

**CITY OF SAN DIEGO**

Single Audit Reports

For the Fiscal Year Ended June 30, 2009

**CITY OF SAN DIEGO**  
Single Audit Reports  
For the Fiscal Year Ended June 30, 2009

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**MACIAS GINI & O'CONNELL** LLP  
Certified Public Accountants & Management Consultants

**SAN DIEGO**  
225 Broadway, Suite 1750  
San Diego, CA 92101  
619.573.1112

**SACRAMENTO**

**OAKLAND**

**WALNUT CREEK**

**LOS ANGELES**

**CENTURY CITY**

**NEWPORT BEACH**

**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, City Council  
and Chief Financial Officer of the City of San Diego  
San Diego, California

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 (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2009. Our report was modified to include a reference to other auditors and the City's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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 basic 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, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

We consider the deficiencies described in 2009-(a) through 2009-(e) in the accompanying schedule of current year findings and in 2003-1 in the schedule of prior year findings to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-(a) and 2003-1 to be material weaknesses.

### **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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings as item 2009-(f) and also in the accompanying schedule of prior year findings as 2003-4. The conditions reported in 2003-4 also existed in the current year.

The City's responses to the findings identified in our audit are described in the accompanying schedules of current year findings and prior year findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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*

Certified Public Accountants  
San Diego, California  
December 21, 2009



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Certified Public Accountants & Management Consultants

**SAN DIEGO**  
225 Broadway, Suite 1750  
San Diego, CA 92101  
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**NEWPORT BEACH**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS, AND THE SCHEDULE OF  
EXPENDITURES OF GOVERNOR'S OFFICE OF EMERGENCY SERVICES GRANT**

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

**Compliance**

We have audited the compliance of the City of San Diego (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's basic financial statements include the operations of the City of San Diego Housing Commission (SDHC), which expended \$163,689,392 in federal awards which is not included in the schedule of expenditures of federal awards (the Schedule) for the year ended June 30, 2009. Our audit, described below, did not include the operations of the SDHC because the SDHC engaged other auditors to perform its audit in accordance with OMB Circular A-133 as a separate engagement.

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

As described in items 2009-01 and 2009-04 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding allowable costs and subrecipient monitoring that are applicable to its Airport Improvement Program (2009-01) and Community Development Block Grants/Entitlement Grants (2009-04). Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-01 (Community Development Block Grants/Entitlement Grants, Homeland Security Grant Program, Highway Planning and Construction, Emergency Shelter Grants Program, National Urban Search and Rescue Response System), 2009-02 (Community Development Block Grants/Entitlement Grants, Economic Adjustment Assistance, National Urban Search and Rescue Response System) and 2009-03 (Public Safety Partnership and Community Policing Grants, Community Development Block Grants Section 108 Loan Guarantees, Airport Improvement Program).

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-01 through 2009-04 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2009-01 (Airport Improvement Program) and 2009-04 (Community Development Block Grants/Entitlement Grants) to be material weaknesses.

## **Schedules of Expenditures of Federal Awards and Governor's Office of Emergency Services Grant**

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, 2009, and have issued our report thereon dated December 21, 2009. Our report was modified to include a reference to other auditors and the City's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. 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. The accompanying schedules of expenditures of federal awards and Governor's Office of Emergency Services (OES) grant (the Schedules) are presented for purposes of additional analysis as required by OMB Circular A-133 and OES, respectively, and are not a required part of the basic financial statements. The Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic 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 them.

This report is intended solely for the information and use of the City Council and 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*

Certified Public Accountants

San Diego, California

March 10, 2010, except for the section "Schedules of Expenditures of  
Federal Awards and Governor's Office of Emergency Services Grant"  
as to which the date is December 21, 2009

**CITY OF SAN DIEGO**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Grant Name	Grants/Pass-through Number	Federal CFDA No.	Federal Expenditures	Pass-through Awards to Subrecipients
<b>U.S. Department of Commerce</b>				
<u>Direct Program</u>				
Economic Adjustment Assistance	*	11.307	\$ 1,987,150	\$ -
Public Safety Interoperable Communications Grant Program	2007-GS-H7-0008	11.555	<u>280,000</u>	-
<b>Total U.S. Department of Commerce</b>			<b><u>2,267,150</u></b>	<b>-</b>
<b>U.S. Department of Housing and Urban Development</b>				
<u>Direct Programs</u>				
Community Development Block Grants/Entitlement Grants	<i>B00MC060542</i>	14.218	11,242,954	3,840,246
Emergency Shelter Grants Program	*	14.231	725,652	725,652
Community Development Block Grants Section 108 Loan Guarantees	*	14.248	1,243,604	793,650
Healthy Homes Demonstration Grants	<i>CALHH0158-07</i>	14.901	<u>299,049</u>	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>13,511,259</u></b>	<b><u>5,359,548</u></b>
<b>U.S. Department of Justice</b>				
<u>Direct Programs</u>				
Missing Children's Assistance	<i>2005-MC-CX-K016</i>	16.543	298,576	-
Gang-Free Schools and Communities - Community-Based Gang Intervention	<i>2007-JV-FX-0328</i>	16.544	56,024	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	<i>2005-PP-CX-0001</i>	16.580	23,131	-
The Community - Defined Solutions to Violence Against Women Grant Program	<i>2006-WE-AX-0064</i>	16.590	265,437	-
Public Safety Partnership and Community Policing Grants	*	16.710	692,967	-
Gang Resistance Education and Training	<i>2007-DD-BX-0649</i>	16.737	256,545	-
Edward Byrne Memorial Justice Assistance Grant Program	<i>2008-DJ-BX-0097</i>	16.738	91,267	-
Forensic DNA Backlog Reduction Program	<i>2008-DN-BX-K068</i>	16.741	240,833	-
Forensic Casework DNA Backlog Reduction Program	<i>2007-DN-BX-K164</i>	16.743	<u>224,395</u>	-
Subtotal Direct Programs			2,149,175	-
<u>Passed Through Governor's Office of Emergency Services</u>				
Paul Coverdell Forensic Science Improvement Grant Program (2007)	<i>CQ07057919</i>	16.742	29,812	-
Paul Coverdell Forensic Science Improvement Grant Program (2008)	<i>CQ08067919</i>	16.742	<u>28,172</u>	-
Subtotal Passed Through Governor's Office of Emergency Services			57,984	-
<b>Total U.S. Department of Justice</b>			<b><u>2,207,159</u></b>	<b>-</b>
<b>U.S. Department of Transportation</b>				
<u>Direct Programs</u>				
Airport Improvement Program	*	20.106	2,125,225	-
State and Community Highway Safety	<i>OP0710</i>	20.600	<u>27,020</u>	-
Subtotal Direct Programs			2,152,245	-
<u>Passed Through State Department of Transportation</u>				
Highway Planning and Construction	*	20.205	<u>17,898,588</u>	-
Subtotal Passed Through State Department of Transportation			17,898,588	-
<b>Total U.S. Department of Transportation</b>			<b><u>20,050,833</u></b>	<b>-</b>

\* - See final pages of SEFA for listing of pass-through numbers.

