City of Oceanside

Oceanside, California

Single Audit Reports
(As Reissued)

For the year ended June 30, 2005

C&L
Caporicci & Larson
Certified Public Accountants

City of Oceanside
Single Audit Report (As Reissued)
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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, 2005, and have issued our report thereon dated September 16, 2005. 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 Federal Highway Administration, CFDA Number 20.205, and revised expenditures for the U.S. Department of Interior – Bureau of Reclamation, CFDA Number 15.504, the U.S. Department of Transportation, CFDA Number 20.600, the Office of Homeland Security, CFDA Number 97.008, and the Federal Highway Administration, CFDA Number 20.205,* as presented as an "Adjustments" column on page 5 and 6 of the accompanying Schedule of Expenditures of Federal Awards, for the year ended June 30, 2005, and Findings 2005-01 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2005. 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 2005-01.

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.

Caporicci & Larson

Irvine, California
September 16, 2005, except for additional findings described in the paragraphs above as to which the date is March 18, 2008

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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, 2002. 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 Federal Highway Administration, CFDA Number 20.205, and revised expenditures for the U.S. Department of Interior – Bureau of Reclamation, CFDA Number 15.504, the U.S. Department of Transportation, CFDA Number 20.600, the Office of Homeland Security, CFDA Number 97.008, and the Federal Highway Administration, CFDA Number 20.205,* as presented as an "Adjustments" column on page 5 and 6 of the accompanying Schedule of Expenditures of Federal Awards, for the year ended June 30, 2005, and Findings 2005-01 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2005. 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, 2005. 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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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 2005-01.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City as of and for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005. 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.

Caporicci & Larson

Irvine, California
September 16, 2005, 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, 2005

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					
Community Development Block Grant Programs:					
Lower Income Housing - Voucher Program	14.871*	CA132VO	$ 12,557,984	$ -	$ 12,557,984
Community Development Block Grant - Entitlement	14.218	B02&B03-MC-06-0547	1,495,681	-	1,495,681
Supportive Housing Demonstration Program (WRC) 04-05	14.235	CA16B310003	37,824	-	37,824
Supportive Housing Demonstration Program (WRC) 05-06	14.235	CA16B310003	40,893	-	40,893
Emergency Shelter Grant	14.231	S04MC060547	55,536	-	55,536
Crown Heights Imprv - EDI Grant	14.246	B02SPCA0089	32,240	-	32,240
HOME Program	14.239	M03-MC060523	175,818	-	175,818
HOME Program	14.239	M04-MC060523	345,260	-	345,260
Total U.S. Department of Housing and Urban Development			14,741,236	-	14,741,236
U.S. Department of Health and Human Services					
Homeless Youth Shelter-Cycle 3-Year 2-10/03-9/04	93.623	09CY5083/02	35,686	-	35,686
Homeless Youth Shelter-Cycle 3-Year 2-10/04-9/05	93.623	09CY5083/03	76,680	-	76,680
Total U.S. Department of Health and Human Services			112,366	-	112,366
U. S. Department of Justice					
Federal Seized Assets	16.000		105,514	-	105,514
LLEBG 02	16.592	2002-LB-BX-1967	77,616	-	77,616
LLEBG 03	16.592	2003-LB-BX-2680	122,643	-	122,643
LLEBG 04	16.592	2004-LB-BX-0407	887	-	887
COPS More	16.710	2001-CL-WX-0038	70,231	-	70,231
Total U. S. Department of Justice			376,891	-	376,891
U.S Department of the Interior - Bureau of Reclamation					
Mission Basin Brackish Water Desalting Project	15.504*	00FC-30-0033	559,664	(559,664)	-
Total U. S. Department of the Interior - Bureau of Reclamation			559,664	(559,664)	-
U.S. Environmental Protection Agency					
U.S. Fish and Wildlife Services	15.628	FSW-11430-4-J0001	26,452	-	26,452
Total Environmental Protection Agency			26,452	-	26,452
U.S. Department of Transportation					
FAA Airport Grant	20.106*	DTFA08-03-C-21682	172,500	-	172,500
FAA Airport Grant	20.106*	DTFA08-04-C-21820	172,500	-	172,500
Office of Traffic Safety Grant	20.600		-	80,282	80,282
Total U.S. Department of Transportation			345,000	80,282	425,282

