



**CITY OF OCEANSIDE, CALIFORNIA**

**SINGLE AUDIT REPORT**

**JUNE 30, 2011**

**Lance Soll & Lunghard, LLP**

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CITY OF OCEANSIDE, CALIFORNIA

SINGLE AUDIT REPORT

JUNE 30, 2011

**CITY OF OCEANSIDE**

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**TABLE OF CONTENTS**

	<u>Page Number</u>
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
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	3
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2011.....	5
Notes to the Schedule of Expenditures of Federal Awards .....	8
Schedule of Findings and Questioned Costs for the Fiscal Year Ended June 30, 2011.....	9
Schedule of Prior Year Findings and Questioned Costs for the Fiscal Year Ended June 30, 2010.....	23

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- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

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 Members of the City Council  
City of Oceanside, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oceanside, California, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2011-01 and 2011-02 to be material weaknesses in internal control.

**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.



To the Honorable Mayor and Members of the City Council  
City of Oceanside, California

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, the City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Lance, Soll & Lughard, LLP*

Brea, California  
February 13, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council  
City of Oceanside, California

**Compliance**

We have audited the City of Oceanside, California's (the 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, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-03, 2011-04, 2011-05, 2011-06, 2011-07, 2011-08, 2011-09, 2011-10, 2011-11, 2011-12 and 2011-13.

**Internal Control over Compliance**

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



To the Honorable Mayor and Members of the City Council  
City of Oceanside, California

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2011-03, 2011-06, 2011-08, 2011-09, 2011-11, and 2011-12 to be significant deficiencies in internal control over compliance.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 13, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

This report is intended solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lance, Soll & Loughard, LLP*

Brea, California  
February 13, 2012

## CITY OF OCEANSIDE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant*	14.218	B08-MC-06-0547	\$ 1,363,045
ARRA - Community Development Block Grant (Recovery Act Funded)*	14.253	B08-MY-06-0547	23,193
		B09-MY-06-0547	122,951
		B10-MY-06-0547	166,917
Total Community Development Block Grant Cluster			1,676,106
Supportive Housing Program	14.235	CA0714B9D100802	93,289
		CA0714B9D101003	63,937
			157,226
HOME Investment Partnerships Program	14.239	M05-MC-06-0523	90,912
		M09-MC-06-0523	123,900
		M10-MC-06-0523	350,000
			564,812
ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	14.256	09-NSPI-6106	256,215
ARRA - Homelessness Prevention and Rapid Re- Housing Program (Recovery Act Funded)	14.257	S09-MY-06-0547	388,474
Section 8 Housing Choice Vouchers*	14.871	CA132VO	15,047,183
<b>Total U.S. Department of Housing and Urban Development</b>			<b>18,090,016</b>
<u>U.S. Department of Justice</u>			
Direct Program:			
Asset Seizure Fund	16.UNKNOWN	CA0371000	213,738
		N/A	23,903
		N/A	20,335
			257,976
Part E Developing Testing and Demonstrating Promising New Programs	16.541	2009-JL-FX-0109	220,372
Bulletproof Vest Partnership Program	16.607	2008	5,222
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0604	7,482
		2009-DJ-BX-0247	28,030
		2010-SB-B9-0784	41
			35,553
ARRA - Edward Byrne Memorial Justice Assistance Grant (Recovery Act Funded)	16.804	2008-SB-B9-0784	178,295
Passed through the County of San Diego,			
Sheriff's Department:			
North County Regional Gang Task Force	16.UNKNOWN	281D-SD-C56000	27,805
Innocence Lost Task Force	16.UNKNOWN	N/A	15,800
Organized Crime Drug Enforcement Task Force	16.UNKNOWN	245D-SD-71122	20,258
Services for Trafficking Victims	16.320	517470	42,293
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DD-BX-0634	3,674
<b>Total U.S. Department of Justice</b>			<b>807,248</b>



