

City of Oceanside

Oceanside, California

Single Audit Reports
(As Reissued)

For the year ended June 30, 2004

C&L
Caporicci & Larson
Certified Public Accountants

City of Oceanside
Single Audit Report (As Reissued)
For the year ended June 30, 2004

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the City of Oceanside, California (City) as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 result of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We performed additional audit testing on all major federal programs for the U.S. Department of Justice, CFDA Number 16.007 and 16.710 and for the Environmental Protection Agency, CFDA Number 66.476, and revised expenditures for the U.S. Department of Justice, CFDA Number 16.007, the U.S. Department of Interior – Bureau of Reclamation, the U.S. Department of Homeland Security, CFDA Number 97.008, the U.S. Department of Transportation, CFDA Number 20.600, the Environmental Protection Agency, CFDA Number 66.458, and the Federal Highway Administration, CFDA Number 20.205, as presented as an "Adjustments" column on page 5 of the accompanying Schedule of Expenditures of Federal Awards, for the year ended June 30, 2004, and Finding 2004-02 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2004. The audit work was completed on March 18, 2008 which resulted in the dual-dating of our audit report.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified significant deficiencies in internal control over financial reporting and are described in the accompanying Schedule of Findings and Questioned Costs as item 2004-02.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carlson

Irvine, California

September 17, 2004, except for additional findings described in the paragraphs above as to which the date is March 18, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Oceanside, California (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. 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 and opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States; the standards applicable to financial audits contained in *Government Audit 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.

We performed additional audit testing on all major federal programs for the U.S. Department of Justice, CFDA Number 16.007 and 16.710 and for the Environmental Protection Agency, CFDA Number 66.476, and revised expenditures for the U.S. Department of Justice, CFDA Number 16.007, the U.S. Department of Interior – Bureau of Reclamation, the U.S. Department of Homeland Security, CFDA Number 97.008, the U.S. Department of Transportation, CFDA Number 20.600, the Environmental Protection Agency, CFDA Number 66.458, and the Federal Highway Administration, CFDA Number 20.205, as presented as an "Adjustments" column on page 5 of the accompanying Schedule of Expenditures of Federal Awards, for the year ended June 30, 2004, and Finding 2004-02 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2004. The audit work was completed on March 18, 2008 which resulted in the dual-dating of our audit report.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004, except for the findings described in the Part C of the Schedule of Findings and Questioned Costs – Major Federal Award Program Audit, item 2004-01. 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.

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To the Honorable Mayor and Members of City Council
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Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

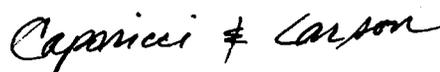
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified significant deficiencies in internal control over compliance and are described in the accompanying Schedule of Findings and Questioned Costs as item 2004-02.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Irvine, California

September 17, 2004, except for additional findings described in the paragraphs above as to which the date is March 18, 2008

City of Oceanside
Single Audit Report (As Reissued)
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2004

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Originally Reported	Adjustments	Final Federal Expenditures
U.S. Department of Housing and Urban Development					
<i>Community Development Block Grant Programs:</i>					
Lower Income Housing - Voucher Program	14.855*	CA132VO	\$ 12,574,620	\$ -	\$ 12,574,620
Community Development Block Grant - Entitlement	14.218*	B02&B03-MC-06-0547	1,483,316	-	1,483,316
Supportive Housing Demonstration Program	14.235	CA16B01-000	94,036	-	94,036
Supportive Housing Demonstration Program	14.235	CA16B31.0003	108,879	-	108,879
EDI Grant - Libby Lk CC	14.246*	B-01-SP-CA-0081	414,087	-	414,087
HOME Program	14.239	M03-MC060523	128,327	-	128,327
HOME Program	14.239		34,007	-	34,007
HOME Program	14.239	M00-MC060523	264,152	-	264,152
HOME Program	14.239	M99,00,03-MC060523	300,000	-	300,000
HOME Program	14.239	M02&03-MC060523	78,763	-	78,763
Total U.S. Department of Housing and Urban Development			15,480,187	-	15,480,187
Health and Human Services Department					
Homeless Youth Shelter-Cycle 2-Year 3-9/01-8/02	93.623	09CY5034/03	137	-	137
Homeless Youth Shelter-Cycle 3-Year 1-10/02-9/03	93.623	09CY5083/01	26,932	-	26,932
Homeless Youth Shelter-Cycle 3-Year 2-10/03-9/04	93.623	09CY5083/02	64,314	-	64,314
Total Health and Human Services Department			91,383	-	91,383
U. S. Department of Justice					
<i>Direct Programs:</i>					
Local Law Enforcement Block Grant	16.592*	2002-LB-BX 1967	129,398	-	129,398
OJP - Fire Equip Grant (7/1/01 - 6/30/04)	16.007*		-	113,164	113,164
COPS More	16.710*	2001CLWX0038	19,500	-	19,500
COPS 2003 Technology Grant	16.710*	2003CKWX0106	1,987,000	-	1,987,000
Total U. S. Department of Justice			2,135,898	113,164	2,249,062
U.S Department of the Interior - Bureau of Reclamation					
Mission Basin Brackish Water Desalting Project	15.504	00FC-30-0033	105,242	(105,242)	-
Bureau of Reclamation Grant	15.504	02-FC-35-0065	593	-	593
OFD FEMA Grant - Assistance to Firefighter	83.554	EMW-2002-FG-13218	36,671	-	36,671
Total U. S. Department of the Interior - Bureau of Reclamation			142,506	(105,242)	37,264
U. S. Department of Homeland Security					
<i>Direct Programs:</i>					
H&B - Police Equipment Grant	97.008	073-00000	-	16,076	16,076
Total U. S. Department of Homeland Security			-	16,076	16,076
U.S. Department of Transportation					
Office of Traffic Safety	20.600		-	194,679	194,679
Total Department of Transportation			-	194,679	194,679
U.S. Environmental Protection Agency					
Vulnerability Assessment Grant	66.476*	HS-82995501-0	110,094	-	110,094
Capitalization Grants for State Revolving Fund	66.458		-	160,248	160,248
Total Environmental Protection Agency			110,094	160,248	270,342
Federal Highway Administration					
Pacific Street Bridge	20.205		-	694,376	694,376
RDO & 78 Interchange	20.205		-	231,615	231,615
Coastal Rail Trail	20.205		-	240,131	240,131
Seismic Retrofit	20.205		-	70,511	70,511
Crouch/Loma Alta	20.205		-	11,650	11,650
RDO at Oceanside/Mesa	20.205		-	7,845,333	7,845,333
Total Federal Highway Administration			-	9,093,616	9,093,616
Total Federal Awards			\$ 17,960,068	\$ 9,472,541	\$ 27,432,609

