



CITY OF LONG BEACH, CALIFORNIA

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

Year ended September 30, 2016

(With Independent Auditors' Reports Thereon)

CITY OF LONG BEACH, CALIFORNIA

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Honorable Mayor and City Council
City of Long Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2017. Our report includes an emphasis of matter paragraph regarding the City adopting provisions of Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, 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 controls over financial reporting or compliance with other matters that are reported on separately by that auditor.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California
March 27, 2017



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

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Honorable Mayor and City Council
City of Long Beach, California:

Report on Compliance for Each Major Federal Program

We have audited the City of Long Beach, California's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's financial statements include the operations of the Long Beach Transportation Company, a discretely presented component unit, which received \$11,576,501 in federal awards, which is not included in the schedule of expenditures of federal awards for the year ended September 30, 2016. Our audit, described below, did not include the operations of the discretely presented component unit because Long Beach Transportation Company engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on compliance. However, our audit does not provide a legal determination of the City's compliance.



Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a significant deficiency.

The City's response to the internal control finding over compliance identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 27, 2017, that referred to the report of other auditors and contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Irvine, California
June 19, 2017

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
<u>Department of Agriculture Food and Nutrition Service:</u>				
<u>Passed through the State of California Department of Health Services:</u>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	14-10228	\$ (1,112)	—
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15-10061	18,867,701	—
Total Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)			18,866,589	—
<u>Passed through the State of California Department of Education:</u>				
Summer Food Service Program for Children	10.559	19-81908V	321,951	—
<u>Passed through the State of California Department of Health Services:</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	13-20015	1,126,208	239,746
Total Department of Agriculture Food and Nutrition Service			20,314,748	239,746
<u>Department of Commerce Economic Development Administration:</u>				
<u>Direct:</u>				
Economic Adjustment Assistance	11.307	07-49-05046	1,100,287	—
Total Department of Commerce Economic Development Administration			1,100,287	—
<u>Department of Defense – Office of Economic Adjustment:</u>				
<u>Direct:</u>				
Community Economic Adjustment Assistance for Reductions in Defense Industry Employment	12.611	CR1517-15-01	3,620,153	2,476,544
Total Department of Defense – Office of Economic Adjustment			3,620,153	2,476,544
<u>Department of Housing and Urban Development:</u>				
<u>Direct:</u>				
Community Development Block Grant/Entitlement Grants	14.218	B-14-MC-06-0522	1,405,580	—
Community Development Block Grant/Entitlement Grants	14.218	B-15-MC-06-0522	7,512,628	—
Community Development Block Grant/Entitlement Grants	14.218	B-16-MC-06-0522	3,868	—
			8,922,076	—
Community Development Block Grant/Entitlement Grants – NSP1	14.218	B-08-MN-06-0511	1,004,603	—
Community Development Block Grant/Entitlement Grants – NSP3	14.218	B-11-MN-06-0511	108,084	—
Total Community Development Block Grant/Entitlement Grants Cluster (14.218)			10,034,763	—
Emergency Solutions Grant Program	14.231	E-14-MC-06-0522	76,170	—
Emergency Solutions Grant Program	14.231	E-15-MC-06-0522	479,063	—
Total Emergency Solutions Grant Program (14.231)			555,233	—
Shelter Plus Care	14.238	CA1014C9D061000	41,489	—
Shelter Plus Care	14.238	CA1132C9D061100	51,440	—
Total Shelter Plus Care (14.238)			92,929	—
Home Investment Partnerships Program	14.239	M-11-MC-06-0518	69,371,724	—
Home Investment Partnerships Program	14.239	M-12-MC-06-0518	1,822,607	—
Home Investment Partnerships Program	14.239	M-13-MC-06-0518	284,766	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
<u>Department of Housing and Urban Development:</u>				
Direct:				
Home Investment Partnerships Program	14.239	M-14-MC-06-0518	\$ 226,897	—
Home Investment Partnerships Program	14.239	M-15-MC-06-0518	1,289,986	—
Home Investment Partnerships Program	14.239	M-16-MC-06-0518	3,126	—
Total Home Investment Partnerships Program (14.239)			<u>72,999,106</u>	<u>—</u>
<u>Department of Housing and Urban Development:</u>				
Passed through the City of Los Angeles:				
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	98256	579,355	—
Direct:				
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-09-SP-CA-0144	(1,363)	—
ARRA – Neighborhood Stabilization Program – NSP2	14.256	B-09-CN-CA-0045	432,337	—
Continuum of Care Program – CoC 2014	14.267	CA0000U9D061402	4,889,243	3,941,955
Continuum of Care Program	14.267	CA0622U9D061508	1,281,418	947,303
Continuum of Care Program	14.267	CA0646U9D061407	276,496	—
Continuum of Care Program	14.267	CA0646U9D061508	90,174	—
Continuum of Care Program	14.267	CA0647U9D061407	159,387	—
Continuum of Care Program	14.267	CA0647U9D061508	51,416	—
Continuum of Care Program	14.267	CA0932U9D061405	55,933	—
Continuum of Care Program	14.267	CA0932U9D061506	15,183	—
Continuum of Care Program	14.267	CA1014U9D061501	13,659	—
Total Continuum of Care Program (14.267)			<u>6,832,909</u>	<u>4,889,258</u>
General Research and Technology Activity	14.506	H-21652RG	113,556	—
Section 8 Housing Choice Vouchers	14.871	CA068VO	63,617,089	—
Family Self-Sufficiency Program	14.896	CA068FSH057A014	82,888	—
Family Self-Sufficiency Program	14.896	CA068FSH057A015	162,515	—
Total Family Self-Sufficiency Program (14.896)			<u>245,403</u>	<u>—</u>
Lead-based Paint Hazard Control in Privately Owned Housing	14.900	CALHB0514-12	40,040	—
Lead-based Paint Hazard Control in Privately Owned Housing	14.900	CALHB0591-15	484,340	—
Total Lead-based Paint Hazard Control in Privately Owned Housing (14.900)			<u>524,380</u>	<u>—</u>
Total Department of Housing and Urban Development			<u>156,025,697</u>	<u>4,889,258</u>
<u>Research and Development Cluster:</u>				
<u>Department of the Interior Bureau of Reclamation:</u>				
Direct:				
Water Desalination Research and Development Program	15.506	R15AC00086	53,990	—
Total Department of the Interior Bureau of Reclamation			<u>53,990</u>	<u>—</u>