## CITY OF OCEANSIDE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<u>U.S. Department of Transportation</u>			
Passed through the State of California Department of Transportation: Highway Planning and Construction	20.205	BRLKS-5079(019)	51,904
Passed through SANDAG: New Freedom Program	20.521	5000961	968
Passed through the State of California Office of Traffic Safety: State and Community Highway Safety	20.600	CT10291 CT11291 AL1070 AL1164	1,815 6,821 95,040 135,360
			<u>239,036</u>
Passed through UC Berkeley Traffic Safety Center: Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL0939	4,678
<b>Total U.S. Department of Transportation</b>			<b><u>296,586</u></b>
<u>U.S. Department of Treasury</u>			
Direct Program: Promotion of the Arts Grants to Organizations and Individuals	45.024	N/A	2,000
<b>Total U.S. Department of Treasury</b>			<b><u>2,000</u></b>
<u>U.S. Environmental Protection Agency</u>			
Direct Program: Congressionally Mandated Projects	66.202	R00AC35033	526,509
<b>Total U.S. Department of Homeland Security</b>			<b><u>526,509</u></b>
<u>U.S. Department of Energy</u>			
Direct Program: ARRA - Energy Efficiency and Conservation Block Grant Program (Recovery Act Funded)*	81.128	DE-SC0001736	931,932
<b>Total U.S. Department of Energy</b>			<b><u>931,932</u></b>
<u>U.S. Department of Health and Safety</u>			
Passed through SANDAG: ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (Recovery Act Funded)	93.724	N/A 532837	1,708 302
<b>Total U.S. Department of Health and Safety</b>			<b><u>2,010</u></b>
<u>U.S. Department of Homeland Security</u>			
Passed through the State of California California Emergency Management Agency: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1952-DR-CA	471,856
Passed through the County of San Diego: Homeland Security Grant Program	97.067	073-00000	74,800
<b>Total U.S. Department of Homeland Security</b>			<b><u>546,656</u></b>
<b>Total Federal Expenditures</b>			<b><u>\$ 21,202,957</u></b>

CITY OF OCEANSIDE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
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\* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

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**Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

**a. Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by the City of Oceanside, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

**b. Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program.

**CITY OF OCEANSIDE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? ☐ yes ☒ no
- Material weaknesses identified? ☒ yes ☐ none reported

Noncompliance material to financial  
statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? ☒ yes ☐ no
- Material weaknesses identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be  
reported in accordance with Section 510(a) of  
Circular A-133?

☒ yes ☐ no

Identification of major programs:

CFDA Number(s)

14.218, 14.253  
14.871  
81.128

Name of Federal Program or Cluster

Community Development Block Grant Cluster  
Section 8 Housing Choice Vouchers  
ARRA - Energy Efficiency and Conservation  
Block Grant Program (Recovery Act Funded)

Dollar threshold used to distinguish  
between type A and type B program

\$636,089

Auditee qualified as low-risk auditee?

☐ yes ☒ no

## **CITY OF OCEANSIDE**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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#### **SECTION II - FINANCIAL STATEMENT FINDINGS**

##### Finding Number 2011-01: Year End Journal Entries

During the course of our testwork, we noted one material accounts payable accrual that was not recorded. Also, during our analysis of sales tax revenue, we noted that the August 2011 remittance advice for sales tax revenue collected in June 2011 was not accrued. Journal entries have been provided to accrue these amounts.

We recommend that in addition to the City's normal cut-off procedures, the City review subsequent revenues and disbursements for potential accruals.

##### Finding Number 2011-02: Fund Balance Restatement

During the 2010-11 fiscal year, numerous beginning fund balance restatements were made to adjust various asset and liability accounts as a result of reconciliations and analysis not performed in the past.

We recommend that the City perform reconciliations and analysis of its general ledger accounts on an annual basis to maintain the accuracy of its accounting records.

#### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

##### Finding Number 2011-03: Subrecipient Monitoring

- Federal Program:

CFDA number: 14.218

Title: Community Development Block Grant

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

- Criteria or specific requirement

Subrecipient monitoring compliance requirement establishes that any non-Federal recipient of Federal assistance which passes that assistance, whether in part or in total, to another recipient is responsible to monitor the Federal assistance activities of that subrecipient, as well as assure that they are both complying with laws and regulations. This requirement is based on the fact that they are both equally responsible for Federal funds received. Subrecipient monitoring may consist of site visits, regular contact, interviews, meetings and examinations of the subrecipient, as well as requiring the subrecipient to be subject to an annual single audit.

Additionally, the City of Oceanside Neighborhood Services Department's Community Development Block Grant (CDBG) Program Policy and Procedures Document Section 26 – Monitoring of Subrecipients states "City staff shall develop and implement a monitoring program to visit all new subrecipients within three months, and to visit as many continuing or renewed subrecipients as possible during the program year. Monitoring visits shall include review of compliance by funded agencies and organizations of federal EEO and Section 504 ADA requirements. The City shall include its monitoring program in the annual Action Plan. A record of monitoring visits and any subsequent action shall be maintained in the files of CDBG subrecipients."

