

CITY OF SAN DIEGO

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

For the Year Ended June 30, 2013

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

For the Year Ended June 30, 2013

Table of Contents

	<i>Page</i>
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB CircularA-133	3-5
Schedule of Expenditures of Federal Awards	6-10
Notes to the Schedule of Expenditures of Federal Awards	11-14
Schedule of Findings and Questioned Costs	15-20
Summary Schedule of Prior Audit Findings	21-22

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2013. Our report includes emphasis of certain matters related to the actuarial accrued liability exceeding the actuarial value of assets of the City's defined benefit pension plan, the actuarial accrued liability exceeding the actuarial value of assets of the City's other postemployment benefit plan, fund net position deficits, and estimated future costs associated with the City's storm water permit, and a reference to other auditors who audited the financial statements of the San Diego Housing Commission, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

Compliance and Other Matters

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

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 it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Fini & O'Connell LLP

San Diego, California
December 6, 2013

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Program

We have audited the City of San Diego, California’s (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2013. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The City’s basic financial statements include the operations of the San Diego Housing Commission (SDHC), which expended \$178,261,715 in federal awards which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of SDHC because SDHC engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Basis for Qualified Opinion on the Equitable Sharing Program (CFDA No. 16.922)

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the Equitable Sharing Program (CFDA No. 16.922) as described in item 2013-002 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on the Equitable Sharing Program (CFDA No. 16.922)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Equitable Sharing Program (CFDA No. 16.922) for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The City's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over

compliance, yet important enough to merit attention by those charged with governance. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-002 to be a material weakness.

The City's response to the internal control over compliance 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 6, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Jini & O'Connell LLP

San Diego, California
September 29, 2014

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Entity/Federal Grant Name	Grant/Pass-through Number	Federal CFDA No.	Federal Expenditures	Pass-through Awards to Subrecipients
U.S. Department of Agriculture				
<u>Direct Program</u>				
Wildlife Habitat Incentive Program	OMB 0578-0013	10.914	\$ 60,823	\$ -
Total U.S. Department of Agriculture			\$ 60,823	-
U.S. Department of Commerce				
<u>Direct Programs</u>				
Economic Adjustment Assistance:				
San Diego Regional Revolving Loan Fund	07-79-05269	11.307	1,150,518	-
Small Business Micro Revolving Loan Fund	07-39-03351 & 07-49-02681.76	11.307	912,188	-
Total Economic Adjustment Assistance			2,062,706	-
Coastal Services Center	NA08NOS4730441	11.473	8,797	-
Subtotal Direct Programs			2,071,503	-
<u>Passed Through State Homeland Security Office</u>				
Public Safety Interoperability Communications Grant	2007-2018-073-660	11.555	(587)	-
Subtotal Passed Through State Homeland Security Office			(587)	-
Total U.S. Department of Commerce			2,070,916	-
U.S. Department of Housing and Urban Development				
<u>Direct Programs</u>				
Community Development Block Grant (CDBG) - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	*	14.218	18,354,733	11,527,996
ARRA - Community Development Block Grants ARRA Entitlement Grants (CDBG-R)	B-09-MY-06-0542	14.253	134,868	100,000
Total CDBG - Entitlement Grants Cluster			18,489,601	11,627,996
Emergency Solutions Grant Program	*	14.231	766,467	762,466
Community Development Block Grants Section 108 Loan Guarantees	B-03-MC-06-0542A	14.248	19,003	-
ARRA - Homelessness Prevention and Rapid Re-Housing Program	S-09-MY-06-0542	14.257	214,343	180,701
Healthy Homes Demonstration Grants	CALHH0204-09	14.901	152,580	74,169
Total U.S. Department of Housing and Urban Development			19,641,994	12,645,332
U.S. Department of the Interior				
<u>Direct Program</u>				
Water Reclamation and Reuse Program	*	15.504	790,490	-
Subtotal Direct Program			790,490	-
<u>Passed Through State Department of Fish and Game</u>				
Cooperative Endangered Species Conservation Fund	P1082003	15.615	54,338	-
Subtotal Passed Through State Department of Fish and Game			54,338	-
<u>Passed Through State Department of Parks and Recreation</u>				
Outdoor Recreation - Acquisition, Development and Planning	06-01661	15.916	24,777	-
Subtotal Passed Through State Department of Parks and Recreation			24,777	-
Total U.S. Department of the Interior			869,605	-
U.S. Department of Justice				
<u>Direct Programs</u>				
ARRA - Missing Children's Assistance	2009-SN-B9-K002	16.543	133,781	-
Missing Children's Assistance	*	16.543	269,488	121,512
Subtotal Missing Children's Assistance			403,269	121,512
Public Safety Partnership and Community Policing Grants	*	16.710	471,655	-
Justice Assistance Grant (JAG) Program Cluster:				
Edward Byrne Memorial Justice Assistance Grant Program	*	16.738	591,856	145,396
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	2009-SB-B9-0784	16.804	1,874,985	(25,747)
Total - JAG Program Cluster			2,466,841	119,649
DNA Backlog Reduction Program	*	16.741	247,477	-
Equitable Sharing Program	CA0371100	16.922	8,099,536	-
Subtotal Direct Programs			11,688,778	-
<u>Passed Through California Emergency Management Agency</u>				
Paul Coverdell Forensic Sciences Improvement Grant Program	*	16.742	67,562	-
Subtotal Passed Through California Emergency Management Agency			67,562	-
Total U.S. Department of Justice			11,756,340	241,161
U.S. Department of Transportation				
<u>Direct Program</u>				
Airport Improvement Program	*	20.106	3,767,801	-
Subtotal Direct Program			3,767,801	-
<u>Passed Through State Department of Transportation</u>				
Highway Planning and Construction	*	20.205	4,214,009	-
Subtotal Passed Through State Department of Transportation			4,214,009	-
<u>Passed Through California Office of Traffic Safety</u>				
State and Community Highway Safety	PT1308	20.600	31,591	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	*	20.608	490,851	-
Subtotal Passed Through California Office of Traffic Safety			522,442	-
Total U.S. Department of Transportation			8,504,252	-

