

**CITY OF OCEANSIDE, CALIFORNIA**  
**SINGLE AUDIT OF FEDERAL AWARDS**

**JUNE 30, 2009**

CITY OF OCEANSIDE, CALIFORNIA

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December 17, 2009

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

The Honorable Mayor and  
Members of City Council  
City of Oceanside  
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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2009. 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

## Internal Control Over Financial Reporting (Continued)

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 of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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 are required to be reported under Government Auditing Standards.

We noted certain other matters that we have reported to the management of the City of Oceanside in a separate letter dated December 17, 2009.

This report is intended solely for the information and use of the City Council, management, others within the City, 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.

*Diehl, Evans and Company, LLP*



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
 APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
 COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable Mayor and  
 Members of City Council  
 City of Oceanside  
 Oceanside, California

Compliance

We have audited the compliance of City of Oceanside (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditors' 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 Finding Number 2009-01.

### 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 the City'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 City'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 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City'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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### 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 of Oceanside, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 17, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic 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 basic financial statements taken as a whole.

The City of Oceanside's response to the compliance finding identified in our audit is 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 it.

This report is intended solely for the information and use of the City Council, management, others within the City, 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.

*Diehl, Evans and Company, LLP*

February 4, 2010, except to the date for the Schedule of Expenditures of Federal Awards, to which the date is December 17, 2009.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CITY OF OCEANSIDE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2009

Federal Grantor / Pass - Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursements to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grants - Entitlement Grants	14.218	B07-MC-06-0547 B08-MC-06-0547	\$ 2,275,499	\$ 549,080
Emergency Shelter Grants Program	14.231	S08-MC-06-0547	80,095	76,090
Supportive Housing Program	14.235	CA0714B9D100801 CA 16B710005	52,425 87,873	
Subtotal Supportive Housing Program			<u>140,298</u>	
HOME Investment Partnerships Program	14.239	M06, M07, & M-08 -MC-06-0523	872,636	
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-02-SP-CA-0089	60,340	
Section 8 Housing Choice Vouchers	14.871	CA 132VO	14,051,765	
Total U.S. Department of Housing and Urban Development			<u>17,480,633</u>	<u>625,170</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Asset Seizure	16.000	CA 0371000	549,445	
Bulletproof Vest Partnership Program	16.607	2008	2,554	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-1300 2007-DJ-BX-0201	15,830 86,001	
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			<u>101,831</u>	
Passed through San Diego County Sheriff's Department: Services for Trafficking Victims	16.320	517470	2,687	
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	7R650000	44,415	
Total U.S. Department of Justice			<u>700,932</u>	

(Continued)

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 and 4) and Notes to Schedule of Expenditures of Federal Awards (page 7).

CITY OF OCEANSIDE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(CONTINUED)

For the year ended June 30, 2009

Federal Grantor / Pass - Through Grantor / Program	Catalog of Federal Domestic Assistance Number	Program Identification Number	Federal Expenditures	Disbursements to Subrecipients
<u>U.S. Department of Transportation</u>				
Passed through California Department of Transportation: Highway Planning and Construction	20.205	BRLKS-5079(019)	\$ 2,569,127	
Passed through San Diego Association of Governments New Freedom Program	20.521	5000961 5001084	754 23,300	
Subtotal New Freedom Program			<u>24,054</u>	
Passed through UC Berkeley Traffic Safety Center: State and Community Highway Safety	20.600	CT09291 AL0939	8,752 9,151	
Passed through California Office of Traffic Safety: State and Community Highway Safety	20.600	AL0917	<u>127,394</u>	
Subtotal State and Community Highway Safety			<u>145,297</u>	
Total Department of Transportation			<u>2,738,478</u>	
<u>U.S. Environment Protection Agency</u>				
Direct Program: Congressionally Mandated Projects	66.202	XP-97965601-3	<u>41,024</u>	
<u>U.S. Department of Health and Human Services</u>				
Direct Program: Basic Center Grant	93.623	09CY5132/03	<u>23,070</u>	
<u>U.S. Department of Homeland Security</u>				
Direct Program: Disaster Housing Assistance Grant	97.109	CA132FE	<u>4,269</u>	
Passed through the San Diego County Office of Emergency Services: State Homeland Security Program (SHSP)	97.073	073-00000	<u>103,827</u>	
Total U.S. Department of Homeland Security			<u>108,096</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 21,092,233</u>	<u>\$ 625,170</u>

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 and 4) and Notes to Schedule of Expenditures of Federal Awards (page 7).