**CITY OF OCEANSIDE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-03: Subrecipient Monitoring (Continued)

- Condition

Per review of the CDBG subrecipient grant files, we noted that the following subrecipients, T.E.R.I. Inc., Camp Fire USA, and Ivey Ranch Park Association, did not have any record of ever receiving a monitoring visit by the City. Also, based on the City's general ledger expenditure detail, each of the three noted subrecipients have been subrecipients of the City for over a three month period during FY 2010-2011, therefore making the City noncompliant with their adopted Community Development Block Grant (CDBG) Program Policy and Procedures.

- Questioned costs

None

- Context

Per review of the subrecipient grant files, the City has not developed a formal monitoring program to visit all subrecipients on an annual basis and new subrecipients within three months.

- Effect

Subrecipients are not properly monitored.

- Recommendation

We recommend that the City implement procedures over subrecipient monitoring to ensure that monitoring visits are conducted for each subrecipient on an annual basis. Additionally, all subrecipients of ARRA federal funds should be monitored to ensure compliance with ARRA compliance requirements.

- Management's response

The City agrees with the finding and is in the process of implementing procedures to ensure monitoring visits of each subrecipient are performed on an annual basis. The City will also ensure that subrecipients are monitored for compliance with ARRA requirements.

Finding Number 2011-04: Cost Allocation Plan

- Federal Program:

CFDA number: 14.218

Title: Community Development Block Grant

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

CFDA number: 14.253

Title: ARRA - Community Development Block Grant

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-04: Cost Allocation Plan (Continued)

- Criteria or specific requirement

A-133 Compliance Supplement requires all governmental units claiming indirect costs under Federal awards to prepare an Indirect Cost Rate Proposal (ICRP) and related documentation to support those costs. The City must develop the ICRP in accordance with the requirements of OMB Circular A-87 and maintain the proposal and related supporting documentation for audit. The ICRP's must be developed within 6 months after the close of the governmental unit's fiscal year. The documentation and certification requirements for ICRPs are included in OMB Circular A-87, Attachment E, paragraphs D.2 and 3, respectively. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in the A-102 Common Rule.

- Condition

Per review of the City's indirect costs charged to federal award programs, the City did not appropriately develop an Indirect Cost Rate Proposal (ICRP) and related documentation within the required 6 months after the close of the governmental unit's fiscal year to support those costs.

- Questioned costs

None

- Context

Based on inquiry with management, the City was unaware of the compliance requirements with OMB Circular A-87 until the City received a finding in the prior year's single audit report. The City has begun to implement procedures to comply with the OMB Circular A-87 requirements, but as of fiscal year 2010-2011, the procedures were not fully implemented by the City.

- Effect

Regarding indirect costs charged to federal award programs, the City is not in compliance with the requirements of OMB Circular A-87.

- Recommendation

We recommend that the City fully implement policies and procedures to comply with the cost allocation plan requirements as documented in OMB Circular A-87.

- Management's response

The City agrees with the finding and has subsequently completed the required certification.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-05: ARRA – Buy-American Act

- Federal Program:

CFDA number: 14.253

Title: ARRA - Community Development Block Grant

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

- Criteria or specific requirement

Section 1605 of the Recovery Act prohibits the use of Recovery Act funds for the construction, alteration, maintenance, or repairs of public buildings or public works projects unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. The Recovery Act provides for waivers to the Buy American Act requirements under specified circumstances. An award term is required in all Recovery Act-funded contracts for construction, alteration, maintenance, or repair of a public building or public work (2 CFR section 176.140).

- Condition

Per review of the contract between the City of Oceanside and Coastal Air, Inc., the provisions of the Buy-American Act were not included in the contract as required by the American Recovery and Reinvestment Act of 2009.

- Questioned costs

None

- Context

The City initiated the contractor's agreement with Coastal Air, Inc. in the same manner that the City initiates all of its contractor's agreements.

- Effect

The American Recovery and Reinvestment Act of 2009 contract language regarding the Buy American Act was not included in the contractor's agreement.

- Recommendation

Contracts funded through the American Recovery and Reinvestment Act of 2009 should include the Buy American Act provision.