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

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Entity/Federal Grant Name	Grant/Pass-through Number	Federal CFDA No.	Federal Expenditures	Pass-through Awards to Subrecipients
U.S. Department of the Treasury				
<u>Direct Program</u>				
Equitable Sharing Program	CA0371100	21.000	\$ 1,585,981	\$ -
Total U.S. Department of the Treasury			\$ 1,585,981	-
National Endowment for the Arts				
<u>Direct Program</u>				
Promotion of the Arts - Grants to Organizations and Individuals	*	45.024	185,597	-
Total National Endowment for the Arts			185,597	-
Institute of Museum and Library Services				
<u>Direct Program</u>				
National Leadership Grants	CL-00-10-0014-10	45.312	6,034	-
Subtotal Direct Program			6,034	-
<u>Passed through California State Library</u>				
Grants to States	120291257	45.310	3,500	-
Subtotal Passed Through California State Library			3,500	-
Total Institute of Museum and Library Services			9,534	-
U.S. Environmental Protection Agency				
<u>Passed Through San Diego Association of Governments</u>				
Congressionally Mandated Projects	XP-97991601	66.202	26,806	-
Surveys, Studies, Investigations and Special Purpose Grants	*	66.606	242,640	-
National Community-Based Lead Outreach and Training Grant Program	X8-96999101	66.718	157	-
Subtotal Passed Through San Diego Association of Governments			269,603	-
<u>Passed Through California State Water Resources Control Board</u>				
Capitalization Grants for Clean Water State Revolving Funds	*	66.458	14,139,233	-
Subtotal Passed Through California State Water Resources Control Board			14,139,233	-
<u>Passed Through California Department of Public Health</u>				
Capitalization Grants for Drinking Water State Revolving Funds	*	66.468	1,620,079	-
Subtotal Passed Through California Department of Public Health			1,620,079	-
Total U.S. Environmental Protection Agency			16,028,915	-
U.S. Department of Energy				
<u>Direct Programs</u>				
ARRA - Renewable Energy Research and Developmen	DE-EE0002074	81.087	1,040	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreac				
Training and Technical Analysis/Assistance	DE-MOA36-07GO17070	81.117	(36)	-
ARRA - Energy Efficiency and Conservation Block Grant Program	DE-EE0000877	81.128	1,320,191	4,323
Total U.S. Department of Energy			1,321,195	4,323
U.S. Department of Health and Human Services				
<u>Passed Through the County of San Diego</u>				
Centers for Disease Control and Prevention - Investigations and Technical Assistance	518250	93.283	109,629	-
Total U.S. Department of Health and Human Services			109,629	-
Executive Office of the President				
<u>Direct Program</u>				
High Intensity Drug Trafficking Areas	*	95.001	809,084	-
Total U.S. Department of the Treasury			809,084	-
U.S. Department of Homeland Security				
<u>Direct Program</u>				
National Urban Search and Rescue (US&R) Response System	*	97.025	1,217,802	-
Subtotal Direct Program			1,217,802	-
<u>Passed Through the County of San Diego</u>				
Emergency Management Performance Grants	*	97.042	254,444	-
Homeland Security Grant Program	*	97.067	3,150,256	-
Buffer Zone Protection Program (BZPP)	*	97.078	416,864	-
Subtotal Passed Through County of San Diego			3,821,564	-
<u>Passed Through California Emergency Management Agency</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	*	97.036	10,270,765	-
Hazard Mitigation Grant	073-66000	97.039	(203,116)	-
Homeland Security Grant Program	*	97.067	14,851,420	6,731,429
Border Interoperability Demonstration Project	073-95020-2010-0011	97.120	1,008,823	-
Radiological/Nuclear Detection Pilot Evaluations Program	2010-0001-073-66000	97.121	255,263	-
Subtotal Passed Through California Emergency Management Agency			26,183,155	6,731,429
Total U.S. Department of Homeland Security			31,222,521	6,731,429
Total Expenditures of Federal Awards			\$ 94,176,386	\$ 19,622,245