**CITY OF SAN DIEGO**  
Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Grant Name	Grants/Pass-through Number	Federal CFDA No.	Federal Expenditures	Pass-through Awards to Subrecipients
<b>National Foundation on the Arts and the Humanities</b>				
<u>Passed Through California State Library</u>				
Promotion of the Arts - Grants to Organizations and Individuals	*	45.024	35,310	-
<b>Total National Foundation on the Arts and the Humanities</b>			<b>35,310</b>	
<b>U.S. Environmental Protection Agency</b>				
<u>Passed Through California State Library</u>				
Surveys, Studies, Investigations and Special Purpose Grants	*	66.606	1,362,649	-
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	<i>X8-96999101-0</i>	66.716	31,196	-
National Community-Based Lead Outreach and Training Grant Program	<i>AB-83364201-0</i>	66.718	134,050	-
<b>Total U.S. Environmental Protection Agency</b>			<b>1,527,895</b>	-
<b>U.S. Department of Energy</b>				
<u>Direct Program</u>				
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	<i>DE-FC36-07GO17070-A000</i>	81.117	178,030	-
<b>Total U.S. Department of Energy</b>			<b>178,030</b>	-
<b>U.S. Department of Education</b>				
<u>Passed Through California State Library</u>				
Twenty-First Century Community Learning Centers	<i>37-2002-CCLC-003</i>	84.287	5,819	-
<b>Total U.S. Department of Education</b>			<b>5,819</b>	-
<b>U.S. Department of Health and Human Services</b>				
<u>Direct Program</u>				
Centers for Disease Control and Prevention Investigations and Technical Assistance	518250	93.283	46,473	-
<b>Total U.S. Department of Health and Human Services</b>			<b>46,473</b>	-
<b>U.S. Department of Homeland Security</b>				
<u>Direct Programs</u>				
National Urban Search and Rescue (US&R) Response System	*	97.025	262,181	-
Assistance to Firefighters Grant	*	97.044	423,379	-
Metropolitan Medical Response System	<i>2005.15</i>	97.071	121,580	-
Subtotal Direct Programs			807,140	-
<u>Passed Through the County of San Diego</u>				
Emergency Management Performance Grants	<i>2007-EM-E7-0006, 2008-EM-E8-0009</i>	97.042	69,557	-
Homeland Security Grant Program	<i>2007-0008/073-66000, 2008-0006/073-66000</i>	97.067	7,895,440	915,335
State Homeland Security Program (SHSP)	<i>2004-45</i>	97.073	802,941	-
Law Enforcement Terrorism Prevention Program (LETPP)	<i>2007-0008/073-00000</i>	97.074	183,918	-
Subtotal Passed Through County of San Diego			8,951,856	915,335
<b>Total U.S. Department of Homeland Security</b>			<b>9,758,996</b>	<b>915,335</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 49,588,924</b>	<b>\$ 6,274,883</b>

\* - See final pages of SEFA for listing of direct grant or pass-through numbers.

**CITY OF SAN DIEGO**  
Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Grant Name/CFDA Number	Federal Expenditures
<b>Economic Adjustment Assistance CFDA No. 11.307 Direct Program Grant Numbers</b>	
07-49-02681	\$ 611,015
07-79-05269	937,448
07-39-03351	25,537
07-39-03351	150
07-79-05269	413,000
<b>Subtotal Economic Adjustment Assistance</b>	<b><u>\$ 1,987,150</u></b>
<b>Emergency Shelter Grants Program CFDA No. 14.231 Direct Program Grant Numbers</b>	
S06MC060542	\$ 99,992
S07MC060542	625,660
<b>Subtotal Emergency Shelter Grants Program</b>	<b><u>\$ 725,652</u></b>
<b>Guarantees CFDA No. 14.248 Direct Program Grant Numbers</b>	
B02MC060542B	\$ 271,379
B01MC060542	107,834
B00MC060542A	114,797
B03MC060542B	214
B98MC060542A	691,680
B04MC060542	57,700
<b>Subtotal CDBG Section 108 Loan Guarantees</b>	<b><u>\$ 1,243,604</u></b>
<b>Public Safety Partnership and Community Policing CFDA No. 16.710 Direct Program Grant Numbers</b>	
2003HSWX004	\$ 887
2004INWX0005	295,859
2007-CK-WX-0027	140,945
2008-CK-WX-0465	255,276
<b>Subtotal Public Safety Partnership and Community Policing</b>	<b><u>\$ 692,967</u></b>
<b>Airport Improvement Program CFDA No. 20.106 Direct Program Grant Numbers</b>	
AIP3-06-0213-12	\$ 150,000
AIP3-06-0213-013-2008	1,496,810
AIP3-06211-09	193,415
AIP-3-06-0211-011-2007	285,000
<b>Subtotal Airport Improvement Program</b>	<b><u>\$ 2,125,225</u></b>
<b>Highway Planning and Construction CFDA No. 20.205 Pass-through Numbers</b>	
RPSTPLE-5004(163)	\$ 43,986
HP21L-5004(140)	493,231
DPU-0041(001)	315,179
CMLG-5004(042)	11,553
CMLG-5004(134)	30,532
CMLG-5004(132)/PGM SUPP M168	2,714
CMLG-5004(133)	9,804
STPLV-5004(005) PRG SUP M083R1	1,740,026
BRL/5004(034)	385
STPLZ-5004(040)	6,017,633
STPLZ-5004(040)	11,061
STPLX-5004(016)	28,091
BRLNS-5004(007)/PGM SUPP 089-R1	22,707
CML-5004(042)	56,858
CMLG5004(153)	17,739
CMLG5004(152)	6,513
ER-46X1(001)	5,937,878
RPSTPLE-5004(160)	22,076
HPLU-5004(168)	161,958
RPSTPLE-5004(156)	59,370

See accompanying Notes to the Schedules of Expenditures of Federal Awards and Governor's OES Grant

**CITY OF SAN DIEGO**  
Schedule of Expenditures of Federal Awards (Continued)  
For the Fiscal Year Ended June 30, 2009

Federal Grantor/Grant Name/CFDA Number	Federal Expenditures
<b>Highway Planning and Construction CFDA No. 20.205 Pass-through Numbers, continued</b>	
DEM112L-5004(174)	88,442
ER-4213(019)	87,213
ER-4213(018)	343,360
DEM117L-5004(166)	203,274
STPLZ-5004(040)	12,980
STPLG-5004(135)	56,883
BHLO-5004(150)	78,342
RPSTPLE5004(161)	68,922
RPSTPLE5004(162)	49,814
BHLS5004(049)	302,859
RPSTPLE-5004(158)	343,424
ER-4213(001)	61,723
DEM115L-5004(149)	191,600
PS0605	26,910
STPLP5004(136)	993,548
<b>Subtotal Highway Planning and Construction</b>	<b><u><u>\$ 17,898,588</u></u></b>
 <b>Promotion of the Arts - Grants to Organizations and Individuals CFDA No. 45.024 Pass-through Numbers</b>	
07-6200-7024	\$ 10,310
08-6200-7023	25,000
<b>Subtotal Promotion of the Arts - Grants to Organizations and Individuals</b>	<b><u><u>\$ 35,310</u></u></b>
 <b>Surveys, Studies, Investigations and Special Purpose Grants CFDA No. 66.606 Pass-through Numbers</b>	
XP-98923801-1	\$ 71,620
XP-97998201	1,291,029
<b>Subtotal Surveys, Studies, Investigations and Special Purpose Grants</b>	<b><u><u>\$ 1,362,649</u></u></b>
 <b>National Urban Search and Rescue Response System CFDA No. 97.025 Direct Program Grant Numbers</b>	
EMW-2005-CA-0245	\$ 59,147
EMW-2007-CA-0161	203,034
<b>Subtotal National Urban Search and Rescue Response System</b>	<b><u><u>\$ 262,181</u></u></b>
 <b>Assistance to Firefighters Grant CFDA No. 97.044 Direct Program Grant Numbers</b>	
EMW-2006-FG-14578	\$ 579
EMW-2007FV-04643	422,800
<b>Subtotal Assistance to Firefighters Grant</b>	<b><u><u>\$ 423,379</u></u></b>

**CITY OF SAN DIEGO**  
**Schedule of Expenditures of Governor's Office of Emergency Services (OES) Grant**  
**For the Fiscal Year Ended June 30, 2009**

<b>Program Title and Expenditure Category</b>	<b>Grant Award Number</b>	<b>Budget</b>	<b>Actual Non-match</b>	<b>Actual Match</b>	<b>Actual Total</b>	<b>Budget to Actual Variance</b>
<b>Coverdell Forensic Science Improvement Program</b>	<b>CQ07057919*</b>					
Personal Services		\$ 18,993	\$ 8,512	\$ -	\$ 8,512	\$ 10,481
Operating Expenses		31,967	21,300	-	21,300	10,667
Total		<u>\$ 50,960</u>	<u>\$ 29,812</u>	<u>\$ -</u>	<u>\$ 29,812</u>	<u>\$ 21,148</u>
<b>Coverdell Forensic Science Improvement Program</b>	<b>CQ08067919*</b>					
Personal Services		\$ 10,469	\$ 10,549	\$ -	\$ 10,549	\$ (80)
Operating Expenses		37,218	17,623	-	17,623	19,595
Total		<u>\$ 47,687</u>	<u>\$ 28,172</u>	<u>\$ -</u>	<u>\$ 28,172</u>	<u>\$ 19,515</u>

Note: \* The non-match expenditures for these grants are reported as federal expenditures in the Schedule of Expenditures of Federal Awards under CFDA 16.742.