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
<u>Department of Justice :</u>				
Direct:				
Community-Based Violence Prevention Program	16.123	2014-NY-FX-K005	\$ 154,754	—
Community-Based Violence Prevention Program	16.123	2015-PB-FX-K010	108,879	—
Total Community-Based Violence Prevention Program (16.123)			263,633	—
Youth Gang Prevention	16.544	2014-JV-FX-K004	112,627	—
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0318	157,255	—
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0249	59,038	—
Total Edward Byrne Memorial Justice Assistance Grant Program (16.738)			216,293	—
Passed through the State of California Office of Emergency Services:				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2015-CD-BX-0073	46,892	—
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ15117240	2,615	—
Total Paul Coverdell Forensic Sciences Improvement Grant Program (16.742)			49,507	—
<u>Department of Justice:</u>				
Direct:				
Asset Forfeiture	16.922	N/A	409,225	—
Total Department of Justice			1,051,285	—
<u>Department of Labor:</u>				
Direct:				
H-1B Job Training Grants	17.268	HG-22609-12-60-A-6	409,477	344,349
Passed through the State of California Employment Development Department:				
Passed through El Camino College:				
H-1B Job Training Grants	17.268	33821	15,288	—
Total H-1B Job Training Grants (17.268)			424,765	344,349
Passed through the State of California Employment Development Department:				
WIOA National Dislocated Worker Grants/WIA National Emergency Grants – HealthCare NEG	17.277	K491023	43,858	26,084
WIOA National Dislocated Worker Grants/WIA National Emergency Grants – NEG Sector Partnership	17.277	K698367	181,843	—
Passed through the State of California Employment Development Department:				
Passed through the County of Orange:				
WIOA National Dislocated Worker Grants/WIA National Emergency Grants – OC Healthcare NEG	17.277	15-28-0010-OS	7,745	—
Total WIOA National Dislocated Worker Grants/WIA National Emergency Grants (17.277)			233,446	26,084