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

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

CFDA Number/Federal Program Name/Grant Number	Federal Expenditures
CFDA No. 14.218 - Community Development Block Grants/Entitlement Grants Direct Program Grant Numbers	
B-02-MC-060542	\$ (37,223)
B-03-MC-060542	(13,000)
B-04-MC-060542	(10,261)
B-08-MC-060542	96,046
B-08-MN-06-0521	884,158
B-09-MC-060542	40,638
B-10-MC-060542	(9,391)
B-11-MC-060542	6,515,813
B-12-MC-060542	10,887,953
Subtotal Community Development Block Grants/Entitlement Grants	<u>\$ 18,354,733</u>
CFDA No. 14.231 - Emergency Solutions Grant Program Direct Program Grant Numbers	
E-11-MC-060542	\$ 91,678
E-12-MC-060542	674,789
Subtotal Emergency Solutions Grant Program	<u>\$ 766,467</u>
CFDA No. 15.504 - Water Reclamation and Reuse Program Direct Program Grant Numbers	
R00AC35002	\$ 47,180
R06AC35155	30,504
R06AC35154	91,087
R07AC35217	22,387
R09AC35256	224,542
R10AC35276	374,790
Subtotal Water Reclamation and Reuse Program	<u>\$ 790,490</u>
CFDA No. 16.543 Missing Children's Assistance Direct Program Grant Numbers	
2005-MC-CX-K016	\$ (468)
2009-SN-B9-K002	133,781
2009-MC-CX-K034	92,308
2012-MC-FX-K005	177,648
Subtotal Missing Children's Assistance Program	<u>\$ 403,269</u>
CFDA No. 16.710 - Public Safety Partnership and Community Policing Grants Direct Program Grant Numbers	
2007-CK-WX-0027	\$ 272,682
2010-CK-WX-0097	150,238
2010-CS-WX-0021	48,735
Subtotal Public Safety Partnership and Community Policing Grants	<u>\$ 471,655</u>
CFDA No. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program Direct Program Grant Numbers	
2009-DJ-BX-0247	\$ 1,287
2010-DJ-BX-0337	1,990
2011-DJ-BX-2878	285,629
2012-DJ-BX-0470	146,783
2010-DG-BX-0001	156,167
Subtotal Edward Byrne Memorial Justice Assistance Grant Program	<u>\$ 591,856</u>
CFA No. 16.741 - DNA Backlog Reduction Program Direct Program Grant Numbers	
2010-DN-BX-K080	\$ 5,995
2011-DN-BX-K442	212,152
2012-DN-BX-0023	29,330
Subtotal DNA Backlog Reduction Program	<u>\$ 247,477</u>
CFDA No. 16.742 - Paul Coverdell Forensic Sciences Improvement Grant Program Direct Program Numbers	
CQ-08-06-7919	\$ 754
CQ-10-07-7919	37,457
CQ-12-08-7919	29,351
Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program	<u>\$ 67,562</u>
CFDA No. 20.106 - Airport Improvement Program Direct Program Grant Numbers	
3-06-0211-012-2008	\$ 3,691,377
3-06-0211-014-2011	10,581
3-06-0213-016-2012	65,843
Subtotal Airport Improvement Program	<u>\$ 3,767,801</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