**CITY OF SAN DIEGO**

Notes to the Schedules of Expenditures of Federal Awards and Governor’s OES Grant  
For the Fiscal Year Ended June 30, 2009

**Note 1 – General**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the expenditures of all federal award programs of the City of San Diego, California (the City) for the fiscal year ended June 30, 2009, except as described in Note 4 below. The City’s reporting entity is defined in Note 1(a) to the City’s basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

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

**Note 2 – Basis of Accounting**

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

**Note 3 – Relationship to the Financial Statements**

Expenditures of federal awards and the OES grant 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 4 – San Diego Housing Commission (Discrete Component Unit) Federal Expenditures**

The San Diego Housing Commission (SDHC) federal expenditures of \$163,689,392 are excluded from the SEFA because the SDHC federal expenditures are separately audited by other auditors and reported in separate single audit report.

**Note 5 – Loans Outstanding**

The City participates in certain federal loan programs and the table below represents the loan balances outstanding at June 30, 2009. This loan program does 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	<u>\$ 33,532,000</u>

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**Section I – Summary of Auditor’s Results**

***Financial Statements:***

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

***Federal Awards:***

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

Identification of major programs:

CFDA	Program Name
11.307	Economic Adjustment Assistance
14.218	Community Development Block Grants/Entitlement Grants
14.231	Emergency Shelter Grants Program
14.248	Community Development Block Grants Section 108 Loan Guarantees
16.710	Public Safety Partnership and Community Policing Grants
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
97.025	National Urban Search and Rescue Response System
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,487,668
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

**Finding No. 2009 - (a) Risk Management – Public Liability**

**Observation** – The City’s internal controls over public liability reserves require the completion and authorization of a “Request for Action” form (RFA) by a claims adjuster documenting the rationale whenever an adjustment is required. In addition, changes in reserve amounts above \$100,000 are required to be reviewed and approved by a supervisor or manager. During our testing of internal controls, we noted eight (8) out of forty-five (45) transactions selected for testing where the RFAs did not indicate the rationale for the reserve adjustment, nor was there any indication that management had reviewed or authorized any of these RFAs. This is a repeat finding from the prior two (2) fiscal year audits.

**Recommendation** – The City’s Risk Management Department should implement procedures to ensure proper completion and authorization of an RFA whenever an adjustment is made to a public liability reserve.

**Management Response** - The Risk Management department has implemented controls to address this audit finding and has proceeded with training to ensure staff is fully aware and compliant with it. A limitation to the initial corrective measure put in place was that the “Request for Action” (RFA) process was a manual one. However, in May 2009, the Public Liability division implemented a new claims database system, iVos, to replace its custom developed legacy mainframe system. iVos will not save reserve adjustments unless a “comments” section containing justification for the reserve adjustment is completed by the adjuster. This systematic control is superior to and replaces the manual RFA control process. Additionally, any reserve adjustments exceeding \$100,000 are automatically and electronically sent to the Claims Supervisor for review and approval.

**Finding No. 2009 - (b) Risk Management – Expenditure Accruals**

**Observation** – During the testing of internal controls over the City’s Risk Management department’s cash disbursements related to claims liabilities, we noted that two (2) out of forty-five (45) transactions selected for testing were for services rendered in fiscal year 2008. These services were for outside legal counsel related to claims and judgments. These expenditures should have been recognized (accrued) when incurred in fiscal year 2008.

**Recommendation** – The City’s Risk Management Department should develop year-end accrual procedures that will include a follow up with vendors for invoices that have not yet been received for goods/services delivered before year end.

**Management Response** - The Risk Management department and the Comptroller’s Office are currently combining efforts to develop procedures for the review of transactions that occur in one fiscal year and are paid in the next fiscal year. More emphasis will be placed on review of the General Ledger after year end to determine actual payments made that relate to services or settlements that occurred in the prior fiscal year.

There will also be a review related to the Comptroller Certificates that were issued during the year. Many of these certificates are issued for ongoing legal services with specific vendors. This will also be a joint review between departments to determine the amount paid to these vendors over the duration of the year, the amount remaining on the certificates and the status of the remaining available funds. This process will also include input from the Office of the City Attorney, since they provide the initial review of invoices for legal services prior to payment.

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The Risk Management Department has procedures already in place for tracking settlement payments. Adding additional reviews of legal service payments and specific vendors on a periodic basis throughout the remainder of the current fiscal year will assist in tracking these types of payments, and ensure that they are being paid in a timely manner and applied to the correct fiscal year.

**Finding No. 2009 – (c) Timely Capitalization of Donated Capital Assets from Developer Contributions**

**Observation** – During the performance of our testwork over donated capital assets, we noted that fifty-seven (57) out of one hundred and fifty-four (154) donated assets that were capitalized in fiscal year 2009 were actually donated in and should have been capitalized in prior fiscal years (2006-2008).

**Recommendation** – The Development Services Department (DSD) should develop a policy that requires developers to submit as-built drawings immediately after the projects are completed to ensure that DSD can review the drawings and capitalize completed projects at the time of the notice of completion.

**Management Response** - DSD has worked with the Engineering & Capital Projects Department (E&CP), which performs the inspections of public improvement permits, to revise the project closeout procedures to assure all as-built requirements are completed prior to acceptance of the improvements and release of the bond or building permit occupancy. DSD is working with E&CP to implement the automated tracking of inspections and closeout requirements of public improvement permits in DSD's computerized Project Tracking System (PTS). Both of these efforts should be implemented during FY2010.

**Finding No. 2009 – (d) Land Held for Resale Documentation**

**Observation** – During the testing of internal controls over the Redevelopment Agency's (Agency) additions to property held for resale, we noted that for one (1) out of four (4) transactions selected for testing, the Agency could not provide the supporting documents to verify reasonableness of the historical value. The property was originally acquired as a capital asset prior to 1980, reported in the Agency financial statements as land, and transferred to property held for resale during fiscal year 2009.

**Recommendation** – We recommend that the Agency establish procedures and internal controls over documentation retention not only for recent transactions but also historical transactions where the item still exists in the Agency's financial statements.

**Management Response** – The Redevelopment Agency agrees. All additions since fiscal year 2003 have been properly documented and the supporting transactions have been added to the land held for resale and capital assets permanent file. It is the Comptroller's Office policy, and has been since fiscal year 2003, to permanently retain the supporting documentation until five years after the property's disposition. The property described above was purchased prior to 1980. Due to the number of years since the purchase of the property, procurement records have been discarded pursuant to the City's document retention policies. Efforts were made to support the value of the property including an appraisal by the Real Estate Assets Department which valued the property above its book value. Additionally, permanent records retained by the project area's manager were searched and County records were requested without success.

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**Finding No. 2009 – (e) Electronic Data Processing General Controls**

**Observation** – During the electronic data processing review, the following findings were observed:

- a. There is no formal policy and associated procedures in place to ensure that system and application access is rescinded for inactive users. The policy and associated procedures should state and ensure that system and application access is removed as part of the separation procedures for employees from the City.
- b. There is no formal policy and associated procedures in place to ensure all system and application access rights are up-to-date and at an appropriate level to enforce a proper segregation of duties.
- c. All transactional data is currently stored within the City's core financial management application, AMRIS. As the amount of data stored within the core financial management system increases, system performance may be adversely affected.

**Recommendations** –

- a. The City's Chief Information Officer (CIO) should continue to work to finalize and approve the City's Information Technology (IT) administrative regulations to include a formal policy and implement associated procedures to ensure that system and application access is rescinded for inactive users. Also, the administrative regulations should require periodic reviews to ensure that computer user accounts to the network and applications are terminated upon the employee's departure.
- b. The CIO should develop a formal policy and implement associated procedures to ensure all system and application access rights are up-to-date and at an appropriate level to enforce a proper segregation of duties. This standard should be enforced for both network access as well as access to the financial applications. The logical security policy should include procedures to ensure that all system and application access rights for users are periodically reviewed for appropriateness, noting that persons should have the minimum authorizations necessary to complete their assigned duties. The CIO should continue to work to finalize and approve its IT administrative regulations, which should include a formal policy to review access rights periodically. Because of the City's shared responsibility for the IT environment with the San Diego Data Processing Corporation, the CIO should establish a formal policy to ensure access rights are reviewed periodically for all financial systems.
- c. The Comptroller should continue its efforts to establish a data warehouse for the core financial management applications and develop an archiving and purging policy for data within the applications.