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Oceanside
Single Audit Report (As Reissued)
Schedule of Expenditures of Federal Awards, Continued
For the year ended June 30, 2005

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Preliminary Balance	Adjustments	Final Federal Expenditures
Federal Highway Administration					
Oside Transit Parking Structure	20.205*		-	5,660,230	5,660,230
Pacific Street Bridge	20.205*		-	305,445	305,445
Douglas Street Bridge	20.205*		-	47,094	47,094
North Coast Bridge	20.205*		-	40,537	40,537
RDO & 78 Interchange	20.205*		-	132,973	132,973
Coastal Rail Trail	20.205*		-	12,491	12,491
Seismic Retrofit	20.205*		-	326	326
Crouch/Loma Alta	20.205*		-	5,379	5,379
Coastal Rail Trail	20.205*		-	1,011,620	1,011,620
Total Federal Highway Administration			-	7,216,095	7,216,095
Office of Homeland Security					
OFD - UASI Grant #2004 - 14	97.008	OES IS#073-66000	126,556	4,310	130,866
Total Office of Homeland Security			126,556	4,310	130,866
U.S. Department of Justice					
OJP - Fire Equip Grant (7/1/04 - 3/31/05)	16.007		31,477	-	31,477
OJP - Fire Equip Grant 03 part 2	16.007		9,362	14,363	23,725
OJP - H&B - Police Equipment Grant (7/1/04 - 3/31/05)	16.unk		86	-	86
U.S. Department of Justice			40,925	14,363	55,288
Total Federal Awards			$ 16,329,090	$ 6,755,386	$ 23,084,476
Prior Year Office of Justice Programs					
OJP - Fire Equipment Grant (7/1/01 - 6/30/02)	16.007		$ 41,722	$ -	$ 41,722
OJP - Fire Equipment Grant (7/1/02 - 6/30/03)			3,116	-	3,116
OJP - Fire Equipment Grant (7/1/03 - 6/30/04)			113,164	-	113,164
H&B - Police Equipment Grant (7/1/03 - 6/30/04)			16,076	-	16,076
Total Prior Year Office of Justice Programs			$ 174,078	$ -	$ 174,078

*Denotes major program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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.

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:

Major Program	Expenditures
Lower Income Housing - Voucher Program	$ 12,557,984
FAA Airport Grant	345,000
Federal Highway Administration	7,216,095
Total Major Program Expenditures	$ 20,119,079
Total Federal Award Expenditures	$ 23,084,476
Percent of Total Federal Award Expenditures	87.15%

8. The threshold for distinguishing Types A and B programs was $692,534.

9. The City of Oceanside was determined to be a high risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statements findings were noted.

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

2005-01 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 Federal Highway Administration, CFDA Number 20.205, and revised expenditures for the U.S. Department of Interior – Bureau of Reclamation, CFDA Number 15.504, the U.S. Department of Transportation, CFDA Number 20.600, the Office of Homeland Security, CFDA Number 97.008, and the Federal Highway Administration, CFDA Number 20.205,* as presented as an "Adjustments" column on page 5 and 6 of the accompanying Schedule of Expenditures of Federal Awards, for the year ended June 30, 2005, and Findings 2005-01 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2005. 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.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

2004-2	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.
Status	In progress.
Management Response	The Housing and Neighborhood Services Department reported previously that it had strengthened training for management of EDI grants to ensure that each specific EDI grant would be handled by a program manager who was fully aware of reporting and audit requirements. The City currently has three EDI grants, two under the Housing and Neighborhood Services Department and one under the Parks and Recreation Department. All grants are current with progress reporting requirements. The recommendation that "the City strengthen its controls governing the financial report submission process to ensure that it is performed in a timely manner" is being implemented. The Single Audit also reported that the Close-out Agreement, Final Financial Report and Final Performance. Report for an EDI grant had not been filed in a timely manner. The City did file the final Financial Status Report (SF-269A) in July 2004 for the project but has not received a close-out package from HUD. The City has requested that this package be provided and will continue to request the package from HUD.