CFDA Number/Federal Program Name/Grant Number	Federal Expenditures
CFDA No. 20.205 - Highway Planning and Construction Pass-Through Grant Numbers	
BPMP-5004(169)	\$ (38,158)
CML-5004(131)	124,506
STPLZ-5004(005)/STPLP-50	(175,543)
BRLO-5004(009)	142,024
BHLO-5004(068)	454,648
CMLG-5004(153)	(48,849)
CMLG-5004(152)	(14,971)
HPLU-5004(168)	97,235
DEM112L-5004(174)	47,561
ER-4213(019)	25,054
ER-4213(018)	684,695
DEM117L-5007(166)	958,895
STPLG-5004(135)	123,641
RPSTPLE-5004(161)	18
RPSTPLE-5004(162)	10,000
BHLS-5004(049)	371,780
ER-4213(001)	(25,533)
DEM115L-5007(149)	(85,777)
STPLZ-5004(040)	205,651
SRTSLNI-5004(178)	50,558
RPSTPLE-5004(176)	64,538
CML-5004(121)	2,605
HSIPL-5004(186)	3,808
HPLUL-5004(187)	409,134
HPLUL 5004(181)	599,148
SRTSLNI-5004(191)	90,467
SRTSLNI-5004(190)	136,874
Subtotal Highway Planning and Construction	\$ 4,214,009
CFDA No. 20.608 - Minimum Penalties for Repeat Offenders for Driving While Intoxicated Pass-Through Program Grant Numbers	
20682	\$ 399,981
PT1308	90,870
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated	\$ 490,851
CFDA No. 45.024 - Promotion of the Arts - Grants to Organizations and Individuals Direct Program Grant Numbers	
11-6200-7012	\$ 35,597
11-4292-7078	150,000
Subtotal Promotion of the Arts Grants to Organizations and Individuals	\$ 185,597
CFDA No. 66.458 - Capitalization Grants for Clean Water State Revolving Funds Pass-Through Grant Numbers	
11-832-550	\$ 12,710,023
12-800-550	1,429,210
Subtotal Capitalization Grants for Clean Water State Revolving Funds	\$ 14,139,233
CFDA No. 66.468 - Capitalization Grants for Drinking Water State Revolving Funds Pass-Through Grant Numbers	
SRF12C103	\$ 970,297
SRF12CX103	649,782
Subtotal Capitalization Grants for Drinking Water State Revolving Funds	\$ 1,620,079
CFDA No. 66.606 - Surveys, Studies, Investigations and Special Purpose Grants Pass-Through Grant Numbers	
XP-98923801	\$ (40,370)
XP-97991601	(2,124)
XP-97998201	285,134
Subtotal Surveys, Studies, Investigations and Special Purpose Grants	\$ 242,640
CFDA No. 95.001 - High Intensity Drug Trafficking Areas Direct Program Grant Numbers	
G09SC0003A	\$ 32,358
G10SC0001A	257,353
G10SC0003A	38,772
G10SV0003A	15,869
G11SC0001A	198,284
G11SC0003A	8,867
G12SC0001A	198,284
G13SC0001A	55,400
I8PSCP503Z	3,897
Subtotal High Intensity Drug Trafficking Areas	\$ 809,084

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

CFDA Number/Federal Program Name/Grant Number	Federal Expenditures
CFDA No. 97.025 - National Urban Search and Rescue (US&R) Response System	
Direct Program Grant Numbers	
W11-CA-K051902432FY11	\$ 427,311
EMW-2012-CA-K00021	790,491
Subtotal National Urban Search and Rescue (US&R) Response System	<u>\$ 1,217,802</u>
CFDA No. 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) Pass-Through Grant Numbers	
1577-DR-CA	\$ 1,292,371
1585-DR-CA	1,403,569
1731-DR-CA	4,966,483
1952-DR-CA	2,608,342
Subtotal Disaster Grants - Public Assistance (Presidentially Declared Disasters)	<u>\$ 10,270,765</u>
CFDA No. 97.042 - Emergency Management Performance Grants Pass-Through Grant Numbers	
2011-0048	\$ 92,595
2012-0027	161,849
Subtotal Emergency Management Performance Grants	<u>\$ 254,444</u>
CFDA No. 97.067 - Homeland Security Grant Program Pass-Through Grant Numbers	
OPSG 2010	\$ 1,298,709
OPSG 2011	859,574
2007 00008-73 0000	18,719
2012-SS-00123	23,183
2010-0085 EMA 073-0000	449,271
2011-SS-0077 / 073-00000	500,800
Subtotal County of San Diego	<u>3,150,256</u>
2009-0019	(232)
2010-0085	6,669,950
2011-SS-0077/073-66000	7,416,840
2012-00123	731,854
R-2009-134	33,011
2009-0019	(3)
Subtotal California Emergency Management Agency	<u>14,851,420</u>
Subtotal Homeland Security Grant Program	<u>\$ 18,001,676</u>
CFDA No. 97.078 - Buffer Zone Protection Program (BZPP) Pass-Through Program Number	
2008-BZ-T8008	\$ 34,014
2009-BF-T9-0026	4,620
2010-BF-TO-0020	378,230
Subtotal Buffer Zone Protection Program (BZPP)	<u>\$ 416,864</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF SAN DIEGO
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note 1 – General

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

Negative amounts reported in the SEFA for the Public Safety Interoperability Communications Grant (CFDA No. 11.555); Community Development Block Grants/Entitlement Grants (CFDA No. 14.218); Missing Children's Assistance (CFDA No. 16.543); Highway Planning and Construction (CFDA No. 20.205); Surveys, Studies, Investigations, and Special Purpose Grants (CFDA No. 66.606); Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance Program (CFDA No. 81.117); and the Homeland Security Grant Program (CFDA No. 97.067) represent expenditures previously claimed for reimbursement and reported as expenditures in the SEFA of a prior year, but were ultimately disallowed and not reimbursed by the funding agency. The negative amount reported for the Hazard Mitigation Grant program (CFDA No. 97.039) represents expenditures incurred and reported in the SEFA of a prior year, originally planned to be funded by the grant, but subsequently funded from another funding source.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1(c) in the notes to the City's basic financial statements.