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Department of Labor:				
Passed through the State of California Employment Development Department:				
WIA Adult Program – Adult	17.258	K594766	\$ 19,071	—
WIOA Adult Program – Adult Round 1	17.258	K698367	25,934	—
WIOA Adult Program – Adult Round 2	17.258	K698367	1,500,145	—
WIOA Adult Program – Adult Round 1	17.258	K7102038	192,236	—
			<u>1,737,386</u>	<u>—</u>
Passed through the State of California Employment Development Department:				
Passed through the County of Orange:				
WIA/WIOA Adult Program – OCWIB Garden Grove Adult	17.258	15-28-0010-OS	14,671	—
WIA/WIOA Adult Program – OCWIB Veteran's Employment Assistance Program Adult 7	17.258	15-28-0005-VEAP	84,684	—
WIA/WIOA Adult Program – OCWIB Veteran's Employment Assistance Program Adult 8	17.258	16-28-0005-VEAP	2,166	—
			<u>101,521</u>	<u>—</u>
Passed through the State of California Employment Development Department:				
Passed through the City of Los Angeles:				
WIA Adult Program – Harbor Worksource Ctr WIA Adult	17.258	C-124397	(1,310)	—
WIA Adult Program – Harbor Worksource Ctr WIA Adult	17.258	C-126394	317,994	—
			<u>316,684</u>	<u>—</u>
Passed through the State of California Employment Development Department:				
Passed through the City of Los Angeles:				
WIOA Adult Program-Harbor Worksource Ctr WIOA Adult	17.258	C-126394	154,472	—
WIOA Adult Program-Harbor Worksource Ctr WIOA Adult	17.258	C-127938	145,922	—
			<u>300,394</u>	<u>—</u>
Total WIA/WIOA Adult Program (17.258)			<u>2,455,985</u>	<u>—</u>
Passed through the State of California Employment Development Department:				
WIA Youth Activities – WIA Youth	17.259	K594766	1,162,438	1,011,394
WIA/WIOA Youth Activities – WAF Youth Demo Program	17.259	K698367	2,504	—
WIOA Youth Activities – WIOA Youth	17.259	K698367	1,148,388	172,460
WIOA Youth Activities – WIOA Youth	17.259	K7102038	27,988	—
			<u>1,176,376</u>	<u>172,460</u>
Total WIA Youth Activities (17.259)			<u>2,341,318</u>	<u>1,183,854</u>
WIA Dislocated Worker Formula Grants – WIA Dislocated Worker	17.278	K594766	10,091	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 2	17.278	K698367	18,010	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Rapid Response Round 2	17.278	K698367	326,918	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 2	17.278	K698367	944,722	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Department of Labor:				
Passed through the State of California Employment Development Department:				
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 1	17.278	K698367	\$ 92,157	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Round 1	17.278	K7102038	146,908	—
			239,065	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Layoff Aversion Round 1	17.278	K7102038	2,040	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker Rapid Response Round 1	17.278	K7102038	16,274	—
Passed through the State of California Employment Development Department:				
Passed through the City of Los Angeles:				
WIA Dislocated Worker Formula Grants – Harbor Worksource Ctr WIA Dislocated Worker	17.278	C-126394	279,919	—
WIOA Dislocated Worker Formula Grants – Harbor Worksource Ctr Moving Forward Dislocated Worker	17.278	C-126164	25,971	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker	17.278	C-126394	77,952	—
WIOA Dislocated Worker Formula Grants – WIOA Dislocated Worker	17.278	C-127938	106,699	—
			184,651	—
Passed through the State of California Employment Development Department:				
Passed through the County of Orange:				
WIA/WIOA Dislocated Worker Formula Grants – OCWIB Healthcare Dislocated Worker	17.278	15-28-0010-OS	30,746	—
WIA/WIOA Dislocated Worker Formula Grants – OCWIB Garden Grove Dislocated Worker	17.278	15-28-0010-OS	106,188	—
WIA/WIOA Dislocated Worker Formula Grants – OCWIB Veteran's Employment Assistance Program Dislocated Worker 7	17.278	15-28-0005-VEAP	87,556	—
WIA/WIOA Dislocated Worker Formula Grants – OCWIB Veteran's Employment Assistance Program Dislocated Worker 8	17.278	16-28-0005-VEAP	323	—
Total WIA Dislocated Worker Formula Grants (17.278)			2,272,474	—
Total WIA cluster (17.258, 17.259, and 17.278)			7,069,777	1,183,854
Passed through the State of California Employment Development Department:				
WIA/WIOA Dislocated Worker National Reserve Demonstration Grants – Youth Demonstration Project	17.280	K698367	629,096	—
Passed through the State of California Employment Development Department:				
Passed through Long Beach Community College District:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants – Workreadiness Construction	17.282	99721.2	120,000	—
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants – Links	17.282	99721.5	79,625	—
Total Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants (17.282)			199,625	—
Total Department of Labor			8,556,709	1,554,287
Department of Transportation:				
Direct:				
Airport Improvement Program	20.106	AIP 3-06-0127-040-2013	358,424	—