*Denotes major program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2004

1. REPORTING ENTITY

The financial reporting entity, as defined by GASB Codification, consists of the primary government, City of Oceanside (City), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability:

- The Oceanside Community Development Commission
- The Oceanside Small Craft Harbor District
- The Oceanside Building Authority
- The Oceanside Public Finance Authority

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, and capital projects funds of the City. The City utilizes the modified accrual basis of accounting for the general, special revenue and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State of California and the County of San Diego, are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

City of Oceanside
Single Audit Report (As Reissued)
Schedule of Findings and Questioned Costs
For the year ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Oceanside.
2. No significant deficiencies relating to the audit of the financial statements are reported in the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Oceanside were disclosed during the audit.
4. Significant deficiencies relating to the audit of the major federal award programs is reported in the financial statements and described in Part C of this Schedule.
5. The auditors' report on compliance for the major federal award programs for the City of Oceanside expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Oceanside are reported in Part C of this Schedule.
7. The programs tested as major programs include:

<u>Major Program</u>	<u>Expenditures</u>
Lower Income Housing - Voucher Program	\$ 12,574,620
Community Development Block Grant - Entitlement	1,483,316
EDI Grant - Libby Lk CC	414,087
Local Law Enforcement Block Grant	129,398
OJP - Fire Equip Grant (7/1/01 - 6/30/04)	113,164
COPSMORE	19,500
COPS 2003 Technology Grant	1,987,000
Vulnerability Assessment Grant	110,094
Total Major Program Expenditures	\$ 16,831,179
Total Federal Award Expenditures	\$ 27,432,609
Percent of Total Federal Award Expenditures	61.35%

8. The threshold for distinguishing Types A and B programs was \$822,978.
9. The City of Oceanside was determined to be a high risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statement findings were noted.

City of Oceanside
Single Audit Report (As Reissued)
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2004

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2004-01	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT EDI Grant - Libby Lk CC (CFDA Number 14.246) - Reporting
Criteria	In accordance with OMB Circular A-133, grantees are required to abide by the reporting requirements as documented in the individual grant agreements of the respective programs.
Condition	During the performance of our audit, we noted the following: a. Progress reports, which required to be filed every 6 months, were not submitted as stated in the grant document. b. Grant Close-Out Agreement, Final Financial Report and Final Performance Report, which required to be filed within 90 days of the project completion, were not completed in a timely manner.
Context and Effect	By ensuring that reports are submitted timely, EDI Grant assistance could be accounted for in a timely manner.
Recommendation	We recommend that the City strengthen its controls governing financial report submission process to ensure that it is performed in a timely manner.

City of Oceanside
Single Audit Report (As Reissued)
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2004

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT,
Continued

2004-02 Grant Administration

Findings:

The City did not report all federal expenditures in the Schedule of Expenditures of Federal Awards.

Criteria:

Grantees are required to report all federal expenditures in the Schedule of Expenditures of Federal Awards in the appropriate accounting period. In addition, internal controls should be in place to provide reasonable assurance that all expenditure amounts are properly supported and coded correctly.

Condition:

Because of the failure to report all federal expenditures in the Schedule of Expenditures of Federal Awards, major programs were not identified.

We performed additional audit testing on all major federal programs for the U.S. Department of Justice, CFDA Number 16.007 and 16.710 and for the Environmental Protection Agency, CFDA Number 66.476, and revised expenditures for the U.S. Department of Justice, CFDA Number 16.007, the U.S. Department of Interior - Bureau of Reclamation, the U.S. Department of Homeland Security, CFDA Number 97.008, the U.S. Department of Transportation, CFDA Number 20.600, the Environmental Protection Agency, CFDA Number 66.458, and the Federal Highway Administration, CFDA Number 20.205, as presented as an "Adjustments" column on page 5 of the accompanying Schedule of Expenditures of Federal Awards, for the year ended June 30, 2004, and Finding 2004-02 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2004. The audit work was completed on March 18, 2008 which resulted in the dual-dating of our audit report.

Questioned Costs:

No questioned costs were noted for the current period.

Recommendation:

We recommend that the City setup grant handling policy and report all Federal expenditures in the Schedule of Expenditures of Federal Awards.