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

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

Note 4 – Relationship to the Financial Statements

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

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

The San Diego Housing Commission (SDHC) federal expenditures of \$178,261,715 are excluded from the City's SEFA because the SDHC federal expenditures are separately audited by other auditors and reported in a separate single audit report.

CITY OF SAN DIEGO
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

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

In accordance with guidance provided by the U.S. Department of Commerce contained in the *OMB Circular A-133 Compliance Supplement*, the City has reported federal award expenditures of \$2,062,706 in the SEFA for the Economic Adjustment Assistance Revolving Loan Fund Grant program. Expenditures reported in the SEFA were calculated as follows:

Revolving Loan Fund (RLF) Program Name	San Diego Regional RLF	Small Business Micro RLF
Grant Award Number	07-79-05269	07-39-03351 and 07-49-02681.76
Revolving Loan Funds (RLF) Outstanding as of June 30, 2013	\$ 1,911,223	\$ 745,770
Cash and investment balance in the RLF as of June 30, 2013	249,008	491,555
Administrative expenses paid out of RLF income during the year ended June 30, 2013	140,805	26,186
Unpaid principal of loans written off during the ended June 30, 2013	-	-
Subtotal	2,301,036	1,263,511
Calculated grant rate (rounded)	50%	72%
Economic Adjustment Assistance Revolving Loan Fund Grant federal award expenditures for the year ended June 30, 2013	\$ 1,150,518	\$ 912,188

CITY OF SAN DIEGO
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Note 7 – California Emergency Management Agency (CalEMA) Grants

The following represents expenditures using the modified basis of accounting for the CalEMA programs for the year ended June 30, 2013. The amount reported in the SEFA is determined by calculating the federal portion of the current year expenditures.

Program Title, CFDA, and Expenditure Category	Grant Award Number	Budget	Actual Non-match	Actual Total	Variance
Federal Grant:					
Paul Coverdell Forensic Sciences Improvement Grant - 16.742	CQ-10-07-7919				
Personal services		\$ 2,714	\$ 2,714	\$ 2,714	\$ -
Operating expenses		36,972	34,743	34,743	2,229
Total		<u>\$ 39,686</u>	<u>\$ 37,457</u>	<u>\$ 37,457</u>	<u>\$ 2,229</u>
Paul Coverdell Forensic Sciences Improvement Grant - 16.742	CQ-12-08-7919				
Operating expenses		<u>\$ 32,494</u>	<u>\$ 29,351</u>	<u>\$ 29,351</u>	<u>\$ 3,143</u>
Paul Coverdell Forensic Sciences Improvement Grant - 16.742	CQ-08-06-7919				
Personal services		<u>\$ 7,322</u>	<u>\$ 754</u>	<u>\$ 754</u>	<u>\$ 6,568</u>
State Grant:					
Internet Crimes Against Children	IC-11-03-7919				
Personal services		\$ 1,846	\$ (396)	\$ (396)	\$ 2,242
Operating expenses		40,331	33,576	33,576	6,755
Total		<u>\$ 42,177</u>	<u>\$ 33,180</u>	<u>\$ 33,180</u>	<u>\$ 8,997</u>
Internet Crimes Against Children	IC-12-04-7919				
Personal services		\$ 12,000	\$ 4,688	\$ 4,688	\$ 7,312
Operating Expenses		88,000	66,728	66,728	21,272
Total		<u>\$ 100,000</u>	<u>\$ 71,416</u>	<u>\$ 71,416</u>	<u>\$ 28,584</u>

Note 8 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

During the year ended June 30, 2013, it was determined that the City did not properly report all federally funded expenditures that were incurred between fiscal years 2005 through 2012 related to the Disaster Grants – Public Assistance program. As such, federally funded expenditures in the amount of \$8,716,492 for CFDA No. 97.036, which were not properly reported in the City's prior SEFA's for fiscal years 2005 through 2012, have been included in the current year SEFA. Federal funds received during the year ended June 30, 2013, and reported in the SEFA were \$1,554,273. The underreporting of expenditures in the prior year's SEFA's would not have resulted in any additional major programs for each respective year, pursuant to OMB Circular A-133.

Due to the nature of the Disaster Grants program related to the approval and reimbursement of federal funds for expenditures incurred by the City, expenditures in the SEFA are reported on a cash receipts basis.