CITY OF OCEANSIDE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2009

1. GENERAL:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Oceanside (the City). The City's reporting entity is defined in Note 1 of the notes to the City's financial statements. All financial assistance received directly from federal agencies, federal financial assistance passed through other government agencies to the City, as well as federal financial assistance passed through the County of San Diego is included in the accompanying schedule.

2. BASIS OF ACCOUNTING:

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in the Note 1 of the notes to the City's financial statements.

3. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the City's Comprehensive Annual Financial Report.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS:

Amounts reported in the accompanying schedule agree with amounts reported in federal financial reports.

5. FEDERALLY FUNDED LOANS:

The City administers loans, primarily deferred loans, made from funds provided by the following federal programs:

<u>Federal Programs</u>	<u>Loans Expended During the Year Ended June 30, 2009</u>	<u>Loans Outstanding as of June 30, 2009</u>
Community Development Block Grant - Entitlement Grant	\$ 63,630	\$ 1,848,581
HOME Investment Partnership Program	\$ 496,200	\$ 2,990,980

See Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 3 and 4) and the Schedule of Expenditures of Federal Awards (pages 5 and 6).

CITY OF OCEANSIDE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2009

1. Summary of Auditors' Results:

- a. The auditors' report expresses an unqualified opinion on the financial statements of the City of Oceanside.
- b. No instances of significant deficiencies were disclosed during the audit of the financial statement.
- c. No instances of noncompliance material to financial statements of the City of Oceanside, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- d. No instances of significant deficiencies in internal control over major federal award programs were disclosed during the audit.
- e. The auditors' report on compliance for the major federal award programs for the City of Oceanside expresses an unqualified opinion on all major federal programs.
- f. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule. See Finding Number 2009 - 01.
- g. The threshold used for distinguish between type A and type B programs was \$632,767.
- h. The programs tested as major programs were:

Community Development Block Grant - Entitlement Grant - CFDA No. 14.218  
HOME Investment Partnership Program - CFDA No. 14.239  
Section 8 Housing Choice Vouchers - CFDA No. 14.871  
Asset Seizure - CFDA No. 16.000

- i. The City of Oceanside did not qualify as a low-risk auditee.

2. Findings - Financial Statements Audit:

There were no significant deficiencies or noncompliance material to the financial statements which were disclosed by the audit of the financial statements of the City of Oceanside for the year ended June 30, 2009.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF OCEANSIDE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2009

3. Findings and Question Costs - Major Federal Award Programs Audit:

Finding Number 2009-01 - Reporting

**Program**

U.S. Department of Housing and Urban Development - Community Development Block Grant - Entitlement Grant (CFDA No. 14.218), Grant Identification No. B08-MC-06-0547.

**Condition**

The results of our reporting test work indicated that the City did not file the Federal Cash Transactions Reports (SF-272) on a timely basis for all quarters during the fiscal year.

**Criteria**

The applicable federal code (24 CFR 84.52) states, "Recipients shall be required to submit not more than the original and two copies of the SF-272 15 calendar days following the end of each quarter."

**Effect**

The City may be penalized or fined for its noncompliance with program compliance requirements.

**Questioned Cost**

None noted.

**Recommendation**

We recommend that the City establish procedures to ensure that the required reports are filed on a timely basis. The performance of these procedures should be documented to ensure compliance with the monitoring and review programs.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CITY OF OCEANSIDE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2009

3. Findings and Question Costs - Major Federal Award Programs Audit (Continued):

Finding Number 2009-01 – Reporting (Continued)

**Management Response**

During HUD Program Year 2008 (7/1/2008-6/30/2009) the City established new procedures for submitting the quarterly SF-272 form; during Program Year 2009 the City has submitted each report correctly and in a timely manner. Program staff and accounting staff have calendar reminders of the date these reports are due. The CDBG Program Manager maintains both electronic and paper copies of the reports and the dates submitted to the HUD-Los Angeles Field Office. The City intends to remain in full compliance with requirements for submittal.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).

CTY OF OCEANSIDE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2009

Finding No. 2008-01 - Reporting

**Major Program**

U.S. Department of Housing and Urban Development - Community Development Block Grant - Entitlement Grant (CFDA No. 14.218).

**Condition**

The results of our reporting test work indicated the City did not file the Federal Cash Transactions Reports (SF-272) on a timely basis for all quarters during the fiscal year.

**Recommendation**

We recommend that the City establish procedures to ensure that required reports are filed on a timely basis. The performance of these procedures should be documented to ensure compliance with the monitoring and review programs.

**Current Status**

Not resolved, see current year Finding No. 2009 - 01.

See Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards (pages 1 through 4).