- Management's response

The City agrees with the finding and will ensure that all contracts funded through the American Recovery and Reinvestment Act of 2009 includes the Buy American Act provision.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-06: Section 1512 ARRA Reporting

- Federal Program:

CFDA number: 14.253

Title: ARRA - Community Development Block Grant

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

- Criteria or specific requirement

Section 1512 of the Recovery Act requires reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009).

- Condition

Per review of the City's submitted Section 1512 ARRA Reports, two of the reports submitted during fiscal year 2010-2011 were submitted after the required due date. The Section 1512 ARRA Report for the 4th Quarter of 2010 was submitted on 1/11/2011 and the 2nd Quarter of 2011 was submitted on 7/26/2011.

- Questioned costs

None

- Context

Per inquiry with management, the City received a time extension on the Section 1512 ARRA Report for the 4th Quarter of 2010 and the 2nd Quarter of 2011. Unfortunately, City was unable to provide supporting documentation for the time extensions.

- Effect

Without proof of an extension to file the Section 1512 ARRA reports, the reports are not considered to be filed by the required due date.

- Recommendation

We recommend that the City implement policies and procedures to ensure that all federal reports are submitted by the due date and that proof of extension to file report is retained.

- Management's response

The City agrees with the finding and has implemented policies and procedures to ensure that all federal reports are submitted by the due date and that extensions to file reports are retained.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-07: Cost Allocation Plan

- Federal Program:

CFDA number: 14.871

Title: Section 8 Housing Choice Vouchers

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

- Criteria or specific requirement

A-133 Compliance Supplement requires all governmental units claiming indirect costs under Federal awards to prepare an Indirect Cost Rate Proposal (ICRP) and related documentation to support those costs. The City must develop the ICRP in accordance with the requirements of OMB Circular A-87 and maintain the proposal and related supporting documentation for audit. The ICRP's must be developed within 6 months after the close of the governmental unit's fiscal year. The documentation and certification requirements for ICRPs are included in OMB Circular A-87, Attachment E, paragraphs D.2 and 3, respectively. The proposal and related documentation must be retained for audit in accordance with the record retention requirements contained in the A-102 Common Rule.

- Condition

Per review of the City's indirect costs charged to federal award programs, the City did not appropriately develop an Indirect Cost Rate Proposal (ICRP) and related documentation within the required 6 months after the close of the governmental unit's fiscal year to support those costs.

- Questioned costs

None

- Context

Based on inquiry with management, the City was unaware of the compliance requirements with OMB Circular A-87 until the City received a finding in the prior year's single audit report. The City has begun to implement procedures to comply with the OMB Circular A-87 requirements, but as of fiscal year 2010-2011, the procedures were not fully implemented by the City.

- Effect

Regarding indirect costs charged to federal award programs, the City is not in compliance with the requirements of OMB Circular A-87.

- Recommendation

We recommend that the City fully implement policies and procedures to comply with the cost allocation plan requirements as documented in OMB Circular A-87.

**CITY OF OCEANSIDE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-07: Cost Allocation Plan (Continued)

- Management's response

The City agrees with the finding and has subsequently completed the required certification.

Finding Number 2011-08: Federal Financial Reports (SF-425)

- Federal Program:

CFDA number: 81.128

Title: ARRA - Energy Efficiency and Conservation Block Grant Program

Federal Agency: U.S. Department of Energy

- Criteria or specific requirement

The Federal Financial Reports (SF-425) are required to be submitted no later than 30 days after reporting period end date (except for final report which is due 90 days after end date).

- Condition

Per review of the City's submitted Federal Financial Reports (SF-425), three of the reports submitted during fiscal year 2010-2011 were submitted past the required due date. The Federal Financial Reports (SF-425) for the 3rd Quarter of 2010 was submitted on 4/26/2011, the 4th Quarter of 2010 was submitted on 4/28/2011, and the 2nd Quarter of 2011 was submitted on 10/25/2011.

- Questioned costs

None

- Context

Based on inquiry and review of grant documents for the City's ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG), the grant manager had retired from the City and the responsibilities of the ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) were not reassigned to another City employee in a timely manner.

- Effect

The effect of the change in grant management over the ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) resulted in City not properly submitting reports by the due date.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-08: Federal Financial Reports (SF-425) (Continued)

- Recommendation

We recommend that the City implement policies & procedures to ensure that all federal reports include all required information and are submitted by the due date.