CITY OF SAN DIEGO
Notes to the Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Note 9 – Equitable Sharing Program

During the year ended June 30, 2013, the City determined that it did not properly report all federally funded expenditures that were incurred between fiscal year 2009 through 2012 relating to the Equitable Sharing Program funded from both the U.S. Department of Justice and the U.S. Department of the Treasury. As such, federally funded expenditures in the amount of \$7,934,383 and \$1,585,981, under the U.S. Department of Justice (CFDA No. 16.922) and the U.S. Department of the Treasury (CFDA No. 21.000), respectively, which were not previously properly reported for fiscal years 2009 through 2012, have been included in the SEFA for the year ended June 30, 2013. Federal funds expended under CFDA No. 16.922 for the year ended June 30, 2013, and reported in the SEFA was \$165,153. The underreporting of federal expenditures in the City's prior year SEFA's would not have resulted in any additional major programs for each respective year, pursuant to OMB Circular A-133.

CITY OF SAN DIEGO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements:

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

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major federal programs:	
Equitable Sharing Program	Qualified
All other major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes

Identification of major federal programs:

CFDA Number	Federal Program Name
	Community Development Block Grants – Entitlement Grants Cluster:
14.218	Community Development Block Grants/Entitlement Grants
14.253	ARRA - Community Development Block Grants ARRA Entitlement Grants (CDBG-R)
	Justice Assistance Grant (JAG) Program Cluster:
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.804	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government
16.922	Equitable Sharing Program
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$2,825,292
Auditee qualified as low-risk auditee?	No

CITY OF SAN DIEGO
Schedule of Findings and Questions Costs (Continued)
For the Year Ended June 30, 2013

Section II – Financial Statement Findings

Reference Number: 2013-001 – Schedule of Expenditures of Federal Awards

Criteria:

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart A-General, section 105 Definitions

Federal financial assistance means assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals as described in section .205(h) and section .205(i).

OMB Circular A-133, Subpart C – Auditees, Section 300 Auditee Responsibilities

- (d) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with section .301.

OMB Circular A-133, Subpart C – Auditees, Section 320 Report Submission

- (a) **General.** The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition:

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

- The City improperly reported \$1,620,079 of federal expenditures incurred during FY2012-13 under the wrong federal award program. The City included \$1,620,079 of expenditures related to the Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458) program, instead of reporting the expenditures as part of the Capitalization Grants for Drinking Water State Revolving Funds program (CFDA No. 66.468).
- Expenditures for the Water Reclamation and Reuse Program (CFDA No. 15.504) were incorrectly reported in the SEFA in the amount of \$3,657,673. The federally funded portion of expenditures incurred for this program during FY2012-13 was only \$790,490.
- Loan proceeds of \$1,429,210 received in June 2013 from the State of California pursuant to Agreement No. 12-800-550 with the State Water Resources Control Board were excluded from expenditures reported in the SEFA for the Capitalization Grants for Clean Water State Revolving Funds program (CFDA No. 66.458).
- The City improperly reported \$5,107,946 of federal expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program (CFDA No. 97.036), when there was only \$1,554,273 of federal expenditures incurred during FY2012-13.

CITY OF SAN DIEGO
Schedule of Findings and Questions Costs (Continued)
For the Year Ended June 30, 2013

- The City has not reported the federal expenditures for the U.S. Department of Justice Equity Sharing Program (CFDA No. 16.922) since FY2005. The City has reported \$8,099,536 of accumulated federal expenditures covering FY2009 to FY2013 in the SEFA for the year ended June 30, 2013 in accordance with the federal agency's direction.
- The City has not reported the federal expenditures for the U.S. Department of the Treasury Equity Sharing Program (CFDA No. 21.000) since FY2009. Therefore, the City has reported the amount of \$1,585,981 of accumulated federal expenditures for FY2009 through FY2013 in the SEFA for the year ended June 30, 2013.

Cause:

The City has not established a comprehensive process for adequately identifying and capturing complete and accurate information from City departments for the compilation and preparation of the SEFA. Furthermore, there is not a formal review process whereby someone independent of the SEFA preparation completes a review for completeness, accuracy, and compliance with the reporting requirements of OMB Circular A-133.

Effect:

The City did not accurately prepare nor properly report its federal award expenditures in accordance with the requirements of OMB Circular A-133. As a result, there were various adjustments required, among and between federal award programs, to properly prepare and report the City's SEFA for the year ended June 30, 2013.

Without a comprehensive process for identifying all of its federal award programs and compiling and preparing a complete and accurate SEFA, the City exposes itself to the risk of inaccurately preparing the SEFA in accordance with the requirements of OMB Circular A-133, as well as not reporting expenditures within the appropriate federal award program that could result in the inappropriate determination of the City's major federal award programs.