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**Management Response –**

- a. The Department of Information Technology (Dept of IT) agrees with this recommendation. Administrative Regulation 90.64 (Protection of Sensitive Information and Data) was implemented in July 2009. This policy directs that departments take appropriate action to disable accounts or remove system access in no more than three (3) business days after an employee no longer needs such access. In addition, the Dept of IT will be receiving monthly reports of all user accounts that have not been used within the last ninety (90) days and contacting the departments to take appropriate action on those accounts (disable or delete). The Dept of IT will also be updating and recommending Citywide implementation of the “Departing Employee Checklist” by June 2010, to ensure that supervisors take the necessary steps for removing system access and retrieving City-issued property when an employee leaves their department (transfer, resignation, termination or otherwise).
  
- b. The Dept of IT agrees with this recommendation. The Dept of IT, in conjunction with the Comptroller’s Office (Internal Controls unit), have established procedures that require semi-annual review of user access to financial and other systems containing sensitive information (A.R. 90.64), which must be certified by each department head. The City’s IT Security Guidelines and Standards provide minimum requirements for system-level and application-level security. These standards were last revised in July 2006 and are in the process of being updated to meet ISO 17799 standards (due to be complete by June 2010). In addition, the Comptroller’s Office has had a procedure and practice in place since January 2007, which requires department heads to validate and re-certify authorization semi-annually, for their specified employees to have access to financial or other secure systems. Further, the new A.R. 90.63 (Information Security Policy) is planned to be released in Spring 2010, which provides over-arching information security policies (logical and physical). The policy requires an annual review by a Citywide Information Security Committee of both the A.R. and the standards, including recommendations for any necessary updates or revisions.
  
- c. The City’s “OneSD” implementation of SAP as its Enterprise Resource Planning (ERP) system was built in a new computing environment that includes separate data storage for both the new financial data created in SAP and also historical financial data from the various mainframe applications that have been replaced. The OneSD Support Department is responsible for managing and monitoring the systems to ensure system performance is maintained at necessary operational levels, as well as planning for capacity growth. The Comptroller will work with the OneSD Support Department to ensure financial data is maintained for the minimum time required by law, that data backups and archives are properly created and maintained, and the data is eventually purged, as allowed.

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**Compliance Findings:**

**Finding No. 2009 - (f) Continuing Annual Disclosure Requirements**

**Observation** – During the performance of our testwork over continuing annual disclosure requirements, we noted that the Redevelopment Agency of the City of San Diego (Agency) did not submit one (1) out of the thirty-five (35) required Annual Reports for fiscal year 2008 to the National Recognized Municipal Securities Repository Agencies within the required time frame (270 days after year-end).

**Recommendation** – The Agency should establish procedures to ensure that all reports are submitted in a timely manner to avoid noncompliance with the continuing disclosure requirements stated with their bond covenants. The City should also oversee all of its debt compliance requirements to ensure that various entities that administer the debt such as the Southeastern Economic Development Corporation (SEDC), Centre City Development Corporation (CCDC), and City Planning & Community Investment (CPCI) agencies/departments are in compliance with the debt compliance requirements, as ultimate responsibility lies with the City since it is the named responsible organization in the bond documents.

**Management Response** – The Redevelopment Agency agrees. The continuing disclosures were not filed by the Southeast Economic Development Agency (SEDC), as a result of the turnover of management personnel responsible for making these filings. The SEDC on behalf of the Agency did file a “Failure to File” on the date that the continuing disclosure was required to be filed. An internal control annual requirements calendar has been put into place to prevent this from recurring. The delinquent continuing disclosures will be filed prior to the next filing date in 2010.

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**Section III Federal Award Findings and Questioned Costs**

**Finding No. 2009-01**                    **14.218 – Community Development Block Grants/Entitlement Grants (CDBG); 14.231 - Emergency Shelter Grants Program (ESGP); 20.106 – Airport Improvement Program (AIP); 20.205 – Highway Planning and Construction (HPC); 97.025 – National Urban Search and Rescue Response (NUSRR) System; 97.067 – Homeland Security Grant Program (HSGP); (Allowable Costs)**

**Federal Agencies Names:**        **Department of Housing and Urban Department; Department of Homeland Security; Department of Transportation**

***Criteria:***

In accordance with OMB A-87; Part C. Basic Guidelines “1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: ... g. Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles.”

Also in accordance with 2 CFR §215.53, “(b) Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency.”

***Condition:***

In order to expedite their financial reporting process, it is the City’s policy to use a threshold of \$100,000 when reviewing individual expenditures for accrual. As a result, we noted the following instances that were below the City’s threshold for accruals during the performance of our single audit testwork:

**CDBG:**

Out of forty-three (43) expenditure transactions tested, there were seven (7) transactions amounting to \$381,310 that were for costs incurred in the prior year but not appropriately accrued for in the prior year. As a result, prior year expenditures were included in the current year SEFA.

**HSGP:**

Out of the forty (40) non-payroll expenditure transactions tested, two (2) transactions amounting to \$94,655 that were for costs incurred in the prior year but not appropriately accrued for in the prior year. As a result, prior year expenditures were included in the current year SEFA.

**HPC:**

Out of forty (40) payroll expenditure transactions tested, two (2) employees with expenditures amounting to \$1,508 did not have a supervisor’s approval in the payroll system.

**ESGP:**

Out of forty (40) expenditure transactions tested, there were two (2) transactions amounting to \$99,992 that were incurred in the prior year but not appropriately accrued for in the prior year. As a result, prior year expenditures were included in the current year SEFA.

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**NUSRR:**

Out of forty-eight (48) expenditure transactions tested, there were three (3) transactions amounting to \$36,538 that were incurred in the prior year but not appropriately accrued for in the prior year. As a result, prior year expenditures were included in the current year SEFA. In addition, fourteen (14) out of forty (40) timesheets tested were not approved by supervisors, but only approved by payroll specialists. Of those instances, ten (10) out of the fourteen (14) timesheets were not submitted by employees, but submitted and approved by one payroll specialist.

**AIP:**

Out of twenty (20) expenditure transactions tested, there were two (2) transactions that amounted to \$281,149 where accruals for expenditures were not reversed appropriately. In one instance an accrual was inadvertently recorded twice and in the other instance an accrual was not reversed when the actual expenditure was recorded. In addition, there were two (2) other transactions amounting to \$40,701 that were incurred in the prior year but not appropriately accrued for in the prior year. As a result, prior year expenditures were recorded in the current year SEFA.

***Questioned Costs:***

CDBG:	N/A
HSGP:	N/A
HPC:	N/A
ESGP:	N/A
NUSRR:	N/A
AIP:	\$281,149

***Recommendation:***

We recommend that the respective grant coordinating departments review all expenditures to ensure that federal expenditures are reported in the correct year. The departments should develop procedures to appropriately accrue costs incurred in the period when invoices are received after year-end. Respective grant coordinating departments should also establish strong controls over requiring supervisor approval for payroll. Departments should follow internal control procedures and timesheets should be submitted by employees and supervisors should review and approve timesheets.

***Management Response:***

**CDBG & ESGP:**

For all expenditures beginning Fiscal Year End 2010, the CDBG program office will provide to the Comptroller's Office a list of all expenditures applied during the 60 day accrual period that belong to the prior year. In addition, CDBG set a new policy in FY 2010 to include the following language in future CDBG boiler plate contracts for each agency: "reimbursement is to be submitted within 30 days of the end of the month and for only one month at a time." This language will assist CDBG in receiving the reimbursement requests earlier and not allow more than one month of expense for reimbursement. This should help resolve the timeliness of recording reimbursements and allow CDBG to more accurately accrue expenditures at year-end.

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**HSGP:**

The City's Office of Homeland Security (OHS) makes every effort to process reimbursement claims in a timely manner. Oftentimes, due to lack of proper documentation needed to process the reimbursements, OHS must request additional information from the recipient. This causes delays in processing while we wait for the submittal of all expenditure documentation before we can verify eligibility and process payments. Additionally, some of the expenditures take place in June, as was in one of the training cases cited, whereby the documentation isn't available through accounting systems until the very end of the fiscal year or beyond. This does not allow our office sufficient time to review and process for payment within the same fiscal year.

