

City of Oceanside

Oceanside, California

Single Audit Reports
(As Reissued)

For the year ended June 30, 2006

City of Oceanside
Single Audit Report (As Reissued)
For the year ended June 30, 2006

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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, 2006, and have issued our report thereon dated September 15, 2006. 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 Office of Domestic Preparedness/DHS, CFDA Number 83.554, and revised expenditures for the U.S. Department of Interior – Bureau of Reclamation, CFDA Number 15.504, the Office of Homeland Security, CFDA Number 97.008, 97.073, and 98.008, the U.S. Federal Transportation Authority, CFDA Number 20.600, and the U.S. 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, 2006, and Finding 2006-01 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2006. 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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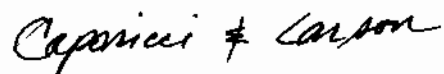
To the Honorable Mayor and Members of City Council
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Oceanside, California

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 2006-01.

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.



Irvine, California

September 15, 2006, 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

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, 2006. 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 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 Office of Domestic Preparedness/DHS, CFDA Number 83.554, and revised expenditures for the U.S. Department of Interior – Bureau of Reclamation, CFDA Number 15.504, the Office of Homeland Security, CFDA Number 97.008, 97.073, and 98.008, the U.S. Federal Transportation Authority, CFDA Number 20.600, and the U.S. 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, 2006, and Finding 2006-01 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2006. 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, 2006. 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
of the City of Oceanside
Oceanside, California
Page Two

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.

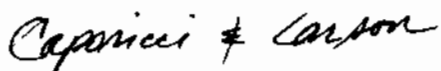
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 2006-01.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City as of and for the year ended June 30, 2006, and have issued our report thereon dated September 15, 2006. 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 15, 2006, 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, 2006

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Preliminary Balance	Adjustments	Final Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>					
<i>Community Development Block Grant Programs:</i>					
Lower Income Housing - Voucher Programs	14.871*	CA132VO	\$ 12,249,248	\$ -	\$ 12,249,248
Community Development Block Grant - Entitlement	14.218	B04&05-MC-06-0547	2,080,173	-	2,080,173
Supportive Housing Demonstration Program (WRC) 05-06	14.235*	CA168310003	105,810	-	105,810
Supportive Housing Demonstration Program (WRC)	14.235*	CA168510007	60,280	-	60,280
Emergency Shelter Grant	14.231	S04MC060547	99,030	-	99,030
CrHghtsAlleyRpr-Neib Init	14.unk	B-02-NI-CA-OC-00006	250,000	-	250,000
Crown Heights Imprv - EDI Grant	14.246	B02SPCA0089	9,086	-	9,086
HOME Program - Admin	14.239*	M00,01,02,03,04&05-MC-060523	94,580	-	94,580
HOME Program - Brothr Berno Rehab	14.239*	M00,01,02,03,04&05-MC-060524	255,279	-	255,279
HOME Program - La Mision Proj	14.239*	M00,01,02,03,04&05-MC-060525	2,056,300	-	2,056,300
HOME Program - HOMEownership	14.239*	M00,01,02,03,04&05-MC-060526	501,112	-	501,112
HOME Program - FSS HOMEownership	14.239*	M00,01,02,03,04&05-MC-060527	118,357	-	118,357
HOME Program - Program Income	14.unk		260,554	-	260,554
Total U.S. Department of Housing and Urban Development			18,139,809	-	18,139,809
<u>U.S. Department of Health and Human Services</u>					
Homeless Youth Shelter - Cycle 3 - Year3 - 10/04-9/05	93.623	09CY5083/03	23,320	-	23,320
Homeless Youth Shelter - 10/05-9/06	93.623	09CY5132	76,655	-	76,655
Total U.S. Department of Health and Human Services			99,975	-	99,975
<u>U. S. Department of Justice</u>					
Federal Seized Assets	16.000		13,615	-	13,615
LLEBG 02	16.592	2002-LB-BX-1967	32,061	-	32,061
LLEBG 03	16.592	2003-LB-BX-2680	32,250	-	32,250
LLEBG 04	16.592	2004-LB-BX-0407	44,205	-	44,205
JAG Federal Grant - A 05	16.unk		21,916	-	21,916
Total U. S. Department of Justice			144,047	-	144,047
<u>U.S. Department of the Interior - Bureau of Reclamation</u>					
Mission Beach Brackish Water Desalting Project	15.504	00-FC-30-0033	144,212	(144,212)	-
WUD - Bureau of Reclamation Grant	15.504	02-FC-0065	-	20,000	20,000
EPA Grant-Mission SLR W/L	15.unk		3,298	-	3,298
Total U. S. Department of the Interior - Bureau of Reclamation			147,510	(124,212)	23,298
<u>Environmental Protection Agency</u>					
U.S. Fish & Wildlife Svcs	15.628	FSW-11430-4-J001	21,598	-	21,598
Total Environmental Protection Agency			21,598	-	21,598