- Management's response

The City agrees with the finding and has implemented policies and procedures to ensure that all federal reports include all required information and are submitted by the due date.

Finding Number 2011-09: Section 1512 ARRA Reporting

- Federal Program:

CFDA number: 81.128

Title: ARRA - Energy Efficiency and Conservation Block Grant Program

Federal Agency: U.S. Department of Energy

- Criteria or specific requirement

Section 1512 of the Recovery Act requires reports on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009).

- Condition

Per review of the City's submitted Section 1512 ARRA Reports, three of the reports submitted during fiscal year 2010-2011 were submitted after the required due date. The Section 1512 ARRA Report for the 3rd Quarter of 2010 was submitted on 1/11/2011, the 4th Quarter of 2010 was submitted on 1/11/2011, and the 1st Quarter of 2011 was submitted on 4/12/2011.

- Questioned costs

None

- Context

Based on inquiry and review of grant documents for the City's ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG), the grant manager had retired from the City and the responsibilities of the ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) were not reassigned to another City employee in a timely manner.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-09: Section 1512 ARRA Reporting (Continued)

- Effect

The effect of the change in grant management over the ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) resulted in City not properly submitting reports by the due date.

- Recommendation

We recommend that the City implement policies & procedures to ensure that all federal reports include all required information and are submitted by the due date.

- Management's response

The City agrees with the finding and has implemented policies and procedures to ensure that all federal reports include all required information and are submitted by the due date.

Finding Number 2011-10: ARRA – Buy-American Act

- Federal Program:

CFDA number: 81.128

Title: ARRA - Energy Efficiency and Conservation Block Grant Program

Federal Agency: U.S. Department of Energy

- Criteria or specific requirement

Section 1605 of the Recovery Act prohibits the use of Recovery Act funds for the construction, alteration, maintenance, or repairs of public buildings or public works projects unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. The Recovery Act provides for waivers to the Buy American Act requirements under specified circumstances. An award term is required in all Recovery Act-funded contracts for construction, alteration, maintenance, or repair of a public building or public work (2 CFR section 176.140).

- Condition

Per review of the contracts between the City of Oceanside and Johnson Controls, Inc., Advanced Energy Design, Inc., and Select Electric, Inc., the provisions of the Buy-American Act were not included in the contract as required by the American Recovery and Reinvestment Act of 2009.

- Questioned costs

None

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-10: ARRA – Buy-American Act (Continued)

- Context

The City initiated the contractor's agreement with Johnson Controls, Inc., Advanced Energy Design, Inc., and Select Electric, Inc. in the same manner that the City initiates all of its contractor's agreements.

- Effect

The American Recovery and Reinvestment Act of 2009 contract language regarding the Buy American Act was not included in the contractors' agreement.

- Recommendation

Contracts funded through the American Recovery and Reinvestment Act of 2009 should include the Buy American Act provision.

- Management's response

The City agrees with the finding and will ensure that all contracts funded the American Recovery and Reinvestment Act of 2009 includes the Buy American Act provision.

Finding Number 2011-11: Suspension and Debarment

- Federal Program:

CFDA number: 81.128

Title: ARRA - Energy Efficiency and Conservation Block Grant Program

Federal Agency: U.S. Department of Energy

- Criteria or specific requirement

When the City enters into a covered transaction using federal funds, it must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

- Condition

Per review of the contracts between the City of Oceanside and Johnson Controls, Inc., Advanced Energy Design, Inc., and Select Electric, Inc., the City did not check the contractors for suspension and debarment by performing a verification by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collected a certification from the entity, nor added a clause or condition to the covered transaction with that contractor.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-11: Suspension and Debarment (Continued)

- Questioned costs

None

- Context

Based on inquiry with management, the City does not have a policy or procedures to verify the suspension or debarment of contractors on federal projects.

- Effect

Since the City does not have procedures to verify the suspension or debarment of contractors on federal projects, the City could use contractors that are suspended or debarred from covered transactions.

- Recommendation

We recommend that the City implement one of the three acceptable methods of verification for suspension and debarment on all covered transactions.

- Management's response

The City agrees with the finding and will implement one of the three acceptable methods of verification for suspension and debarment on all covered transactions.