Sub-recipients are provided a checklist of all documentation required for a complete packet and this is reviewed annually at our regional grant training workshop. Additionally, OHS sends out notifications to all our sub-recipients reminding them of the timeline for submittal for year-end reimbursements.

To resolve the accrual issue, we will notify City Comptroller's Office of any potential reimbursements that will be processed after the end of the fiscal year so that they can accrue the expenditures in the financial statements.

**HPC:**

The Engineering and Capital Projects Department management team has addressed this internal control by establishing procedures to outline the requirement of written approvals from appropriate supervisory staff in the event the immediate supervisor is not available to approve time in the payroll system. This written approval, which can be in the form of an email, will be provided to the Payroll Specialist authorizing the permission to approve time on behalf of the supervisor.

**NUSRR:**

For the allowable costs findings, the FY 07 grant was officially closed on December 31, 2008 and FEMA authorized this grant to remain open until 12-31-08. Therefore we assume that the charges occurring during that period are legitimate. San Diego Fire-Rescue Department understands and commits to notify the Comptroller's Office when charges like those outlined occur across 2 Fiscal Years to allow the Comptroller's Office to appropriately reflect those transactions in the financial statements.

For the internal control findings for payroll, at times payroll was not submitted to Supervisors and went directly to the payroll specialists as this particular unit of the Fire Department is often deployed in its entirety and on short notice. In addition, Firefighters and civilian members of this unit are often deployed to remote locations and do not have access and/or capacity to enter a time card. Under these conditions and to allow timely and proper payment to the employees, a payroll specialist might have approved timecards without a supervisor revision. The Fire Rescue Department recognizes the shortcomings that have led to these findings and is committed to devote additional resources to review and approve time cards during periods of extensive deployment.

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AIP:

To ensure that accruals are entered and reversed appropriately, accounts payable accruals will be posted and reversed by SAP automatically. This automatic system will allow accruals to be monitored for reporting purposes. With this implementation of SAP in FY 10, along with the restructuring of grants under the grants section of the Comptroller's Office, duplicate accruals will also be prevented going forward based on the following changes:

- 1) Grants accruals are based on actual invoices received rather than estimates.
- 2) Departments have been trained to key from actual invoices received.
- 3) SAP has a hard stop if the invoice number and amount match another invoice number and amount that has already been processed through the system.
- 4) Each invoice has a unique number, which will show up on a duplicate invoice report if the invoice number matches another invoice number paid to the same vendor.
- 5) SAP's availability control (AVC) also has the ability to stop payments from being processed if an invoice is keyed that exceeds budgeted amounts.
- 6) One accountant is responsible for each grant, and they will review all accruals in their grants at year-end.

**Finding No. 2009-02**                      **11.307 – Economic Adjustment Assistance (EAA); 14.218 – Community Development Block Grants/Entitlement Grants (CDBG); 97.025 – National Urban Search and Rescue Response (NUSRR) System (Reporting)**

**Federal Agency Name:**            **Department of Housing and Urban Development; Department of Commerce; Department of Homeland Security**

***Criteria:***

For CDBG, in accordance with 24 CFR §85.41(a) "*General. (3) Grantees shall follow all applicable standard and supplemental Federal agency instructions approved by OMB*". Further, Title 24 CFR §85.41, (c) "*Federal Cash Transactions Report, (4) Frequency and due date. Grantees must submit the report no later than 15 working days following the end of each quarter.*"

For EAA, in accordance with 13 CFR §143.41(a) "*Financial reporting. (3) General. Grantees shall follow all applicable standard and supplemental Federal agency instructions approved by OMB.*"

For NUSRR, in accordance with 44 CFR §13.40, (b), "*(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.*"

***Condition:***

During the performance of our testwork, we noted the following:

CDBG:

For all three (3) quarterly Federal Cash Transactions Reports (SF-272) in FY 09 selected for testing, the City did not submit the reports within 15 working days following the end of each respective quarter as required. These three quarterly reports were submitted all together in August 2009, resulting in one of these reports being submitted over 300 days late, while the other two reports were submitted 120 days late and 30 days late.

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EAA:

Out of six (6) reports selected for testing, one (1) report had a miscalculation in it. The report did not accurately reflect the activity of the revolving loan fund grant because interest earned on loans was overstated by \$3,000 due to the miscalculation.

NUSRR:

One (1) out of six (6) Financial Status Reports and one (1) out of three (3) performance reports selected for testing were submitted more than 30 days after the reporting period ended. The Financial Status Report was submitted 30 days late and the performance report was submitted over 90 days late.

***Questioned Costs:***

CDBG:	N/A
EAA:	FY09 Form ED-209S report: \$3,000
NUSRR:	N/A

***Recommendation:***

The City should create policies and procedures and establish the internal controls over report preparation as well as supervision of timely submission and accuracy of report information. The City should also file an amended EAA report to correct the identified errors.

***Management Response:***

CDBG:

Management agrees. The filing of the 3 reports was delayed. The Office of the City Comptroller has transitioned this process to the CDBG Administration Office. This transition should prevent this from occurring in the future.

EAA:

This miscalculation was human error and the report has been amended to reflect the correct interest earned. Management agrees with recommendations. Current policies and procedures in place will be expanded to include a second review of all calculations to ensure accurate reporting.

NUSRR:

Management agrees with this finding for reports submitted prior to January 2009. This issue was identified and addressed in the 2008 Single Audit and has been resolved.

San Diego Fire-Rescue Department Fiscal Services experienced a substantial workforce turnover in 2007 and 2008. Due to the current economic situation and a City budget deficit, the City of San Diego Fire-Rescue Department had been operating under a hiring and promotion freeze. This caused the situation noted above and impeded effective management of all reports.

During 2008-2009, the City of San Diego Fire-Rescue Department Fiscal Services hired additional staff. With the additional staff all necessary reporting requirements since January 2009 have been accurate and submitted.

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**Finding No. 2009-03**                      **14.248 – Community Development Block Grants Section 108 Loan Guarantees (Section 108); 16.710 – Public Safety Partnership and Community Policing Grants (COPS); 20.106 – Airport Improvement Program (AIP) (Procurement, Suspension & Debarment)**

**Federal Agency Name:**              **Department of Justice; Department of Housing and Urban Development; Department of Transportation**

***Criteria:***

**Procurement:**

In accordance with 49 CFR§18.37 and 44 CFR§13.36; (*Procurement*) (b)(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.*”

In accordance with 28 CFR §66.42; “*Retention and access requirements for records. b) Length of retention period. (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.....c) Starting date of retention period--(1) General. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period.*”

**Suspension & Debarment:**

In accordance with Title 28 CFR 66.35 and Title 49 CFR 18.35, “*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.’*”

***Condition:***

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

**COPS:**

Out of four (4) vendors selected for testing, the City was unable to provide supporting documentation for three (3) vendors to show verification of suspension and debarment. However, we determined that none of the contractors were listed as suspended or debarred parties on the federal government website.

**Section 108:**

Out of three (3) vendors selected for testing, the City was unable to provide supporting documentation for all three (3) vendors to show that they performed verification of suspension and debarment. However, we determined that none of the contractors were listed as suspended or debarred parties on the federal government website.

**AIP:**

For the three (3) vendors selected for testing, the City was unable to provide supporting documentation to show that they performed verification of suspension and debarment for all three (3) vendors. However, we determined that none of the contractors were listed as suspended or debarred parties on the federal government website.

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***Questioned Costs:***

<u>COPS:</u>	N/A
<u>Section 108:</u>	N/A
<u>AIP:</u>	N/A

***Recommendation:***

The City should include a requirement that suspension/debarment certifications be obtained and placed in all contract files that are considered “covered transactions.” In addition, the City should implement procedures, before approval of a contract, for the various departments to determine whether the vendors/subrecipients are listed in the grantor’s General Service Administration’s (GSA) “List of Parties Excluded from Federal Procurement or Non-Procurement Programs” and retain documentation supporting this verification.

***Management Response:***

COPS:

The Purchasing & Contracting Department’s policy for verification of suspension/debarment procedures, which the Purchasing & Contracting Department put in place effective July 1, 2008, were not in place at the time of the above-referenced selection/award procedures. However, the Purchasing & Contracting Department has since updated this policy on August 6, 2009 to include verification of suspension/debarment procedures whenever a contract option is exercised and the contract is renewed.