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, 2006

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Preliminary Balance	Adjustments	Final Federal Expenditures
<u>Office of Justice Programs (OJP)</u>					
OJP - Fire Equip Grant (7/1/04 - 3/31/05)	16.unk		19,483	-	19,483
OJP - Fire Equip Grant 03 part 2	16.unk		81,173	-	81,173
Total Office of Justice Programs			100,656	-	100,656
<u>Office of Homeland Security</u>					
OFD-UASA Grant #2004-14	97.008	OES ID#073-66000	47,141	(10,057)	37,084
SHSGP 04	97.073	OES ID#073-66000	-	85,060	85,060
SHSGP 05	97.073	OES ID#073-66000	-	6,214	6,214
OFD-OES UASI	98.008	OES ID#073-66000	113,464	55,929	169,393
OFD - SD Safe Grant	99.008		30,140	-	30,140
Total Office of Homeland Security			190,745	137,146	327,891
<u>Office of Domestic Preparedness/DHS</u>					
OFD FEMA Grant-Assistance to Firefighters	83.554*		447,834	(102,251)	345,583
Total Office of Domestic Preparedness/DHS			447,834	(102,251)	345,583
<u>U.S. Federal Transportation Authority</u>					
Office of Traffic Safety	20.600	AL0439	-	51,845	51,845
Office of Traffic Safety	20.600	PT0611	-	182,661	182,661
Total Federal Transportation Authority			-	234,506	234,506
<u>U.S. Federal Highway Administration</u>					
Osido Transit Parking Structure	20.205		-	1,488,368	1,488,368
Pacific Street Bridge	20.205		-	266,934	266,934
Douglas Street Bridge	20.205		-	12,410	12,410
North Coast Bridge	20.205		-	6,510	6,510
RDO & 78 Interchange	20.205		-	97,917	97,917
Coastal Rail Trail	20.205		-	148,301	148,301
Total Federal Highway Administration			-	2,020,440	2,020,440
Total Federal Awards			\$ 19,292,174	\$ 2,165,629	\$ 21,457,803

*Denotes major program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Oceanside
Single Audit Report (As Reissued)
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2006

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 Bridge Corporation

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, 2006

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>
OFD FEMA Grant - Assistance to Firefighters	\$ 345,583
Lower Income Housing - Voucher Program	12,249,248
Supportive Housing Demonstration Program (WRC)	166,090
HOME Program	<u>3,025,628</u>
Total Major Program Expenditures	\$ 15,786,549
Total Federal Award Expenditures	\$ 21,457,803
Percent of Total Federal Award Expenditures	<u>73.57%</u>

8. The threshold for distinguishing Types A and B programs was \$643,734.
9. The City of Oceanside was determined to be a high risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No financial statements findings were noted.

City of Oceanside
Single Audit Report (As Reissued)
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2006

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

2006-01 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 Office of Domestic Preparedness/DHS, CFDA Number 83.554, and revised expenditures for the U.S. Department of Interior – Bureau of Reclamation, CFDA Number 15.504, the Office of Homeland Security, CFDA Number 97.008, 97.073, and 98.008, the U.S. Federal Transportation Authority, CFDA Number 20.600, and the U.S. 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, 2006, and Finding 2006-01 of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2006. 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.

City of Oceanside
Single Audit Report (As Reissued)
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2006

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	<p>During the performance of our audit, we noted the following:</p> <ul style="list-style-type: none"> a. Progress reports, which were 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 were 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.