Finding Number 2011-12: Davis-Bacon Act

- Federal Program:

CFDA number: 81.128

Title: ARRA - Energy Efficiency and Conservation Block Grant Program

Federal Agency: U.S. Department of Energy

- Criteria or specific requirement

The Davis-Bacon Act requires all contractors and subcontractors performing work on federal or federally assisted contract in excess of \$2,000 to pay laborers and mechanics no less than the prevailing wage rates and fringe benefits for corresponding classes of laborers and mechanics employed on similar project in the area (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-12: Davis-Bacon Act (Continued)

- Condition

Per review of the contracts and contract files between the City of Oceanside and Johnson Controls, Inc., Advanced Energy Design, Inc., and Select Electric, Inc., the City did not include the requirements of the Davis-Bacon Act and the DOL regulations in their construction contracts and the requirements for the contractor or subcontractor to submit to the City weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance.

- Questioned costs

None

- Context

Based on review of the City's purchasing and procurement policies and procedures, the City does not have a policy or procedures in place to include the requirements of the Davis-Bacon Act for construction contracts associated with federally funded projects.

- Effect

The City did not include the requirement to comply with the Davis-Bacon Act in its construction contracts funded with federal monies and the requirement to submit and retained certified payroll for the duration of the project period.

- Recommendation

We recommend that the City included the provisions of the Davis-Bacon Act for construction contract in excess of \$2,000 funded with federal monies.

- Management's response

The City agrees with the finding and will include the provisions of the Davis-Bacon Act for construction contracts in excess of \$2,000 that are funded with federal monies.

Finding Number 2011-13: Equipment & Real Property Management

- Federal Program:

CFDA number: 81.128

Title: ARRA - Energy Efficiency and Conservation Block Grant Program

Federal Agency: U.S. Department of Energy



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2011-13: Equipment & Real Property Management (Continued)

- Criteria or specific requirement

Local governments shall follow the A-102 Common Rule for equipment acquired under Federal awards received from a Federal awarding agency. A-102 Common Rule and OMB Circular A-110 require that, for equipment used in federal programs and acquired with federal funds, equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

- Condition

For equipment acquired with federal funds, the City does not comply with the equipment management requirements. The City has not performed a physical inventory of equipment at least once every two years and reconciled the physical inventory count to the equipment records.

- Questioned costs

None

- Context

Based on inquiry with management, the City was unaware of the A-102 Common Rule and OMB Circular A-110 requirements for equipment acquired with federal funds.

- Effect

The effect of the City being unaware of the A-102 Common Rule and OMB Circular A-110 requirements for equipment acquired with federal funds results in a finding for noncompliance for FY 2010-11.

- Recommendation

We recommend that the City implement procedures to comply with the A-102 Common Rule for equipment and real property acquired with federal funds.

- Management's response

The City agrees with the finding and is implementing procedures in order to comply with the A-102 Common Rule for equipment and real property acquired with federal funds.

## CITY OF OCEANSIDE

### SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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#### SECTION II - FINANCIAL STATEMENT FINDINGS

##### Finding Number 2010-01: Bank Reconciliations

During our interim review in July 2010, reconciliations of the City's general checking account were reconciled through August 2009. This did not constitute a timely reconciliation of this account which is of critical importance for the City. We followed up at our year end contact in September 2010 and determined that though the reconciliations had been completed through June 2010, various audit adjusting entries were required to correct the account balance.

We recommend that the City perform a thorough reconciliation of the City's cash and investment accounts in a timely manner to ensure that the general ledger amounts are correct.

**Status:** This has been corrected by the City of Oceanside for fiscal year 2010-2011.

##### Finding Number 2010-02: General Ledger

During the course of the audit, material audit adjustments were necessary to areas such as long-term debt, retentions payable, loans receivable, deferred revenue and accounts receivable. Based on our discussions with management, there appears to be accounting functions that are performed outside of the finance department and there is a lack of communication between the various departments and finance.

We recommend that internal control procedures be implemented to ensure all information is communicated to the finance department in a timely manner to ensure all adjustments are recorded on the general ledger prior to the start of the audit.

**Status:** The City is the process of correcting this finding. A similar instance was noted as a current year finding.

##### Finding Number 2010-03: Budget Information in General Ledger

During our audit, we noted that the budget amounts in the general ledger were not consistent with the amounts in the original budget document as approved by City Council. In addition, the amounts for the amended budget were incorrect.