Section 108:

Prior to the formation of the Purchasing & Contracting Department in August of 2006, departments throughout the City of San Diego processed and awarded their own Architectural & Engineering (A&E) consultant contracts and there was no centralized oversight of the A&E consultant contracting process. Purchasing & Contracting is now the department responsible for overseeing A&E contracting activities for the City of San Diego. As the Purchasing & Contracting Department became more established, a formal policy was developed and as of July 1, 2008 the suspension/debarment status of all firms on all contracts is formally verified.

The construction contract mentioned above was processed and awarded prior to the implementation of the Purchasing & Contracting Department’s formal debarment status verification policy. Purchasing & Contracting’s current verification policy requires that debarment status of contractors and consultants be verified and that copies of the verification results be placed in every project file folder to confirm that this step was performed.

Until file audits include projects processed and awarded after July 1, 2008, it is possible that proof of suspension and debarment verification may not be present in project files for which it is required.

AIP:

The Purchasing & Contracting Department currently verifies the debarment status of contractors and consultants on all contracts regardless of the funding source and a formal department-wide policy covering this matter was enacted on July 1, 2008. Unfortunately, the debarment verifications for the three projects mentioned above were inadvertently overlooked. The Purchasing & Contracting Department will tighten our controls to ensure full compliance in the future.

**CITY OF SAN DIEGO**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2009

**Finding No. 2009-04**                      **14.218 – Community Development Block Grants/Entitlement Grants (CDBG) (Subrecipient Monitoring)**

**Federal Agency Name:**            **Department of Housing and Urban Development**

***Criteria:***

In accordance with 24 CFR §570.501 (b) states “*The recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, subrecipients, or contractors does not relieve the recipient of this responsibility.*”

In accordance with OMB A-133; Subpart D—Federal Agencies and Pass-through Entities; §\_\_.400 “*A pass-through entity is responsible for: [...] (d)(2) advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity; (d)(3) monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and the performance goals are achieved; (d)(4) ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of this part for that fiscal year.*”

***Condition:***

During our test work for subrecipient monitoring for CDBG, we selected twenty-three (23) subrecipients for testing from a population of one hundred and eight (108) subrecipients and noted that the City could not provide documents to show that on-site monitoring had occurred for five (5) subrecipients during FY 2009. The City did not perform on-site subrecipient monitoring and/or prepare any written documents to verify whether the subrecipients performed adequate procedures to achieve the program objectives in compliance with laws, regulations and contract provisions.

***Questioned Costs:***

Total expenditures related to subrecipients with no on-site monitoring documentation amounted to \$359,433.

***Recommendation:***

The respective grant coordinating department should: 1) perform a risk assessment of all of its subrecipients and perform “During-the-Award” monitoring procedures and 2) develop a monitoring tool to streamline the procedures to be performed for any on-site monitoring.

***Management Response:***

The CDBG office hired a consultant, ICF International, to prepare a Monitoring Plan. This document is being reviewed by staff, management, and HUD. Our office expects to implement and apply the Plan to all contracts beginning Fiscal Year 2011. This public document will also be made available to those agencies funded through CDBG.

In the interim, all contract and project managers have been directed to follow HUD’s requirement which is to visit each of their contractors at least once this year (Fiscal Year 2010) and to complete a Monitoring Site form used by our office in prior years. Additionally, these monitoring visits are logged into a ‘Site Visit Log Sheet’ managed by their respective supervisor. Any findings, corrections, or actions taken are also recorded on the sheet.

**CITY OF SAN DIEGO**  
 Summary Schedule of Prior Audit Findings  
 For the Fiscal Year Ended June 30, 2009

**Findings related to the Financial Statements:**

<b>Reference Number:</b>	<b>2008-(a)</b>
Topic	Risk Management – Public Liability
Audit Finding	The City’s internal controls over public liability reserves require the completion and authorization of a “Request for Action” form (RFA) documenting the rationale whenever an adjustment is required. In addition, changes in reserve amounts above \$100,000 are required to be reviewed and approved by a supervisor or manager. During our testing of internal controls, we noted eight instances out of forty sample items where the RFAs did not indicate the rationale for the reserve adjustment, nor was there any indication that management had reviewed and authorized any of these RFAs.
Status of Corrective Action	Not corrected, see current year finding 2009-(a).  The Risk Management department has implemented controls to address this audit finding and has proceeded with training to ensure staff is fully aware and compliant with it. A limitation to the initial corrective measure put in place was that the “Request for Action” (RFA) process itself was a manual one. However, in May 2009, the Public Liability division implemented a new claims database system, iVos, to replace its custom developed legacy mainframe system. iVos will not save reserve adjustments unless a “comments” section containing justification for the reserve adjustment is completed by the adjuster. This systematic control is superior to and replaces the manual RFA control process. Additionally, any reserve adjustments exceeding \$100,000 are automatically and electronically sent to the Claims Supervisor for review and approval.
<b>Reference Number:</b>	<b>2007-(a)</b>
Topic	Risk Management – Public Liability
Audit Finding	The City’s internal controls over public liability reserves require the completion and authorization of a “Request for Action” form (RFA) documenting the rationale whenever an adjustment is required. During our testing of internal controls, we noted that none of the seven RFAs we tested indicated the rationale for the reserve adjustment, nor was there any indication that management had reviewed or authorized any of these RFAs. The City’s Risk Management Department should implement procedures to ensure proper completion and authorization of an RFA whenever an adjustment is made to a public liability reserve.
Status of Corrective Action	Not corrected, see current year finding 2009-(a).

**CITY OF SAN DIEGO**  
 Summary Schedule of Prior Audit Findings  
 For the Fiscal Year Ended June 30, 2009

The Risk Management department has implemented controls to address this audit finding and has proceeded with training to ensure staff is fully aware and compliant with it. A limitation to the initial corrective measure put in place was that the “Request for Action” (RFA) process itself was a manual one. However, in May 2009, the Public Liability division implemented a new claims database system, iVos, to replace its custom developed legacy mainframe system. iVos will not save reserve adjustments unless a “comments” section containing justification for the reserve adjustment is completed by the adjuster. This systematic control is superior to and replaces the manual RFA control process. Additionally, any reserve adjustments exceeding \$100,000 are automatically and electronically sent to the Claims Supervisor for review and approval.

<b>Reference Number:</b>	<b>2003-1</b>
Topic	Material Weakness in Internal Controls over the Financial Reporting Process
Audit Finding:	<p>There were inadequate policies, procedures, internal controls and personnel to ensure the preparation of an accurate and reliable CAFR on a timely basis. Specifically, deficiencies were noted in the following areas:</p> <p>CAFR Preparation; Pension Accounting; Capital Asset Accounting; Metropolitan Wastewater Utility; Risk Management; City Treasurer’s Cash and Investment Pool; Procurement; Accounts Payable and Accrued Expense; Human Resources; Accounts Receivable; Information Technology. As a result of this, numerous material corrections to the CAFR for the year ended June 30, 2003 in the amount of \$1 billion were proposed and booked.</p>
Status of Corrective Action	Partially corrected and in progress. However, prior to the issuance of this report several modifications to the City’s financial reporting process and control environment have been made. These modifications include the hiring of new management to oversee financial reporting and internal controls, and the implementation of revised policies, procedures and training for employees.

**CITY OF SAN DIEGO**  
 Summary Schedule of Prior Audit Findings  
 For the Fiscal Year Ended June 30, 2009

Additionally, the implementation of OneSD will dramatically change (and improve) the year-end process; however, the preparation of the Fiscal Year 2009 Comprehensive Annual Financial Report was completed using the City's current accounting systems. Also during fiscal year 2009, the City began implementing the Governance Risk Compliance (GRC) module of SAP which will assist in documenting, monitoring and testing internal controls within SAP.

Also a new year-end processing master schedule was developed and has been implemented since fiscal year 2008. It identifies tasks necessary to complete the CAFR by responsible staff member; identified items contingent on information from other sections within the Comptroller's Office and other departments within the City. Use of the master schedule along with the year-end closing calendar already in use will allow management to more effectively monitor progress toward completion of the CAFR and ensure critical components are not omitted.