Airport Improvement Program	20.106	AIP 3-06-0127-041-2014	5,000,284	—
Airport Improvement Program	20.106	AIP 3-06-0127-042-2015	3,921,259	—
Airport Improvement Program	20.106	AIP 3-06-0127-043-2015	629,318	—
Total Airport Improvement Program (20.106)			9,909,285	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
Department of Transportation:				
Passed through the State of California Department of Transportation:				
Highway Planning and Construction	20.205	ACNH 7101 (807)	\$ 68,545,122	—
Highway Planning and Construction	20.205	BRLS-5108 (137)	14,547,737	—
Highway Planning and Construction	20.205	CML-5108 (125)	759,000	—
Highway Planning and Construction	20.205	CML-5108 (130)	(94,429)	—
Highway Planning and Construction	20.205	CML-5108 (159)	3,388	—
Highway Planning and Construction	20.205	HPLUL-5108 (126)	39,731	—
Highway Planning and Construction	20.205	HSIPL-5108 (151)	416,702	—
Highway Planning and Construction	20.205	RPSTPL-5108 (154)	1,700,431	—
Highway Planning and Construction	20.205	STPL-5108 (140)	4,632	—
Highway Planning and Construction	20.205	STPL-5108 (144)	68,777	—
Highway Planning and Construction	20.205	STPL-5108 (145)	8,030	—
Highway Planning and Construction	20.205	STPL-5108 (147)	1,715,877	—
Highway Planning and Construction	20.205	STPL-5108 (161)	156,149	—
Highway Planning and Construction	20.205	STPL-5108 (162)	903,468	—
Highway Planning and Construction	20.205	STPL-5108 (163)	50,557	—
Total Highway Planning and Construction Programs (20.205)			88,825,172	—
Passed through the State of California Department of Transportation:				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated – Bicycle Safety Initiative (OTS)	20.600	PS1706	143,989	24,998
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.600	PT1663	151,449	—
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated (20.600)			295,438	24,998
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1664	131,339	—
Total Highway Safety Cluster (20.600 and 20.608)			426,777	24,998
Total Department of Transportation			99,161,234	24,998
Environmental Protection Agency:				
Passed through the State of California Department of Health Services:				
Beach Monitoring and Notification Program Implementation	66.472	D1514103	39,981	—
Direct:				
ARRA – Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	V-99T06101-0	2,566	—
Total Environmental Protection Agency			42,547	—
Department of Health and Human Services:				
Passed through the State of California Department of Health Services:				
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	15-10831	40,847	—
Passed through the County of Los Angeles:				
Public Health Emergency Preparedness	93.069	PH-002224	880,125	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
<u>Department of Health and Human Services:</u>				
Direct:				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0112-01-00	\$ 277,266	143,694
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0112-02-00	786	—
Total Healthy Marriage Promotion and Responsible Fatherhood Grants (93.086)			278,052	143,694
Passed through the State of California Department of Health Services:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU	98,847	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	N/A	32,020	
Total Project Grants and Cooperative Agreements for Tuberculosis Control Programs (93.116)			130,867	—
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	14-10023	292,877	—
Immunization Cooperative Agreements	93.268	15-10428	232,976	—
Passed through the State of California Department of Health Services:				
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	14-N-15	22,438	—
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	15-N-11	120,935	—
Total State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (93.525)			143,373	—
Passed through the County of Los Angeles:				
Promoting Safe and Stable Families	93.556	04-025-14	113,316	15,620
Promoting Safe and Stable Families	93.556	05-027-10	48,975	6,942
Promoting Safe and Stable Families	93.556	05-028-5	85,706	12,149
Total Promoting Safe and Stable Families (93.556)			247,997	34,711
Passed through the State of California Department of Health Services:				
Passed through the County of Los Angeles Department of Public Social Services:				
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – CALWORKS	93.558	IA0114	149,300	—
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – FOSTER	93.558	IA0114	21,529	—
Passed through the State of California Department of Health Services:				
Passed through the County of Orange:				
Temporary Assistance for Needy Families – SSA Work Experience EPP Services	93.558	15-28-0010-OS	148,475	—
Temporary Assistance for Needy Families – SSA Work Experience WEX Services	93.558	15-28-0010-OS	61,282	—
Passed through the State of California Department of Health Services:				
Passed through the County of Los Angeles Department of Public Social Services:				