We recommend that management ensure that approved budget amounts are reflected in the general ledger.

**Status:** This has been corrected by the City of Oceanside for fiscal year 2010-2011.

##### Finding Number 2010-04: Journal Entry Support

During our review of year end closing entries, we determined that adequate support was not maintained.

We recommend that detailed support be maintained for all journal entries posted to the general ledger.

**Status:** This has been corrected by the City of Oceanside for fiscal year 2010-2011.

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Finding Number 2010-05: Cost Allocation Plan

- Programs

CFDA number: 14.218

Title: Community Development Block Grant Cluster

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

CFDA number: 14.253

Title: ARRA - Community Development Block Grant Cluster

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

- Condition

The results of our audit indicated that the City did not properly certify its cost allocation plan in the timeline required.

- Criteria

OMB Circular A-87 requires plans to be prepared within six months prior to the beginning of each of the City's fiscal years and to include a required certification which is to be signed by an individual at a level no lower than chief financial officer.

- Questioned Costs

None

- Effect

The City's plan does not comply with the certification requirements of OMB Circular A-87.

- Recommendation

We recommend the City establish procedures to ensure proper documentation of the plan including certification are done in accordance with the timeline established in OMB Circular A-87.

- Management's Response

The City agrees with the finding and has subsequently completed the required certification.

- Status

The City is in the process of correcting this finding. A similar instance was noted in the current fiscal year and reported as finding 2011-04 and 2011-07.

**CITY OF OCEANSIDE**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2010-06: Cost Allocation Plan

- Program

CFDA number: 14.239

Title: HOME Investment Partnerships Program

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

- Condition

The results of our audit indicated that the City did not properly certify its cost allocation plan in the timeline required.

- Criteria

OMB Circular A-87 requires plans to be prepared within six months prior to the beginning of each of the City's fiscal years and to include a required certification which is to be signed by an individual at a level no lower than chief financial officer.

- Questioned Costs

None

- Effect

The City's plan does not comply with the certification requirements of OMB Circular A-87.

- Recommendation

We recommend the City establish procedures to ensure proper documentation of the plan including certification are done in accordance with the timeline established in OMB Circular A-87.

- Management's Response

The City agrees with the finding and has subsequently completed the required certification.

- Status

The City is in the process of correcting this finding. A similar instance was noted in the current fiscal year and reported as finding 2011-04 and 2011-07.

Finding Number 2010-07: Cost Allocation Plan

- Program

CFDA number: 14.228

Title: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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

**CITY OF OCEANSIDE**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2010-07: Cost Allocation Plan (Continued)

- Condition

The results of our audit indicated that the City did not properly certify its cost allocation plan in the timeline required.

- Criteria

OMB Circular A-87 requires plans to be prepared within six months prior to the beginning of each of the City's fiscal years and to include a required certification which is to be signed by an individual at a level no lower than chief financial officer.

- Questioned Costs

None

- Effect

The City's plan does not comply with the certification requirements of OMB Circular A-87.

- Recommendation

We recommend the City establish procedures to ensure proper documentation of the plan including certification are done in accordance with the timeline established in OMB Circular A-87.

- Management's Response

The City agrees with the finding and has subsequently completed the required certification.

- Status

The City is in the process of correcting this finding. A similar instance was noted in the current fiscal year and reported as finding 2011-04 and 2011-07.

Finding Number 2010-08: Cost Allocation Plan

- Program

CFDA number: 14.871

Title: Section 8 Housing Choice Vouchers

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

- Condition

The results of our audit indicated that the City did not properly certify its cost allocation plan in the timeline required.

**CITY OF OCEANSIDE**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Finding Number 2010-08: Cost Allocation Plan (Continued)

- Criteria

OMB Circular A-87 requires plans to be prepared within six months prior to the beginning of each of the City's fiscal years and to include a required certification which is to be signed by an individual at a level no lower than chief financial officer.

- Questioned Costs

None

- Effect

The City's plan does not comply with the certification requirements of OMB Circular A-87.

- Recommendation

We recommend the City establish procedures to ensure proper documentation of the plan including certification are done in accordance with the timeline established in OMB Circular A-87.

- Management's Response

The City agrees with the finding and has subsequently completed the required certification.

- Status

The City is in the process of correcting this finding. A similar instance was noted in the current fiscal year and reported as finding 2011-04 and 2011-07.