Notwithstanding the improvements made prior to the issuance of this report, management agrees further improvement is necessary and remains committed to continuing to strengthen its internal controls and procedures over financial reporting. Over 200 procedures have been identified and will be documented and implemented over the next 18 months.

**Findings related to Compliance:**

<b>Reference Number:</b>	<b>2008-(b)</b>
Topic	Continuing Annual Disclosure Requirements
Audit Finding	The City did not submit its June 30, 2007 audited or unaudited financial statements to the National Recognized Municipal Securities repository agencies within the required time frame (285 days after year end). The City was therefore not in compliance with its continuing disclosure requirements.
Status of Corrective Action	In progress. See current year finding 2009-(f).

<b>Reference Number:</b>	<b>2008-(c)</b>
Topic	Redevelopment Agency – Annual Report Submission to the City Council

**CITY OF SAN DIEGO**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2009

Audit Finding	<p>The California Health and Safety Code section 33080.1 states that “every redevelopment agency shall submit an annual report to its legislative body within six months of the end of the agency’s fiscal year.” The annual report should include: “(1) an independent financial audit report for the previous fiscal year, (2) a fiscal statement for the previous fiscal year that contains the information required pursuant to Section 33080.5, (3) a description of the agency’s activities in the previous fiscal year affecting housing and displacement that contains the information required by Sections 33080.4 and 33080.7, (4) a description of the agency’s progress, including specific actions and expenditures, in alleviating blight in the previous fiscal year, (5) a list of, and status report on, all loans made by the redevelopment agency that are \$50,000 or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the agency, (6) a description of the total number and nature of the properties that the agency owns and those properties the agency has acquired in the previous fiscal year.”</p> <p>We noted that the Redevelopment Agency (Agency) did not submit a complete annual report to the legislative body within six months of the end of the Agency’s current fiscal year. The financial statements for the previous year were not submitted with audited numbers because the audit was in progress during the time that the Agency submitted its annual reports.</p>
Status of Corrective Action	Corrected. The Agency prepared and submitted a complete annual report for the fiscal year ended June 30, 2009, to the Board of Directors before December 31, 2009.
<b>Reference Number:</b>	<b>2003-4</b>
Topic	Violations of Securities Laws
Audit Finding	<p>In November 2006, the Securities and Exchange Commission (SEC) entered an Order sanctioning the City of San Diego for committing securities fraud by failing to disclose to the investing public important information about its pension and retiree healthcare obligations. To settle the action, the City agreed to cease and desist from future securities fraud violations and to retain an independent consultant for three years to foster compliance with its disclosure obligations under the federal securities laws.</p>

**CITY OF SAN DIEGO**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2009

In issuing the Order, the SEC made the following determinations:

- The City failed to disclose the City’s unfunded liability to its pension plan was projected to dramatically increase.
- The City failed to disclose that it had been intentionally underfunding its pension obligations so that it could increase pension benefits but defer the costs.
- The City knew or was reckless in not knowing that its disclosures were materially misleading.
- The City made these misleading statements through three different means:
  - The City made misleading statements in the offering documents for five municipal offerings in 2002 and 2003 that raised over \$260 million from investors. The offering documents included offering statements.
  - The City made misleading statements to the agencies that gave the City its credit rating for its municipal bonds.
  - The City made misleading statements in its “continuing disclosure statements”, which described the City’s financial condition.

Status of Corrective Action

Partially corrected and in progress. The City consented to the SEC order and as part of the applicable remediation, the City has retained an independent monitor to oversee the City’s compliance with and remediation of the issues identified in the Order. The City continues to work on improving its internal control framework and address other material weaknesses which are part of the underlying cause of this finding. The City’s response to this finding has been a combination of staffing changes, modified policies and procedures along with systems initiatives to correct the internal control weaknesses that created the materially misleading disclosures. Furthermore, the City has established an audit committee and a Disclosure Practices Working Group (DPWG). The DPWG is responsible for reviewing the City’s annual financial statements to ensure that all material items are appropriately disclosed and reported in the City’s CAFR. The independent monitor required by the SEC order has reported on the City’s progress with respect to several remediation issues from the SEC order. The 2008 report was dated March 25, 2008 and the 2009 report was released on April 24, 2009; both reports are available for review.

**Findings related to Federal Awards:**

**Reference Number:**

**2008-01**

Federal Catalog Number/  
Program Name:

14.218 – Community Development Block Grants/Entitlement Grants (CDBG); 20.106 – Airport Improvement Program (AIP); 97.008 – Urban Areas Security Initiative (UASI) (Allowable Costs)

**CITY OF SAN DIEGO**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2009

Federal Agency Name: Department of Housing and Urban Department; Department of Transportation; Department of Homeland Security

Audit Finding: During the performance of our testwork over allowable costs, we noted the following:

**CDBG:**

Out of forty (40) expenditures selected for testwork, five (5) of these expenditures, amounting to \$457,613, were incurred in the prior year but were initially improperly reported in the current year Schedule of Expenditures of Federal Awards (SEFA).

**AIP:**

Out of a sample of fifteen (15) non-payroll expenditures selected for testing, two (2) of these expenditures, amounting to \$83,670, were incurred in the prior year but were initially improperly reported in the current year SEFA.

**UASI:**

Out of a sample of forty (40) payroll expenditures selected for testing, supporting documentation (employee timecard) for one (1) of these expenditures was not available.

Status of Corrective Action: Not Corrected. See current year finding 2009-01.

**Reference Number:**

**2008-02**

Federal Catalog Number/  
Program Name:

11.307 – Economic Adjustment Assistance (EAA); 14.218 – Community Development Block Grants/Entitlement Grants (CDBG); 20.106 – Airport Improvement Program (AIP); 97.025 – National Urban Search and Rescue Response (NUSRR) (Reporting)

Federal Agency Name:

Department of Commerce; Department of Housing and Urban Development; Department of Transportation; Department of Homeland Security

Audit Finding:

During the performance of our testwork, we noted the following:

**EAA:**

Out of six (6) reports selected for testing, five (5) reports had numerous miscalculations in them. In addition, for all 6 reports selected for testing, the methodology of reporting salaries and benefits was inaccurate. These inaccuracies resulted in an understatement of federal expenditures reported.

**CDBG:**

**CITY OF SAN DIEGO**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2009

- Out of three (3) federal cash transaction report (SF-272) periods selected for testing, we noted the City had not submitted or even prepared any of them.
- Prior year expenditures were incorrectly reported in the current year (fiscal year 2008) IDIS report submitted to HUD. We also noted that the prior year column in this report was incorrectly stated and did not agree to the previously submitted prior year (fiscal year 2007) IDIS report.

**AIP:**

Out of five (5) report time period samples selected for testing:

- All five (5) reports did not include a quarterly financial/reimbursement report.
- Two (2) reports were not submitted within the 30-days required due date.

**NUSRR:**

Out of a total of thirteen (13) reports selected for testing:

- One (1) out of three (3) semi-annual performance reports tested had not been submitted while two (2) were submitted more than 60 days beyond the due date.
- Two (2) out of 10 financial status reports selected for testing were submitted beyond the 30 day due date.

Status of Corrective Action: Partially corrected. AIP has been corrected. See current year finding 2009-02 for EAA, CDBG and NUSRR programs.

**Reference Number:**

**2008-03**

Federal Catalog Number/  
Program Name:

14.218 – Community Development Block Grants/Entitlement Grants (CDBG); 14.231 - Emergency Shelter Grants Program (ESG); 97.008 – Urban Areas Security Initiative (UASI) (Subrecipient Monitoring)

Federal Agency Name:

Department of Housing and Urban Development; Department of Homeland Security

Audit Finding:

During our test work for subrecipient monitoring, we noted the following issues:

**CDBG:**

From a population of 90 subrecipients, we selected twenty-two (22) subrecipients for testing,

- The City had not performed on-site monitoring for twelve (12) subrecipients during FY 2008. Further, the City did not maintain any supporting documentation indicating that the subrecipient was in compliance with the National objective or abided by the related laws, regulations, and contract provisions of CDBG.
- Out of a total of eight (8) subrecipients that were required and

**CITY OF SAN DIEGO**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2009

did submit a copy of their single audit report to the City, we noted that the City did not issue management decisions on the accuracy of the subrecipient single audit reports.

**ESG:**

From a population of two (2) subrecipients, we selected both subrecipients for testing, we noted that one (1) subrecipient did not have an on-site visit or other regular contact documentation required for During-the-Award monitoring. Also, there was no risk assessment/rationale as to why or when this would occur.