Passed through the City of Hawthorne/South Bay Workforce Investment Board:				
Temporary Assistance for Needy Families – Calworks Transitional Subsidized Emp Pro	93.558	H1372	18	—
Temporary Assistance for Needy Families – Calworks Transitional Subsidized Emp Pro	93.558	13-W180	50,100	—
			50,118	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
<u>Department of Health and Human Services:</u>				
Passed through the City of Inglewood/South Bay Workforce Investment Board:				
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – CALWORKS	93.558	IA0615	\$ 312,974	—
Temporary Assistance for Needy Families – Los Angeles County Youth Jobs Program – FOSTER	93.558	IA0615	46,842	—
Total TANF Cluster (93.558)			790,520	—
Passed through the State of California Department of Health Services:				
Medical Assistance Program – Childhood Health and Disability	93.778	V#002713-00	497,737	—
Medical Assistance Program – Medical Gateway	93.778	V#002713-00	1,874	—
Medical Assistance Program – MAA/ TCM Administration	93.778	14-90021	43,718	—
Medical Assistance Program – Nursing MAA Claiming	93.778	09-86022-A01	(8)	—
Medical Assistance Program – Nursing MAA Claiming	93.778	14-90021	15,327	—
			15,319	—
Medical Assistance Program – Nursing TCM Claiming	93.778	61-1318	(5,932)	—
Medical Assistance Program – Nursing TCM Claiming	93.778	61-1318A	95,787	—
			89,855	—
Total Medical Assistance Program (93.778)			648,503	—
Passed through the County of Los Angeles:				
HIV Emergency Relief Project Grants – AIDS EIP Outpatient Medical	93.914	PH-002425-2	53,231	—
HIV Emergency Relief Project Grants – AIDS EIP Outpatient Medical	93.914	PH-002425-3	60,845	—
			114,076	—
HIV Emergency Relief Project Grants – AIDS/HIV Benefits Specialty	93.914	PH-002900	93,547	—
HIV Emergency Relief Project Grants – Medical Care Coordination	93.914	PH-002431-1	181,713	—
HIV Emergency Relief Project Grants – Medical Care Coordination	93.914	PH-002431-2	211,578	—
			393,291	—
Total HIV Emergency Relief Project Grants (93.914)			600,914	—
Passed through the State of California Department of Health Services:				
HIV Prevention Activities – Health Department Based	93.917	13-20055	551,178	—
HIV Prevention Activities – Health Department Based	93.917	15-11059	634,015	—
			1,185,193	—
HIV Prevention Activities – Health Department Based – Outreach/Prevention for HIV Positive (Bridge)	93.917	13-20055	78,742	—
HIV Prevention Activities – Health Department Based – Outreach/Prevention for HIV Positive (Bridge)	93.917	15-11059	68,280	—
			147,022	—
Total HIV Prevention Activities (93.917)			1,332,215	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance number	Federal grantor/pass-through entity identifying number	Federal disbursements/expenditures	Passed through to subrecipients
<u>Department of Health and Human Services:</u>				
Passed through the State of California Department of Health Services:				
HIV Prevention Activities – Health Department Based – Counseling and Testing	93.940	14-10964	\$ 780,923	—
Passed through the State of California Department of Health Services:				
Maternal and Child Health Services Block Grant to the States	93.994	201460	(1)	—
Maternal and Child Health Services Block Grant to the States	93.994	201560	152,048	—
Maternal and Child Health Services Block Grant to the States	93.994	201660	101,344	—
			<u>253,391</u>	—
Maternal and Child Health Services Block Grant to the States – Black Infant Health	93.994	201560	225,884	—
Maternal and Child Health Services Block Grant to the States – Black Infant Health	93.994	201660	87,487	—
			<u>313,371</u>	—
Total Maternal and Child Health Services Block Grant to the States (93.994)			<u>566,762</u>	—
Total Department of Health and Human Services			<u>6,966,951</u>	<u>178,405</u>
<u>Department of Homeland Security:</u>				
Passed through United Way of Greater Los Angeles:				
Emergency Food and Shelter National Board Program	97.024	N/A	6,132	—
Passed through the State of California – California Office of Emergency Services:				
Passed through the County of Los Angeles:				
Emergency Management Performance Grant	97.042	2015-0049	78,659	—
Direct:				
Port Security Grant Program	97.056	EMW-2013-PU-0096	(66,198)	—
Port Security Grant Program	97.056	EMW-2013-PU-00250	(3,066)	—
Port Security Grant Program	97.056	EMW-2013-PU-00522	978,781	—
Port Security Grant Program	97.056	EMW-2014-PU-00210	2,352,857	—
Port Security Grant Program	97.056	EMW-2014-PU-00375	624,152	—
Port Security Grant Program	97.056	EMW-2014-PU-00623	109,756	—
Port Security Grant Program	97.056	EMW-2015-PU-00239	694,850	—
Port Security Grant Program	97.056	EMW-2015-PU-00529	144,051	—
Total Port Security Grant Program (97.056)			<u>4,835,183</u>	—
Passed through the State of California – California Office of Emergency Services:				
Passed through the County of Los Angeles:				
Homeland Security Grant Program	97.067	2014-00093	(4,013)	—
Homeland Security Grant Program	97.067	2015-00078	113,077	—
			<u>109,064</u>	—

