited financial statements were not issued until August 2011. The City was therefore, not in compliance with its continuing disclosure contractual obligations for the fiscal year ended June 30, 2010.

Status of Corrective Action Corrected – the audited financial statements for the fiscal year ended June 30, 2011 were issued in January 2012. The City submitted the audited financial report to EMMA on March 11, 2012, which was within the required time period of 270 days after the fiscal year-end.

Federal Awards Findings:

Reference Number: 2010-01

Federal Catalog Number/
Program Name 14.218 – Community Development Block Grants/Entitlement Grants (CDBG); 14.253 – Community Development Block Grant ARRA Entitlement Grants (CDBG-R)

Federal Agency Name U.S. Department of Housing and Urban Development

Audit Finding During our testing over the City’s compliance with the Reporting compliance requirement, we noted that the City did not submit the Section 3 Summary Report (HUD 60002) for its Community Development Block Grant ARRA Entitlement Grants (CDBG-R) and Neighborhood Stabilization Program (NSP) programs.

Status of Corrective Action Corrected – the City submitted the Section 3 Summary Report for the CDBG, CDBG-R and NSP programs as required for the fiscal year ended June 30, 2011.

CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings (Continued)
For the Fiscal Year Ended June 30, 2011

| | |
|---|--|
| Reference Number: | 2010-02 |
| Federal Catalog Number/ Program Name | 16.738 – Edward Byrne Memorial Justice Assistance Grant (JAG) Program; 20.205 – Highway Planning and Construction (HPC); 97.067 – Homeland Security Grant Program (HSGP) |
| Federal Agency Name | U.S. Department of Justice; U.S. Department of Transportation; U.S. Department of Homeland Security |
| Audit Finding | <p><u>JAG program:</u> For the three (3) contractors selected for testing, the City was unable to provide documentation to support that the verification of suspended and/or debarred parties was performed. However, we determined that none of the contractors were listed as suspended or debarred parties on the federal government website.</p> <p><u>HPC program:</u> Out of six (6) contractors selected for testing, the City was unable to provide documentation for three (3) of the contractors to support that the verification of suspended and/or debarred parties was performed. However, we determined that none of these contractors were listed as suspended or debarred parties on the federal government website.</p> <p><u>HSGP program:</u> Out of five (5) contractors selected for testing, the City was unable to provide documentation for two (2) of the contractors to support that the verification of suspended and/or debarred parties was performed. However, we determined that none of these contractors were listed as suspended or debarred parties on the federal government website.</p> |
| Status of Corrective Action | Partially corrected – the programs above have been corrected. Refer to current year finding 2011-02 related to the Capitalization Grants for Drinking Water State Revolving Fund and Energy Efficiency and Conservation Block Grant programs. |