**UASI:**

From a total population of seven (7) subrecipients, we selected three (3) subrecipients for testing. We noted that one (1) subrecipient did not have a site visit or other regular contact documentation required for During-the-Award monitoring. Upon further inquiry we noted that out of the remaining four (4) subrecipients not tested, there was no site visit or other regular contact documentation required for During-the-Award monitoring for three (3) of these subrecipients.

Status of Corrective Action: Partially corrected. ESG and UASI have been corrected. See 2009-04 for the current year finding for CDBG.

**Reference Number:**

**2008-04**

Federal Catalog Number/  
Program Name:

16.710 – Public Safety Partnership and Community Policing Grants (COPS); 20.106 – Airport Improvement Program (AIP); 20.205 – Highway Planning and Construction (HPC); 97.008 – Urban Areas Security Initiative (UASI) (Procurement, Suspension & Debarment)

Federal Agency Name:

Department of Justice; Department of Transportation; Department of Homeland Security

Audit Finding:

**COPS:**

Out of four (4) vendors selected for testing; the City was unable to provide supporting documentation for three (3) vendors, which shows that they performed a verification check of suspension and debarment. We did however determine that none of the contractors were listed as suspended or debarred parties on the federal government website.

**AIP:**

Out of five (5) vendors selected:

- The City was unable to provide supporting documentation showing that they performed a verification check of suspension and debarment for two (2) vendors. We did however determine that none of the contractors were listed as suspended or debarred parties on the federal government website.

**HPC:**

**CITY OF SAN DIEGO**  
 Summary Schedule of Prior Audit Findings  
 For the Fiscal Year Ended June 30, 2009

Out of six (6) vendors selected for testing:

- The City was unable to provide supporting documentation of the procurement process such as bidding and price analysis documentation for three (3) vendors.
- The City was unable to provide supporting documentation showing that they performed a verification check of suspension and debarment for five (5) vendors. We did however determine that none of the contractors were listed as suspended or debarred parties on the federal government website.

**UASI:**

Out of five (5) vendors selected for testing, the City was unable to provide the procurement bidding documentation for two (2) vendors.

Status of Corrective Action: Partially Corrected. HPC and UASI have been corrected. See 2009-03 for current year finding for COPS and AIP.

**Reference Number:** 2008-05

Federal Catalog Number/  
 Program Name: 20.106 Airport Improvement Program (AIP); 20.205 – Highway Planning and Construction (HPC) (Davis Bacon)

Federal Agency Name: Department of Transportation

Audit Finding: During the performance of our procedures on the Davis-Bacon Act requirement, we noted the following:

**HPC:**

Out of three (3) projects selected for testing, only one (1) project had submitted weekly certified payroll reports or statement of no-performance, and these were submitted one year after the date of the performance of the work. In addition, there was no documentation that any certified payroll reports were reviewed by the project manager.

**AIP:**

Out of three (3) projects or forty (40) weekly certified payroll reports selected for testing:

- One (1) weekly certified payroll report did not have an authorized signature
- Thirteen (13) weekly certified payroll reports did not have submission dates on them

Status of Corrective Action: Corrected in the fiscal year ended June 30, 2009.

**Reference Number:** 2007-01

Federal Catalog Number/  
 Program Name: 14.218 – Community Development Block Grants/Entitlement Grants; 97.008 – Urban Areas Security Initiative; (Subrecipient monitoring)

**CITY OF SAN DIEGO**  
 Summary Schedule of Prior Audit Findings  
 For the Fiscal Year Ended June 30, 2009

Federal Agency Name: Department of Housing and Urban Development; Department of Education; Department of Homeland security

Audit Finding: During the performance of our testwork over subrecipient monitoring, we noted the following;

**Community Development Block Grants/Entitlement Grants (CDBG):**

Out of (24) twenty-four subrecipients selected for testwork;

- The City did not perform during the award (on-site) monitoring for (16) sixteen subrecipients.
- For (1) one of these subrecipients, there was no documentation that the City followed up on any deficiencies noted during the award year.
- For (3) three of these subrecipients (inter-departmental), the City did not have written agreements governing the use of the CDBG funds as required in the regulation.

**Urban Areas Security Initiative (UASI):**

Out of (6) six sampled subrecipients selected for testwork, there was no documentation that (2) two single audit reports received from the sampled subrecipients had been reviewed or any follow-up performed on any of the reported Single Audit Findings.

Status of Corrective Action: Partially corrected. UASI has been corrected. See 2009-04 for the current year finding for CDBG.

**Reference Number:** 2007-02

Federal Catalog Number/  
 Program Name: 14.218 – Community Development Block Grants/Entitlement Grants (Allowable Costs)

Federal Agency Name: Department of Housing and Urban Development

Audit Finding: During the performance of our testwork, we noted that out of a sample of (40) forty expenditures selected for testing, (5) five of these expenditures were incurred in the prior year. These expenditures were improperly reported in the current year.

Status of Corrective Action: Not Corrected. See current year finding 2009-01.

**Reference Number:** 2007-03

Federal Catalog Number/  
 Program Name: 16.710 – Public Safety Partnership and Community Policing Grants (COPS); 20.205 – Highway Planning and Construction (HPC) (Procurement, Suspension & Debarment)

Federal Agency Name: Department of Justice; Department of Transportation

Audit Finding: During the performance of our procedures over procurement, suspension

**CITY OF SAN DIEGO**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2009

& debarment, we noted the following:

Public Safety Partnership and Community Policing Grants:  
10 (ten) out of 10 (ten) contracts tested had no evidence of Suspension & Debarment certification review.

Highway Planning and Construction:  
7 (seven) out of 10 (ten) contracts tested had no evidence of Suspension & Debarment certification review.

Status of Corrective Action: Partially Corrected. HPC has been corrected. See 2009-03 for current year finding for COPS.

**Reference Number:** 2007-04

Federal Catalog Number/  
Program Name: 20.205 – Highway Planning and Construction (Document Retention)

Federal Agency Name: Department of Transportation

Audit Finding: During the performance of our testwork we noted the following:

Highway Planning and Construction (HPC):  
Out of (10) ten procurement samples selected for testwork, the City was unable to produce the supporting documentation for (1) one of the sampled procurements.

Status of Corrective Action: Corrected in the fiscal year ended June 30, 2009.

**Reference Number:** 2006-03

Federal Catalog Number/  
Program Name: 16.710 – Public Safety Partnership and Community Policing Grants (COPS) – Procurement, Suspension & Debarment

Audit Finding: During the performance of our procedures over procurement, suspension & debarment, we noted the following;

Public Safety Partnership and Community Policing Grants:  
4 (four) out of 7 (seven) contracts tested had no evidence of Suspension & Debarment certification review.

Status of Corrective Action: Not Corrected. See 2009-03 for current year finding for COPS.

**CITY OF SAN DIEGO**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2009

<b>Reference Number:</b>	<b>2005-01</b>
Federal Catalog Number/ Program Name:	14.248 – Community Development Block Grants Section 108 Loan Guarantees (Section 108); 16.710 – Public Safety Partnership and Community Policing Grants (COPS); (Procurement, Suspension and Debarment)
Federal Agency Name:	Department of Housing and Urban Development; Department of Justice
Audit Finding:	For Section 108, (1) one out of (3) three contracts tested had no evidence of Suspension & Debarment certification review. For COPS, (2) two out of (3) three contracts tested had no evidence of Suspension & Debarment certification review.
Status of Corrective Action:	Partially Corrected. Section 108 has been corrected. See 2009-03 for current year finding for COPS.
<b>Reference Number:</b>	<b>2004-03</b>
Federal Catalog Number/ Program Name:	14.248 – Community Development Block Grants Section 108 Loan Guarantees (Section 108); 16.710 – Public Safety Partnership and Community Policing Grants (COPS); (Procurement, Suspension and Debarment)
Federal Agent Name:	Department of Housing and urban Development; Department of Justice
Audit Finding:	For Section 108, (1) one out of (4) four contracts tested did not have a suspension and debarment certification For COPS, (5) five out of (6) six contracts tested did not have suspension and debarment certifications.
Status of Corrective Action:	Partially corrected. Section 108 has been corrected. See 2009-03 for current year finding for COPS.