CITY OF LONG BEACH, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended September 30, 2016

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance number</u>	<u>Federal grantor/pass-through entity identifying number</u>	<u>Federal disbursements/expenditures</u>	<u>Passed through to subrecipients</u>
<u>Department of Homeland Security:</u>				
Passed through the State of California – California Office of Emergency Services:				
Passed through the City of Los Angeles:				
Homeland Security Grant Program – UASI	97.067	2013-00110	\$ 396	—
Homeland Security Grant Program – UASI	97.067	2014-00093	4,572,816	—
Homeland Security Grant Program – UASI	97.067	2015-00078	726,826	—
			<u>5,300,038</u>	<u>—</u>
Total Homeland Security Grant Program (97.067)			5,409,102	—
Passed through the City of Los Angeles:				
Securing the Cities Program	97.106	C-124773	46,016	—
			<u>10,375,092</u>	<u>—</u>
Total Department of Homeland Security				
Total Federal Expenditures			<u>\$ 307,268,693</u>	<u>9,363,238</u>

See accompanying notes to schedule of expenditures of federal awards and the Independent Auditors' Report on Federal Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

CITY OF LONG BEACH, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2016

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Long Beach, California (the City). All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through to the City by other government agencies, has been included in the accompanying Schedule. The Schedule does not include federal expenditures of \$11,576,501 for the year ended September 30, 2016 of the Long Beach Transportation Company (LBTC), a discretely presented component unit of the City, as LBTC engaged other auditors to perform audits in accordance with the Uniform Guidance. The City's reporting entity is defined in note 1 to the City's basic financial statements.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree in all material respects with the amounts reported in the related federal financial reports.