Recommendation:

The City should establish a standard process for the submittal of information by City departments to the Office of the Comptroller (Comptroller's Office) for compilation and preparation of the SEFA. This information should be properly documented by the department and reviewed by the Comptroller's Office prior to submittal to the auditors. During the compilation and preparation of the SEFA, the Comptroller's Office should perform a reconciliation between the federal expenditures incurred and reported in the SEFA, to the federal revenues and/or cash receipts recorded during the fiscal year.

To supplement the reconciliation between the federal expenditures reported in the SEFA and the expenditures recorded in the City's SAP financial accounting system, the Comptroller's Office should consider reconciling its federal award expenditures to the financial reports that are submitted to the state or federal grantor agencies on an annual basis. Performing such reconciliations should identify potential timing differences between the receipt and recognition of federal revenues and expenditures related to federal award programs, as well as providing additional assurance that all federal programs are being identified and properly reported in the SEFA.

Upon completion and preparation of the SEFA by accounting staff in the Comptroller's Office, an independent supervisory review should be performed to ensure the completeness and accuracy of the information reported in the SEFA prior to providing the SEFA to the external auditors. The review of the SEFA should include verification of the federal program name, CFDA number, grant or pass-through

CITY OF SAN DIEGO
Schedule of Findings and Questions Costs (Continued)
For the Year Ended June 30, 2013

number, federal award expenditures, and pass-through amounts provided to the City's subrecipients. Accounting staff preparing the SEFA should provide documentation to the reviewer that supports the expenditures reported in the SEFA for each of the City's federal award programs.

Management Response and Corrective Action:

We agree. The City will establish a standard process for the submittal of information by City departments to the Office of the City Comptroller for compilation and preparation of the SEFA. The process will include submittal of appropriate documentation by City departments and a review of the information and documentation by the Office of the City Comptroller. In addition, the Office of the City Comptroller will perform a reconciliation between federal expenditures and federal revenue or cash received during the fiscal year and will perform an independent supervisory review of the SEFA. These actions will be performed prior to submission of the SEFA to our external auditors. In order to ensure all federal programs have been considered for inclusion in the SEFA, a citywide effort will be performed yearly requiring that directors certify that all federal programs for which their respective departments have received federal revenue have been included in the SEFA.

Section III – Federal Award Findings and Questioned Costs

Reference Number:	2013-002
Federal Program Title:	Equitable Sharing Program
Federal Catalog Number:	16.922
Federal Agency:	U.S. Department of Justice
Federal Award Number:	CA0371100
Federal Award Year:	2009, 2010, 2011, 2012, 2013
Category of Finding:	Reporting

Criteria:

Guide to Equitable Sharing for State and Local Law Enforcement Agencies, Chapter X – What are the Reporting and Audit Requirements, Section A – Federal Equitable Sharing Agreement and Certification Forms

State and local law enforcement agencies must submit this form (the Equitable Sharing Agreement and Certification Form) within 60 days after the end of an agency's fiscal year, regardless of whether funds were received or maintained during the fiscal year.

Title 28: Judicial Administration, Chapter 1 – Department of Justice, Part 66 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C – Post-Award Requirements, Financial Administration, Section 66.20 – Standards for financial management systems

(b)(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(b)(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

CITY OF SAN DIEGO
Schedule of Findings and Questions Costs (Continued)
For the Year Ended June 30, 2013

Condition:

During our testing of the City's completion and submission of the annual Equitable Sharing Agreement and Certification Form (Certification Form) for fiscal years 2009 through 2013, we noted that the Certification Forms for fiscal years 2009 through 2012 were not submitted within 60 days from the City's fiscal year end.

Also, the required accounting information reported in the Certification Forms for fiscal years 2009 through 2013 was inaccurately reported to the U.S. Department of Justice. The required accounting information includes the following: (1) beginning Equitable Sharing Program fund balance, (2) federal funds received; (3) interest income accrued; (4) federal Equitable Sharing Program funds spent; and (5) ending Equitable Sharing Program fund balance.

Cause:

As required by the Equitable Sharing Program (ESP) guidelines, the City has established two (2) separate funds within its SAP financial accounting system for recording and tracking activity associated with the funds that the City receives from the U.S. Department of Justice (Fund 200221) and the U.S. Department of the Treasury (Fund 200223). In compiling and preparing the Certification Forms, both data processing errors and mathematical errors were made in reporting activity of the ESP partially due to comingling of program funds in the Certification Reports, the inaccurate recording of revenue in the City's financial accounting system associated with U.S. Department of Justice and U.S. Department of the Treasury funds, as well as an ineffective review and approval process. Also, there were valid expenditures of the ESP that were transferred from the City's General Fund into the City's separate fund established for recording ESP activity. The transfers were initiated and processed by the Comptroller's Office without the knowledge of the San Diego Police Department (SDPD), the administering department of the ESP.