(4) Community-Based Loan Programs with Continuing Compliance

The City considers loans advanced to eligible participants for the Community Development Block /Grant Entitlement Grants (CDBG) and the Home Investment Partnerships Program (HOME) to have continuing compliance requirements. As such, the amounts reported in the accompanying Schedule for the CDBG and HOME programs include current year disbursements as well as the balance as of the beginning of the year of loans with continuing compliance requirements.

As of September 30, 2016 and 2015, the balance of loans with continuing compliance requirements for the HOME programs was \$66,120,964 and \$67,274,448, respectively.

As of September 30, 2016 and 2015, the balance of loans with continuing compliance requirements for the CDBG programs was \$3,720,935 and \$4,002,137, respectively.

(5) Food Instruments/Vouchers

Food instruments/vouchers expenditures represent the estimated value of the Special Supplemental Nutrition Program for Women, Infants, and Children food instruments as communicated by the State Department of Health Services distributed during the year. The food instruments/vouchers totaled \$14,557,839 but do not represent cash expenditures in the City's basic financial statements for the year ended September 30, 2016.

(6) Indirect Cost Rate

The City did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414. For the sponsored programs where the City claims indirect costs, the City's internal indirect cost rate is used.

CITY OF LONG BEACH, CALIFORNIA
Summary of Findings and Questioned Costs
Year ended September 30, 2016

(1) Summary of Auditors' Results

Basic Financial Statements

- (a) The type of report on whether the basic financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control over financial reporting:
- Material weakness(es) identified: **No**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes, see item 2016-001**
- (c) Noncompliance that is material to the basic financial statements: **No**

Federal Awards

- (d) Internal control over major programs:
- Material weaknesses identified: **No**
 - Significant deficiencies identified that are not considered to be material weaknesses: **Yes, see 2016-002**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516 (a): **No**
- (g) Major programs:
- Section 8 Housing Choice Vouchers, CFDA number 14.871
 - Community Economic Adjustment Assistance for Reductions in Defense Industry Employment, CFDA number 12.611
 - Airport Improvement Program, CFDA number 20.106
 - Homeland Security Grant Program, CFDA number 97.067
 - WIA/WIOA Cluster, CFDA numbers 17.258, 17.259 and 17.278
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee: **Yes**

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Responses

Year ended September 30, 2016

(1) Financial Statement Findings Section

Item 2016-001

Capital Grant Revenue

Condition and Context

During our audit procedures over capital grants, we noted that the Harbor Department of the City of Long Beach (the Department) recognized approximately \$28.7 million in nonoperating capital grant revenue during the year ended September 30, 2016, related to capital asset expenditures that were made during the year ended September 30, 2015. Expenditures made by the Department for the related capital asset projects are being reimbursed through contracts held with state and federal agencies.

Criteria

In accordance with Governmental Accounting Standards Board Statement No. 33 (GASB 33), recipients of grants should recognize revenues when all of the following applicable eligibility requirements are met:

- (a) The recipient has the characteristics specified by the provider;
- (b) The time period when use of the resources is required or first permitted has begun
- (c) The recipient has incurred allowable costs; and
- (d) The recipient has complied with any specific actions that the provider has stipulated are mandatory in order for the recipient to qualify for resources.

Based on our testwork, the \$28.7 million in allowable costs identified were incurred and eligible for reimbursement and revenue recognition during fiscal year 2015, as all of the above requirements were satisfied by the Department when the allowable costs were incurred for the reimbursable construction activities in 2015.

Cause and Possible Asserted Effect

The Department did not have a process in place to recognize nonoperating capital grant revenue in the proper financial reporting period for allowable costs eligible for grant reimbursements by the Department. As a result of this deficiency, nonoperating capital grant revenue earned in fiscal year 2015 was recognized in fiscal year 2016.

Recommendation

We recommend that the Department perform a detailed cut-off analysis at year-end to identify all expenditures made during the year that were not yet reimbursed, but eligible to be reimbursed. A guide could be developed to assist in identifying the reimbursable amount at year-end for expenditures made during the year. These steps, and others, could provide for more consistency and accuracy in the reporting of grant revenue.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Responses

Year ended September 30, 2016

View of Responsible Officials

We agree with the comment and recommendation. The Department made several improvements in grant accounting during fiscal year 2016. A revenue recognition policy was drafted and a monthly grant revenue recognition process has been put in place. Due to a modification of eligible expenditure categories in fiscal year 2013, the Department was required to amend the grant agreement with the grantor. As a result of this delay, \$28.7 million of Nonoperating capital grant earned in fiscal year 2015 was recognized in fiscal year 2016. All allowable expenditures incurred in fiscal year 2016 were both billed timely and recognized as revenue in the proper accounting period. A procedure manual for a detailed cut-off analysis for eligible grant expenditures at year-end will be developed in fiscal year 2017.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Responses

Year ended September 30, 2016

(2) Federal Award Findings and Questioned Cost Section

Finding Reference: 2016- 002

Type of Finding: Reporting
Significant Deficiency

Program Information

Federal Catalog Number: 17.258, 17.259, and 17.278

Federal Program Name: Workforce Investment Act/ Workforce Innovation and Opportunity Act (WIA/WIOA)
Cluster

Federal Grant Award Numbers: C-124397
C-126394
C-127938
C-126164
K491023
K594766
K698367
K7102038
15-28-0010-OS
15-28-0005-VEAP
16-28-0005-VEAP

Federal Agency: Department of Labor

Pass-Through Agency: State of California Employment Development Department

Criteria

Employment Development Department, State of California Workforce Services Directive Number WSD16-13; Monthly and Quarterly Financial Reporting Requirements

Federal regulations require that the state submit accurate financial reports to DOL on a quarterly basis. Therefore, the state requires sub recipients to submit financial reports on a monthly and quarterly basis in the CalJOBS system. Youth, Adult and Dislocated Worker formula expenditures must be reported quarterly. Expenditures for all other funds are required to be reported monthly. Sub recipients must submit their monthly and quarterly expenditure reports in the CalJOBS system by the 20th of the month following the end of each reporting period.

Section 200.303 of Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) indicates that the nonfederal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

CITY OF LONG BEACH, CALIFORNIA

Schedule of Findings and Responses

Year ended September 30, 2016

In order for the City to ensure compliance with the reporting requirements noted above, a management review control has been established whereas the reports are reviewed before submission to the State of California through the CalJOBS system. The performance of the management review control is to be evidenced by signature or via email approval.

Condition and Context

In our testing of the operating effectiveness of the management review control over financial reporting, we selected 28 reports to ensure proper review over the reports occurred before the reports were submitted. In 15 of the 28 reports, we were unable to obtain evidence that a review occurred prior to submission.

Repeat Finding

The finding is not a repeat finding from the prior year.

Sampling Approach

The sample was not intended to be, and was not, a statistically valid sample.

Systemic or Isolated

Systemic to program noted above.

Questioned Costs

None noted.

Cause and Possible Asserted Effect

Management has indicated that this was attributed to a lack of actual signature but that the reports were reviewed prior to submission. As a result, we were unable to verify that the control was operating effectively. We did note that, during our compliance testwork performed, we performed tests to ensure the reports were complete and accurate, of which there were no compliance findings related to this requirement.

Recommendation

We recommend that management enhance current policies to ensure that there is evidence of review prior to submission to ensure the reports reflect complete and accurate data prior to submission to the State of California.

Views of Responsible Officials and Planned Corrective Action

To establish and maintain effective internal control over the federal award, the Workforce Development Bureau has strengthened its internal controls to include a signature and date, or email of approval for the amount to be reported, prior to reporting for the Federal award. This will provide documented evidence establishing effective internal control over the federal award and provide reasonable assurance of managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.