Effect:

Due to the late submission and inaccurate reporting of information contained in the Certification Form, the City is not in compliance with the requirements of the Equitable Sharing Program as contained in the Guide to Equitable Sharing for State and Local Law Enforcement Agencies. The City also exposes itself to the risk of potential sanctions from the funding agency and loss of Equitable Sharing revenue due to noncompliance.

Questioned Costs:

There are no questioned costs.

Context:

The Comptroller's Office had an established policy that all financial reports submitted to grantor agencies are required to be submitted by City departments to the Comptroller's Office prior to their submission. The Certification Forms were prepared and submitted by the SDPD without the prior review and approval by the Comptroller's Office.

It should be noted that in August 2014, the SDPD, working in collaboration with the Comptroller's Office, updated and corrected the Certification Forms previously submitted for fiscal years 2009 through 2013, and submitted the revised Certification Forms to the U.S. Department of Justice.

CITY OF SAN DIEGO
Schedule of Findings and Questions Costs (Continued)
For the Year Ended June 30, 2013

Recommendation:

We recommend that the annual Certification Forms prepared by the SDPD be submitted to the Comptroller's Office for review and approval prior to the submission to the U.S. Department of Justice. Accounting staff in the Comptroller's Office should reconcile all accounting information contained in the Certification Forms to the revenues and expenditures reported in the City's financial accounting system for accuracy and completeness. Furthermore, during the compilation and preparation of the City's SEFA, the Comptroller's Office, working in collaboration with City departments that receive and expend federal funds, should reconcile all of the City's federal revenues and expenditures to the City's financial accounting system and related financial reports submitted to funding agencies.

Management Response and Corrective Action:

We agree. Prior to the issuance of this report, the City revised existing accounting and reporting processes related to the Equitable Sharing Program and documented these changes in the form of process narratives. These changes will ensure that the annual Certification Forms be prepared accurately and submitted timely in accordance with program requirements. The revised process ensures that the City maintain revenues, expenditures and interest properly segregated between funds. In addition, the process establishes controls over cash deposits, approval of expenditures and completion of the Certification Reports, including an independent reconciliation and review process performed by the Office of the City Comptroller. Moreover, the process requires the reconciliation of the City's accounting records to a revenue transaction listing provided by the U.S. Department of Justice and the U.S. Department of the Treasury to ensure all revenue related to the program has been correctly deposited into the appropriate funds.

CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

Reference Number: 2012-01

Audit Finding While conducting our audit and testing of the City’s Schedule of Expenditures of Federal Awards (SEFA), we noted that the City did not properly include federally reimbursed expenditures associated with the Water Reclamation and Reuse Program (WRRP) (CFDA No. 15.504) in the proper accounting period.

The City has been receiving reimbursements from the United States Department of the Interior, Bureau of Reclamation (BOR) since FY 2008-09 for expenditures incurred during FY 2008-09 through FY 2011-12 related to various water projects, which include the Indirect Potable Reuse Project and Los Penasquitos Recycled Water Pipeline Project. Due to the timing of the approved Cooperative Agreements between the City and the BOR, which occurred between January 2000 and September 2010, and subsequent reimbursements of expenditures, the City should have reported a portion of the \$6,643,358 in federally reimbursed expenditures in its SEFA over the past four fiscal years, FYs 2008-09 through 2011-12. Specifically, the City should have included federal expenditures in the amounts \$592,624, \$950,940, and \$2,873,067 in its SEFA for the years ended June 30, 2009, 2010, and 2011, respectively. As a result, the WRRP program was considered a major federal award program pursuant to Office of Management and Budget (OMB) Circular A-133 for the year ended June 30, 2012, as opposed to in prior years when the City expended and received federal funds from the BOR and should have reported the program expenditures in the SEFA.

Status of Corrective Action Not Corrected – refer to the current year finding 2013-001.

Reference Number: 2012-02

Federal Catalog Number 14.218 and 14.253

Federal Program Name Community Development Block Grants (CDBG) – Entitlement Grants Cluster:
Community Development Block Grants/Entitlement Grants
ARRA – Community Development Block ARRA Entitlement Grants (CDBG-R)

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

Audit Finding During our testing of 14 out of 22 reports, we noted that the City Planning and Community Investment (CPCI) department could not provide supporting documentation used for preparing two (2) performance reports related to the Neighborhood Stabilization Program (NSP) and the HUD 20002 – Section 3 Summary Report for the CDBG-R and NSP programs.

CITY OF SAN DIEGO
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

Status of Corrective Action	Corrected – our current year testing of compliance with the Reporting compliance requirement did not result in any instances of noncompliance.
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